



Building Support, Stability, and Strength

1: Background

The CICA Regulation, 12 C.F.R. Part 1292, requires each FHLBank to develop a Community Lending Plan. This plan is approved by the FHLBank's board of directors and requires each FHLBank to:

1. conduct market research in its district;
2. describe how it will address the identified credit needs and market opportunities;
3. consult with its Advisory Council, members, non-member borrowers, and public and private economic development organizations in its district; and
4. establish quantitative community lending performance goals.

The CICA regulation defines "community lending" as "providing financing for economic development projects or activities for targeted beneficiaries." The Federal Home Loan Bank of Indianapolis ("FHLBank Indianapolis") 2018-2020 Strategic Plan, the 2018 Affordable Housing Program Implementation Plan, and this plan will provide a comprehensive approach to serving our members using all of the FHLBank Indianapolis's products and services. The Strategic Plan focuses on four strategies for progress that are designed to deliver results while carefully balancing our risk appetite: promoting advances, managing capital, growing MPP solutions, and promoting communities. This approach is highlighted in our mission as follows.

Mission

Our core mission is to provide a reliable source of liquidity to member banks, credit unions, community development financial institutions, and insurance companies to support housing finance, asset-liability management, and community lending. We also help communities and families through grants and low-cost loans to our members that help support affordable housing and economic development initiatives.

Strategic Objectives

Promote Advances: Provide members with a reliable and competitive source of funding for housing finance, community lending, asset-liability management, and liquidity.

Grow MPP Solutions: Provide an attractive and efficient secondary market outlet for members to sell their mortgage loans.

Manage Capital: Create value for members by simultaneously meeting their funding needs, providing an attractive return on their stock investment, and prudently managing our financial risk profile.

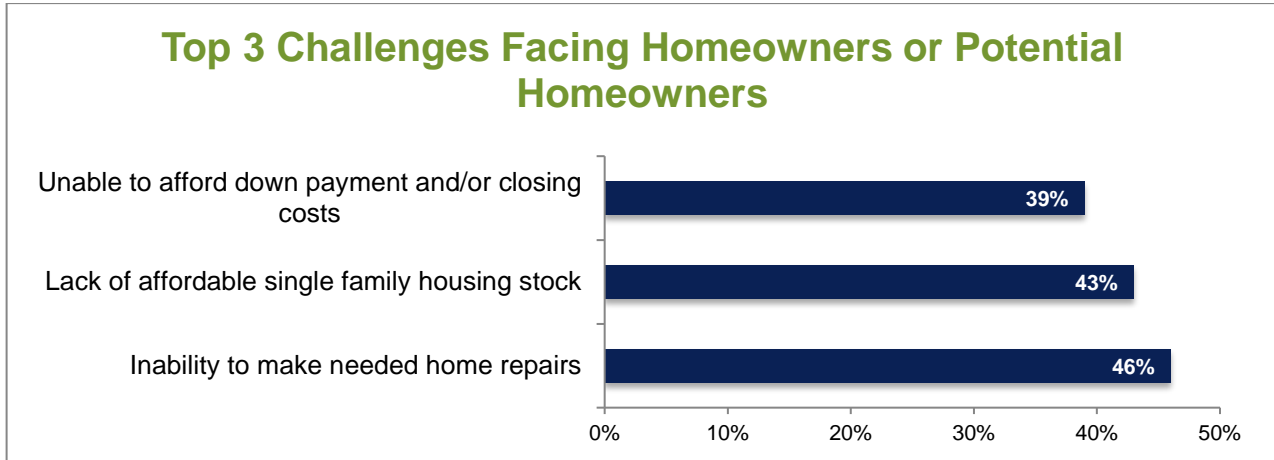
Promote Communities: Provide funding to assist low- to moderate-income families obtain affordable housing and to support economic growth and employment within local communities.

2: Market Needs Assessment

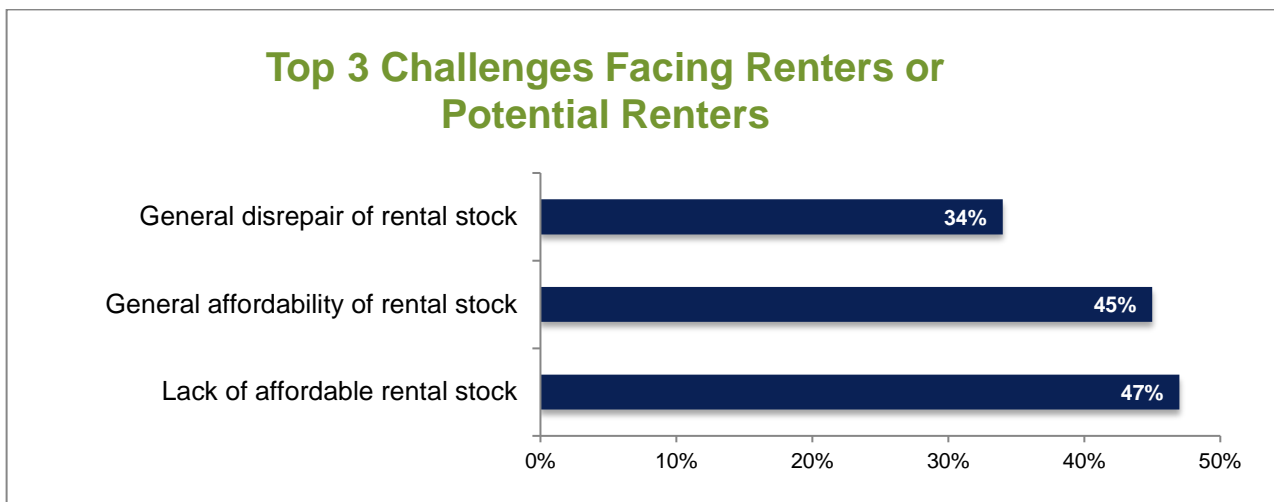
In planning for the 2018 Community Lending Plan, FHLBank Indianapolis contracted with the Indiana Association for Community Economic Development d/b/a Prosperity Indiana ("Prosperity Indiana") and the Community Economic Development Association of Michigan ("CEDAM") to survey members and community partners. The survey was distributed to FHLBank Indianapolis members and partners, Prosperity Indiana members, and CEDAM members. In 2017, there were 349 survey respondents compared to 221 respondents in the 2016 survey. Of the responses, about 10% percent were FHLBank Indianapolis members. Responders were asked to identify the area of operation of their organization. The majority of member respondents serve a multi-county area in their region. Of the nonmember responses, nearly 52 percent serve a multi-county area, while 48 percent serve a single county.

Survey participants were asked to list the homeowner/potential homeowner, renter/potential renter and non-housing community economic development needs for their customer base or community.

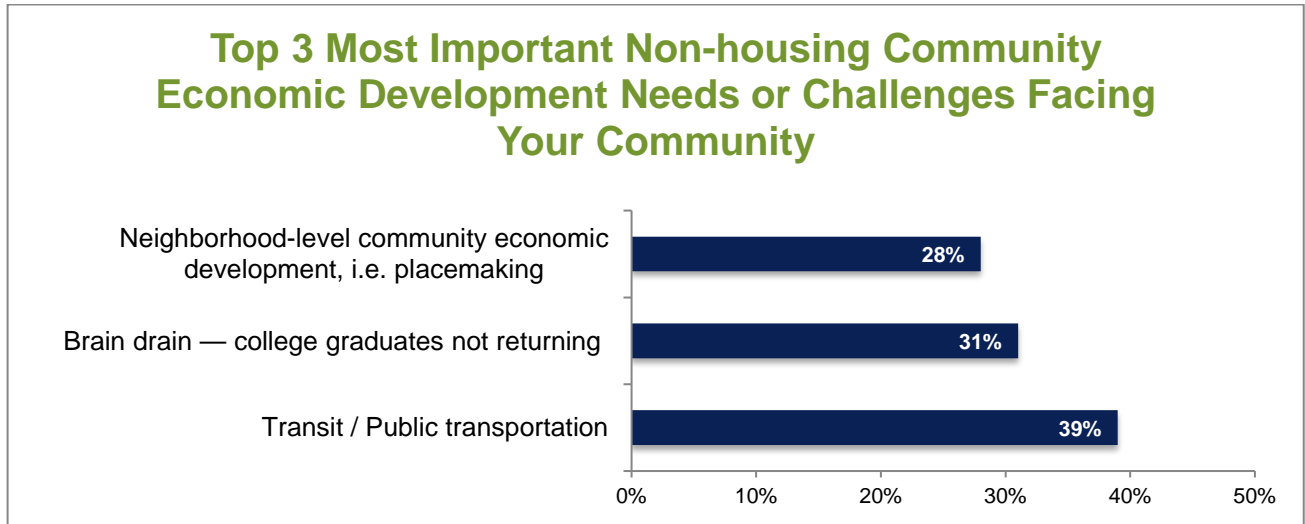
The top needs for homeowners/potential homeowners are:



The top needs for renters/potential renters are:

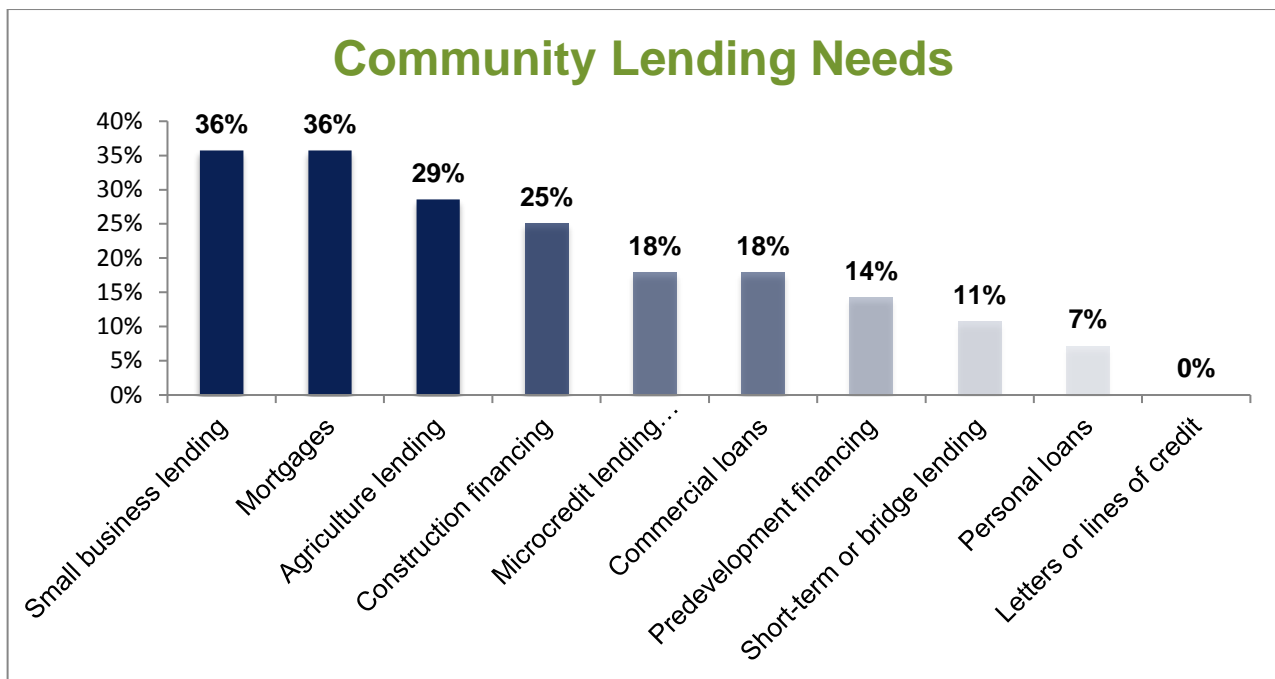


The top non-housing needs are:



There were 141 survey responses from Indiana and 208 responses from Michigan. In terms of challenges/needs for homeowners/potential homeowners, there is parity between Indiana and Michigan communities in the inability to complete needed repairs (50% in Indiana and 48% in Michigan). Lack of affordable single-family homes was the second issue in Indiana (44%) and in Michigan (41%). There was also parity between Indiana and Michigan communities in terms of challenges facing renters/potential renters, with the top issue in both states identified as the availability of rental stock (47% in Indiana and 48% in Michigan). Transit/public transportation issues were the top non-housing community economic development issues in both Indiana and Michigan.

FHLBank Indianapolis members were asked to identify their greatest community lending needs, identifying mortgages, small business lending, agriculture lending and construction financing as their top needs. These responses are a shift from the 2016 responses when agriculture lending and construction financing were noted as top needs by only 5% of respondents.



The survey attempted to measure respondents' familiarity with Community Investment programs. Nearly 43 percent of member survey participants were "only a little familiar" with the Affordable Housing Program ("AHP"), and another 39 percent were "somewhat familiar" with the program. Nearly 93 percent of survey respondents had not applied for an AHP grant in the past five years. The greatest response for "why not?" was "not enough staff/resources" (46%). A comment was made that the process was too cumbersome for banks with less than \$1B in assets. These results indicate continued need for the Community Lending Plan goals of communicating the existence and value of the programs to FHLBank Indianapolis members and sponsor organizations and training on how to access the funds.

The survey responses also provided valuable feedback through open-ended questions, requesting examples of successful recent community economic development projects. The majority of the successful examples involved partnerships with multiple stakeholders and layered funding sources. This feedback supports the competitive AHP scoring categories that encourage leveraging AHP subsidy. The majority of successful development projects that did not involve housing supported small business development and job creation in communities. Many development budgets for the projects identified in the survey were less than \$50,000, which supports the need for Elevate, our new small business grant program which is described in Section 6 below. Areas where survey respondents' projects had the most challenges were around financial resources, gap financing, technical support, and internal capacity. Looking forward five years, respondents expect increased need for housing at all levels – both for blue and white collar workers, senior housing, permanent supportive housing, mixed income housing and mixed use development. Housing prices are growing while the acceptable stock is declining. Aging housing stock will need more and more repairs. Neighborhoods need more jobs, improved safety, enhanced transit development, down payment assistance for home buyers and financial education.

Based on identified market needs, Prosperity Indiana and CEDAM suggest that FHLBank Indianapolis consider:

- Working with FHLBank Indianapolis member banks and identified community economic development partners to raise awareness of programs. Even among member banks, awareness of the programs is limited, and it is particularly limited among organizations in the community economic development industry. Survey participants believe the programs would be useful for their organizations, but they lack awareness. Efforts to disseminate information about the programs need to be made consistently as people move around the field, organization missions change to respond to evolving needs in communities, and people shift roles within organizations and are only aware of programs that directly impact their work.
- Much like the partnership with Prosperity Indiana and CEDAM for the community lending survey, FHLBank Indianapolis could partner with state community economic development associations to disseminate information about the FHLBank Indianapolis programs. This could be through email messages, guest (or sponsored) blog posts, webinars, presentations, and newsletters. FHLBank Indianapolis should also continue to present on FHLBank Indianapolis programs at conferences and events, as well as act as a sponsor at events in order to have visibility within the community economic development field. In addition, continuing to host regional events to showcase FHLBank Indianapolis programs is of utmost importance. Raising awareness of the programs could lead to more applications and applications for more robust projects.
- Developing and making accessible on-demand tools to assist potential applicants and FHLBank Indianapolis member banks in developing applications. Both member banks and community economic development industry participants expressed a need for training and technical assistance with the applications and process. Although there are webinars and other tools on the public website, there is either lack of awareness of them or they are not addressing the needs of the potential applicants. Availability of the webinars could be disseminated through the community economic development associations to have a greater reach.

- Assigning a staff program expert as a liaison for applicants and sharing how to contact that expert would also assist both member banks and potential applicants who are working to submit an application to advance their work. It would also be extremely important that the staff person be highly visible in both Michigan and Indiana. Members and community economic development industry participants who have used the programs over several years feel that FHLBank Indianapolis has been responsive to information needs and flexible in working with them on projects, but the bank's reputation isn't widely known.
- Reviewing FHLBank Indianapolis program timelines, particularly for programs that are used as part of a subsidy stack, relative to the timing of state and federal housing development finance programs. Some participants noted that the timelines for the various programs, especially AHP, do not align well with other funding sources like Low Income Housing Tax Credits ("LIHTC"). The AHP can be an important part of a capital stack, but if the timing doesn't help the project it can be difficult to include AHP funding and may disincentivize applicants from applying for AHP products.

The Affordable Housing Advisory Council (AHAC) and Affordable Housing Committee (AHC) also provide valuable input throughout the year on our district's housing and lending needs. We will continue to use their input and will survey members and community partners following outreach and training events and as part of the planning for the 2019 Implementation Plan and Community Lending Plan.

3: Marketing, Outreach and Training

In 2017, the Community Investment Department ("CID") staff continued its collaboration with the Marketing Department to broaden the impact of all CID programs, including CIP advances. We responded to members' needs using joint venues and training workshops throughout the district to promote FHLBank Indianapolis products and resources. Through these and other outreach efforts, we have continued to increase the number of new member participants. CIP advances in 2017 exceeded the year's goal. Collaboration with Marketing will continue in 2018 with additional efforts to segment our members and identify target users of CID products.

Six training sessions were offered in March 2017, divided equally between Indiana and Michigan. In addition to providing overview information about the AHP, the Homeownership Initiatives and CIP, the workshops included presentations by member financial institution representatives who shared their experiences with community investment products and lessons learned. We also conducted a survey about economic development needs as part of our research to develop a voluntary grant program.

The mandatory member training for Homeownership Initiatives was delivered via 3 webinars. The webinar training focused on qualifying the household for the programs and the requirements around obtaining repair bids. The webinars were well attended with 420 member representatives, community partners and nonprofit organizations participating. We posted recorded webinars to our public website for future viewing and training, meeting one of our 2017 Community Lending Plan goals.

In 2017, the Community Investment staff provided outreach to all member financial institutions and to partner organizations in Michigan and Indiana through its extensive mailing list and each state's non-profit housing and economic development trade organizations. Staff participated on several task force groups or councils and served as panelists for training sponsored by the state housing finance authorities and statewide housing and community economic development conferences. At each statewide conference, we presented a representative from one of our member financial institutions with a Community Spirit Award to honor the individual's outstanding commitment to affordable housing and community economic development. In addition, staff gave presentations at two (2) Interagency forums throughout the district. FHLBank

Indianapolis staff exhibited at both the Indiana and Michigan Habitat for Humanity conferences in the fall. AHP in-depth training was offered to 2017A applicants through Training on Demand and Technical Assistance on Demand options available through members, a series of webinars, helplines, help mail, and six days of technical application reviews prior to the application deadline. A Community Investment presentation was also incorporated into the Member Symposium held in each state, with a lunch presentation of a member-sponsor success story of property development in Detroit that improved the lives of area residents and families.

Finally, we built on the success of a pilot program, named Community Mentors, that was introduced in November 2016. Community Mentors targets a small community where community leaders convene to learn from others who have successfully navigated the challenges of engaging community stakeholders to find enduring local solutions for a variety of community and economic development needs. For this event, CID staff assembles teams from around the district who have navigated through the many obstacles and challenges of building strong communities. In May 2017, 68 attendees in Frankfort, IN heard about blight elimination and land banking, learned about community resources from the state Office of Community and Rural Affairs, saw examples of owner-occupied rehab, work force and market rate housing development, learned about placemaking and community engagement through a clearing house, and heard about another community's Grants for Grads program. In December 2017, 37 attendees in Mount Pleasant, MI heard about implementing a community development plan from the Saginaw Chippewa Indian Tribe of Michigan, learned about placemaking, learned about creating healthy neighborhoods with the social determinants of health, and saw examples of how one of our Community Development Financial Institution ("CDFI") members identifies community needs and housing gaps. After hearing from the community mentors, attendees at both sessions broke into round table discussion and left the session with actionable items.

The 2018 outreach and training calendar will repeat successful regional outreach efforts with Marketing staff, which will be conducted in both Indiana and Michigan to give an overview of all Community Investment offerings while providing member/sponsor testimonials and networking opportunities. The 2018 workshops will be used to launch Elevate, a small business development grant program described in greater detail in Section 6 below. In addition, program information will be presented at the state affordable housing conferences in our district as well as at conferences sponsored by the Interagencies, CRA associations, Credit Union Leagues, Community Action Agencies and various other organizations involved in housing and community economic development and community lending. Working with Marketing and other bank staff to better segment our membership, we continually identify opportunities for affordable housing and community investment for our members. We will focus on adding value for our members, benefiting communities by involving members in local development and impacting communities with quality targeted community lending.

4: Affordable Housing Program (AHP)

FHLBank Indianapolis's AHAC and AHC are comprised of committed and experienced housing and community development advocates and developers, as well as member financial institutions. In addition to the quarterly meetings, an Implementation Plan Subcommittee met monthly by conference call from June through early November to develop the 2017 Community Lending Survey, review the preliminary results of the 2017 Plan and recommend changes for 2018. The Implementation Plan Subcommittee completed its work in November, allowing for the 2018 AHP Implementation Plan to be submitted for AHAC/AHC consideration and recommendation for Board approval at the November Board of Directors meeting. For 2018, the first district priorities are member financial involvement and rural housing. Up to 8 points are available for projects demonstrating financial involvement by the AHP sponsoring member through permanent financing, construction/bridge financing, letter of credit and/or a monetary donation in support of the housing development costs. Up to 3 points are available for projects located in rural designated counties as identified by 2010 U.S. Census data.

Second district priorities support opportunity targeting, desirable sites initiatives, cost containment and project readiness to proceed. Opportunity targeting provides up to 4 points for projects reserving at least 10% and up to a maximum of 25% of units for households with a total income that is at or below 30% of the area median income. Under this category, projects committed to establishment of a rent subsidy program shall receive 2 points. Desirable sites initiative has up to 8 points available for projects that demonstrate proximity/access to transportation and listed amenities. Cost containment provides

up to 3 points for housing initiatives deploying reasonable total per-unit development cost containment strategies. Five (5) points will be awarded to projects demonstrating readiness to proceed based upon firm funding commitments documented at the time of application.

With 65% of our total Affordable Housing allocation available for the competitive program, we awarded \$10.4 million to 27 applicants in one funding round. The 27 awards include two (2) alternate awards with tied scores that were awarded in December 2017 following the decommitment of one project. The majority of awarded projects are rental properties developed by non-profit organizations on sites with amenities that are desirable for the population being served. Over half of the awarded projects received points for readiness to proceed, green building features and some level of FHLBank Indianapolis member financial involvement in the development budget.

5: Homeownership Initiatives (set-aside programs)

The FHLBank Indianapolis will continue contributing the maximum 35% allowable for 2018. FHLBank Indianapolis will make the Homeownership Initiative funding available as *Express* (first come, first served) in one release, without designating specific uses to allow maximum flexibility for our member institutions to use funding based on district needs. As part of the 2018 set-aside calculation, one-third of the aggregate allocation will be to assist first-time homebuyers and \$350,000 will be allocated to accessibility modifications.

Homeownership Initiative funding was available until late June 2017. With funds exhausted so quickly, we will continue to have one funding release in 2018. In 2017, member participants accessed approximately \$4.9 million in funding that provided assistance to over 639 households.

In 2017, NIP was the most popular product among the member financial institutions. HOP finished strong as well in 2017. Several members participated in AMP and provided \$900,000 to improve accessibility for household residents by installing ramps and modifying bathrooms.

6: Elevate (Small Business Grant Program)

The 2017 Community Lending Plan included a goal to present a proposal for a voluntary community economic development program to the AHAC and AHC in September 2017. A cross functional team was formed in early 2017 to research options. The team started with survey results from the most recent Community Lending Survey to identify the district's top non-housing needs. The team conducted further research with statewide community economic development associations and other FHLBanks to develop a survey for attendees of the March 2017 Workshops held throughout the district. Based on this input, three potential programs were outlined and presented to member focus groups during the summer.

Following the focus groups, the team focused on further development of a small business grant program. A working group of four FHLBank Indianapolis directors provided valuable input to finalize a prototype for presentation at the September 2017 AHAC and AHC meeting. With further refinement from the team and Board working group, the proposed product, named Elevate, was approved at the November 2017 board meeting.

We will create an implementation guide, application and marketing materials to hold the first offering of Elevate in summer 2018. Funds can be applied towards the cost of small business capital expenditures or training focused around small business development. The maximum grant size is \$25,000 with a target of \$250,000 in total funding.

7: Community Support Program

The Community Support Program regulation, 12 CFR Part 1290, was amended on May 28, 2015. The amendments replaced the process of selecting one-eighth of all applicable members for eight quarterly reviews by the Federal Housing Finance Agency (“Finance Agency”) over a two-year review cycle with a process of the FHFA reviewing all applicable members at the same time every two years. By March 31, 2017, we provided written notice to all members subject to Community Support review that such member must submit a completed Community Support Statement to the Finance Agency by December 31, 2017.

The Finance Agency is required to establish regulations with standards of community investment or service for members of FHLBanks to maintain access to long-term advances. For purposes of this regulation, a long-term advance has a term to maturity greater than one year.

8: 2017 Goals and Accomplishments

Goals	Accomplishments
Originate \$100 – 150 million in CIP advances and letters of credit.	2017 CIP originations totaled \$326.5 million. Advances totaled \$306.5 million and CIP-related letters of credit (including interest) totaled \$20 million.
Support multifamily housing, small business, small farm, or small agri-business lending by encouraging community financial institutions (“CFI”) use of advances for these purposes through targeted promotional initiatives, monitoring over collateralization requirements for “CFI eligible” collateral, and monitoring amount of “CFI eligible” collateral pledged.	As part of our quarterly analysis, CFI over-collateralization levels are reviewed as is the amount of CFI eligible collateral that is pledged. Both reports are presented quarterly to the Member Services Committee. Also, promotional product sheets used at individual and larger member meetings highlight the additional collateral that is available to be pledged by CFIs.

<p>Expand the impact of both AHP and CIP by increasing the number of new participants through focused outreach and training workshops. Partner with members, housing associates, member trade organizations, and economic development organizations to develop affordable housing and community development opportunities.</p> <ul style="list-style-type: none"> ○ Contact 100% of member institutions with program outreach materials. ○ Work with partner organizations to promote events and include articles in their regular communications. ○ Increase attendance at training events by 10%. ○ Achieve a target of 4 new AHP member participants. ○ Achieve a target of 4 new set-aside member participants. ○ Record training webinars for future viewing. 	<ul style="list-style-type: none"> ● All members were contacted through 9 Community Investment Bulletins, and the Affordable Housing Advisory Council Annual Report. The member e-newsletter distributed by the Marketing Department typically includes Community Investment Department (CID) features. In June 2017, we started a quarterly CID newsletter with distribution to members, sponsors and community partners. ● Prosperity Indiana and the Community Economic Development Association of Michigan (“CEDAM”) regularly promote FHLBank Indianapolis events in newsletters and via social media. In 2017, CID staff also promoted Prosperity Indiana and CEDAM events by forwarding email invitations to our membership lists. ● Attendance at our 6 CID face-to-face workshops increased by 2.3% in 2017. Attendance at the 2017 outreach workshops was 360 compared to 352 in 2016. CID staff has presented program information at conferences or meetings during the year, including both the MI and IN statewide housing conferences, 2 interagency forums, MPP Conferences and MPP Affordable Lending Education Forums. We attended and used exhibit space at several additional conferences and events. Ongoing outreach occurs through numerous member and sponsor visits to address individual projects and potential opportunities. ● AHP applications were received from 4 members using AHP for the first time, including one CDFI member. One member that had not submitted an application in at least 5 years was reactivated. Three of these applications were awarded. ● Six members became new/reactivated set-aside participants, accessing \$314,384 in funding. We have 2 new participants in HOP and 1 new participant in NIP. The remaining new users utilized a combination of HOP, NIP and AMP funding. ● CID staff utilized ReadyTalk, a new webinar vendor, and recorded a series of training webinars. As of 12/31/17, we have 8 webinars posted to the website with training on completing a competitive AHP grant and 1 webinar posted with training on using the Homeownership Initiatives. We have a series of AHP monitoring webinars that will be posted once they are modified with new branding.
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<p>Present a proposal for a voluntary community economic development program to the AHAC and AHC in September.</p>	<p>CID staff presented a proposal at the September 2017 AHAC and AHC joint meeting to implement a small business grant program in 2018. A working group of 4 Directors assisted with this process and the program received Board approval at the November 2017 meeting, to be rolled out under the working name "Elevate".</p>
<p>Coordinate one Community Mentors event in each state of the district.</p>	<p>We coordinated one Community Mentors event in Frankfort, IN on May 31, 2017 and one event in Mt. Pleasant, MI on December 6, 2017.</p>

9: 2018 Goals

Goals for 2018 are as follows:

- Expand the impact of both AHP and CIP by increasing the number of new participants through focused outreach and training workshops. Partner with members, housing associates, member trade organizations, and economic development organizations to create affordable housing and community development opportunities.
 - Contact 100% of member institutions with program outreach materials.
 - Work with partner organizations to promote events and include articles in their regular communications.
 - Leverage training efforts with other stakeholders to target building organizational capacity for non-profits.
 - Increase attendance at training events by 10%.
 - Achieve a target of 4 new competitive AHP member participants.
 - Achieve a target of 4 new AHP Homeownership Initiatives member participants.
- Support multifamily housing, small business, small farm, or small agri-business lending by encouraging CFI use of advances for these purposes through targeted promotional initiatives, monitoring over collateralization requirements for "CFI eligible" collateral, and monitoring the amount of "CFI eligible" collateral pledged.
- Originate \$100 - 150 million in CIP advances and letters of credit.
- Coordinate one Community Mentors event in the district.
- Implement Elevate guidelines/forms, receive applications and announce awards. Following the funding cycle, report results to the AHAC/AHC and evaluate for 2019.