CHICAGO FEDERAL HOME LOAN BANK
2006 COMMUNITY LENDING PLAN

Introduction

Pursuant to 12 C.F.R. Sections 952.4 and 944.6, the Chicago Federal Home Loan Bank (the "Bank") has developed the Bank's annual Community Lending Plan. The Bank's 2006 Community Lending Plan ("Plan") builds upon the first Community Lending Plan of 2000, as credit needs identified in that year's plan have not materially changed. This Plan consists of three parts. Part I describes Bank Activities in 2006; Part II outlines Quantitative Performance Goals for 2006; and Part III reviews how members are notified of opportunities that enable them to meet community support requirements and engage in economic development lending.

According to recent data analyses by federal and state authorities, including the Federal Reserve Bank of Chicago, the Wisconsin Department of Revenue, and the Illinois Commission on Government Forecasting and Accountability, Wisconsin and Illinois demonstrated moderate but stable economic growth through the first three quarters of 2005, remaining consistent with the moderate and gradual expansion of economic activity nationally.[1] In 2006, economic forecasts predict that the national and statewide economies of Wisconsin and Illinois will continue to grow, but at a slower pace than the previous two years.[2] This Plan considers the following trends and establishes a community lending strategy that addresses anticipated economic needs for 2006.

I. Bank Activities in 2006

A. Continue to encourage broad usage of Community Investment Cash Advance (CICA) products.

➢ ***Increase awareness of CICA products among members and housing and community economic development organizations.***

- Continue to build relationships with housing and community economic development partners.
- Aggressively pursue opportunities to educate members on the benefits and ease of using CICA products.
- Support and participate in conferences and workshops with community economic development organizations.

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[1] *The Beige Book.* (October 2005). The Federal Reserve Board.

[2] *Wisconsin Economic Outlook.* (September 2005). Wisconsin Department of Revenue, Division of Research & Policy. *FY2006 Economic Outlook and Revenue Estimate.* (August 2005). Illinois Commission on Government Forecasting and Accountability.

- ***Continue the outreach, promotion and targeting of programs and coordinate marketing efforts with Member Relationship Managers to broaden and increase the use of CICA products.***

  - Co-host informal seminars and conduct joint customer calls with Member Relationship Managers throughout the district.
  - Use computer software (e.g., Placeware) to host online informational seminars for members.
  - Informational materials celebrating successful CICA-related activities to encourage further participation by members and community organizations.

- ***Continue efforts to streamline and facilitate usage of the Affordable Housing Program.***

  - Provide up-front technical assistance to avoid potential monitoring and compliance issues.
  - Enhance the effectiveness of monitoring and compliance reports as management tools.
  - Use computer software (e.g., Placeware) to host online training and informational seminars for program delivery, monitoring and compliance.
  - Develop an online application and automated monitoring process.

B. Continue to link Community Investment Products to the Mortgage Partnership Finance® (MPF®) Program.

Participating Financial Institutions delivering mortgage loans in the Mortgage Partnership Finance® Program may include loans with AHP funds that are part of homeownership set-aside programs sponsored by a FHLB, in their delivery commitments. At the Chicago FHLB, MPF and Community Investment staff will collaborate to promote joint usage of both MPF and Community Investment products.

C. Continue operation of the MPF® Endowment.

The MPF® Endowment has been deemed a permissible activity under the Community Investment Cash Advance (CICA) regulations of the Federal Housing Finance Board, currently Federal Regulations 12 CFR Section 952. The MPF® Endowment ("Endowment") will provide recoverable assistance to member financial institutions, either independently or in partnership with community-based financial intermediaries participating in small businesses, commercial enterprises, mixed-use projects, and other economic development initiatives benefiting low- and moderate-income residents and areas.

The Endowment, capitalized with Bank earnings that have been substantially enhanced by the Mortgage Partnership Finance® Program, will be available to and through members of the Chicago Federal Home Loan Bank. Annually, the

Endowment will extend approximately $1.0 million in recoverable assistance, and will offer flexible financing and repayment terms to leverage and enhance investments in targeted lending activities.

Member financial institutions may use Endowment assistance in conjunction with the Bank's other community investment credit products, facilitating ongoing community impact resulting in long-term sustainable economic, industrial and business growth, and job retention and creation.

Financial intermediaries with a proven track record in serving small businesses and managing micro-enterprise and community investment lending programs, consistent with the Endowment's program focus and eligibility requirements, may be considered for program participation by submitting a request through a member financial institution of the Bank.

- Develop tools to monitor and track the implementation and efficacy of the program.

- The MPF Endowment is being implemented as a pilot program with participants strategically selected based upon geographic location and a prior history of success in economic development and small business programming.

D. Invest in HUD-Guaranteed Section 184 Loans to promote mortgage lending in Native American areas.

The Indian Home Loan Guarantee Program was created under Section 184 of the Housing and Community Development Act of 1992 to address the lack of mortgage lending in Indian and Alaska Native areas. This program guarantees 100 percent of principal and interest, plus certain costs and expenses, on loans made for the acquisition, construction, and/or rehabilitation of one-to-four family housing located on Indian land. Because much Indian land is held in trust by the U.S. government, it has been historically difficult for lenders to place liens on it, thus hindering Native Americans' access to mortgage loans.

To address this issue the Bank, in late 2003, launched the Section 184 Mortgage Purchase Program and will continue to operate the program in 2006. Investment in HUD-guaranteed Section 184 loans constitutes yet another way for the Bank to pursue its mission of assisting members in providing affordable housing in their communities.

E. Provide Financing to Small Business Investment Companies.

The U.S. Small Business Administration and the Bank have partnered to provide interim short-term financing to Small Business Investment Companies (SBICs.) The primary purpose of this relationship is to make bridge funding available to SBICs in between the semi-annual issuance of 10-year securities by the SBA. Upon notification and authorization of a funding need by the SBA Trustee, the Bank makes available funding within 24-hours. The program is named "Just-In-Time" Funding.

A related program is the Low and Moderate Income (LMI) Debenture program. The LMI Debenture program is available for use by SBICs that issue debt qualifying as "LMI Investments" under section 170.50 of the SBA regulations. The Bank has agreed to purchase all LMI debentures and hold them to maturity. SBICs choose between either a 5-year or 10-year maturity period. This program is primarily designed to assist small businesses that are either owned by low-and moderate-income individuals or are located in low-and moderate-income communities. All Bank SBIC transactions are guaranteed by the Small Business Administration.

F. Invest in the New Market Venture Capital Program.

New Market Venture Capital (NMVC) Companies are for-profit investment funds with private management. Their objective is to promote economic development and the creation of wealth and job opportunities in underserved geographic areas and among individuals living in such areas. NMVC Companies pursue their objectives by making equity-type investments in small business enterprises that are either start-ups or already operating located in these targeted areas.

The SBA will designate and enter into participation agreements with NMVC Companies that detail the specific area(s) to be served, how the area(s) will be served, what results are to be achieved, and how the success of the NMVC Company will be measured.

The Bank purchases all NMVC securities as issued for this purpose. The securities have a 10-year term. All Bank NMVC Company transactions are guaranteed by the Small Business Administration.

G. Conduct ongoing market research to assess unmet credit needs and market opportunities for community lending.

The Bank will further encourage the use of CICA programs by working with new and existing members, assisting them in identifying needs in their lending areas, researching and designing programs to address those needs, and determining the most appropriate FHLB product(s) to address those needs.

H. Provide Technical Assistance to Members and Community Groups.

The Bank will provide technical assistance to stockholders and housing and economic development organizations in the district on an ongoing basis, including assistance with preparation of applications for community investment programs. Technical assistance activities include presentations and co-sponsorship of community lending workshops and seminars, consultations with members and community development organizations, and continuous availability through phone contact.

I. Consult with Advisory Council and Others.

The Bank will consult with its Advisory Council and with members, nonmember borrowers, and public and private community economic development organizations in the Bank's district to develop and implement its Community Lending Plan.

II. Quantitative Performance Goals for 2006

Community Lending Transactions:		**2006**
➢ Dollars in CICA Advance Originations (CIP & EDA)	$	650 Million
➢ Number of members originating CICA credit products		70
➢ Percentage of members participating in CICA programs		30%
Native American Investments:		
➢ Dollars in Native American loans	$	4 Million
Affordable Housing Program:		
➢ Number of competitive AHP applications		165
MPF Endowment:		
➢ Dollars in Endowment investments	$	1.5 Million
➢ Number of Endowment investments		10
Public Relations and Community Involvement:		
➢ Number of conferences, workshops, and community events in which the Bank will participate or support		35

III. Annual Notification to Member Institutions

Each year the Bank informs members and others of CICA programs and other Bank activities that enable members to meet community support requirements and engage in community lending. Notification is provided using the following methods:

- Press Releases
- Special mailings
- Community Investment Advisory Council Annual Report
- Bank publications
- The Bank's website, www.fhlbc.com

APPROVED BY THE BOARD OF
DIRECTORS THIS 13TH DAY
OF DECEMBER, 2005.

Its Corporate Secretary