



FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships. Serving Communities.

January 30, 2006

Charles McLean
Office of Supervision
Federal Housing Finance Board
1777 F Street NW
Washington, D.C. 20006

RE: 2006 Community Lending Plan

Dear Charles:

We are pleased to enclose the above referenced document for your review. This plan has been approved by the FHLBI Board of Directors. Please do not hesitate to contact me with any questions.

Sincerely,

A handwritten signature in cursive script that reads "Patricia Gamble-Moore".

Patricia Gamble-Moore
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Building Partnerships. Serving Communities.
www.fhlbi.com

COMMUNITY INVESTMENT CASH ADVANCE (CICA)
2006 COMMUNITY LENDING PLAN

Board approved January 26, 2006

Federal Home Loan Bank of Indianapolis
Community Investment Department
8250 Woodfield Crossing Blvd.
Indianapolis, Indiana 46240
Phone: 317-465-0371
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1—Background

In 1998, the Federal Housing Finance Board adopted the Community Investment Cash Advance (CICA) regulation to provide FHLBanks an avenue for expanding community investment initiatives.

The CICA regulation requires each FHLBank to develop a Community Lending Plan. This plan is to be 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, nonmember 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 FHLBI's 2005-2007 Strategic Plan, the 2006 Affordable Housing Program Implementation Plan, and this plan will provide a comprehensive approach to serving our members using all of the FHLBI's products and services. This approach is highlighted in our mission as follows.

Mission

The FHLBI helps families afford housing by partnering with member financial institutions located in Indiana and Michigan to meet their funding needs for both residential mortgage loans and loans to support the economic growth of their communities. The FHLBI also provides grants for building and rehabilitating low-income housing. The FHLBI expects to deliver a market return on the equity investment by its member/owner institutions.

Strategic Objectives

Be the dominant provider of wholesale funds for member institutions.

Become a preferred secondary market outlet for members wishing to sell mortgage loans.

Deliver funding solutions designed to specifically assist low- to moderate-income families afford reasonable housing and to promote economic growth of the local communities.

Offer a return on the members' equity investment that reflects the FHLBI's risk profile and makes ownership of FHLBI stock a desirable investment alternative.

2—Market Needs Assessment

In 2005 the FHLBI conducted a district-wide member survey. One hundred fifty institutions responded to questions covering a wide range of eight FHLBI department/product categories including Credit (Advances), Cash Management, Member Link, and Community Investment. The survey indicated a general lack of knowledge exists within the district regarding community investment programs and services. This information lends support to the department's goal of increasing "member-focused" presentations throughout the year.

3—Affordable Housing Program (AHP)

As reported in last year's report, the FHLBI continues to work with the Michigan State Housing Development Authority

(MSHDA) to finalize a joint monitoring agreement. In addition, the FHLBI started negotiations with the Indiana Community Housing Development Authority (IHCDA) to establish a similar agreement. The FHLBI expects to have both agreements finalized by the end of the first quarter of 2006.

Staff conducted its annual survey to members and sponsors to obtain input into the AHP scoring and the “homeownership initiatives” or set-aside programs. This input was very important in the programmatic changes to the homeownership initiatives programs and provided valuable input to the Affordable Housing Advisory Council (AHAC) as it evaluated and proposed changes to the 2006 Implementation Plan. In addition, members and sponsors were allowed to call in to speak with subcommittee members as they met to discuss the 2006 Implementation Plan to communicate concerns, ideas and suggestions for new scoring criteria.

In December 2005, the FHFB issued a Proposed Rule for the AHP. Staff will consult with its AHAC and prepare comments in response to the changes proposed in this Rule. In addition, members and sponsors of the sixth district have also been encouraged to submit comments.

4—Marketing, Outreach and Community Support

Staff conducted a series of “Member Lunch and Learn” programs in 2005. These workshops were “member only” and designed to provide members with an overview of FHLBI affordable housing and community economic development tools. Members were provided with individualized reports which identified their affordable housing activities and maps of the banks’ service area which reflected low- and moderate census data. This format was well received and will be enhanced during 2006 to provide more in-depth information utilizing the Arcview data. In 2005 the FHLBI purchased this software program to allow the ability to geocode and map detailed information on our members’ markets, low- and moderate census tracts, census data and penetration of subsidy dollars in our district.

5—Homeownership Initiatives Programs (set-aside programs)

The FHLBI will continue contributing the maximum 35% allowable for 2006 as these programs continue to be extremely successful with the membership. FHLBI will continue to allocate these programs’ funding in two rounds (spring and fall) to allow additional opportunities for our member banks to utilize funding.

6—2005 Goals

Goals	Accomplishments
\$50 million new originations in CIP advances	\$113 million in new originations.
Support community financial institutions’ efforts to provide funding for the purposes of multi-family housing, small business, small farm, or small agri-business by increasing advances (regular and CIP) and letters of credit for these purposes by \$25 million per year	<ul style="list-style-type: none"> <li data-bbox="844 1497 1352 1560">▪ \$18,816,990 in letters of credit issued on behalf of CFI members. <li data-bbox="844 1591 1352 1728">▪ \$53.25 million issued in fixed rate bullet and amortizing advances to CFIs to support small business, farm, small agri-business and housing-related lending.

7—2006 Goals

Goals for 2006 are as follows.

- Continued focus on increasing the number of members participating in community investment programs by further developing “member focused” consultations on affordable housing and community development opportunities.
- Achieve a target of \$50 million new originations in CIP advances.
- Increase CFI lending (advances) and letters of credit by \$25 million. Letters of credit will be available to credit enhance bond issues for residential housing finance and taxable community economic development projects, and to facilitate member asset/liability management and liquidity.