

CommunityFirst

FEDERAL HOME LOAN BANK OF CHICAGO • COMMUNITY INVESTMENT NEWSLETTER • FALL 2008

Newsletter Highlights Products, Projects, and People

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Welcome to the premier issue of *Community First*, a new e-newsletter from the Federal Home Loan Bank of Chicago. This quarterly publication will focus on our Bank's Community Investment products and projects. We'll highlight the products we offer to members, such as discounted advances for projects that help improve communities, as well as grants that support affordable housing activities. More importantly, we will also highlight the initiatives of our members and project sponsors, without whom affordable housing and economic development projects that revitalize and stabilize communities would not be possible.

Accordingly, it's with great pleasure that we use this issue as the vehicle to announce the 2008 Affordable Housing Program (AHP) grants. Forty-five members were recently awarded more than \$7.9 million to assist in the financing of more than 2,000 affordable housing units. These units are located primarily in Illinois and Wisconsin. The full story—about the products, projects, and people associated with this year's awards—starts on page 2. And, despite the unprecedented current developments in the financial markets, we anticipate offering an AHP Competitive Program and a Downpayment Plus® Program in 2009 that will be comparable to the 2008 programs.

In fact, these ongoing and essential developments in the financial and housing markets magnify the importance of the affordable housing and community development work completed by your bank in your community. These events also showcase the vital role the FHLBC plays within the 7th District. Thanks to the steadfast support of its members, the FHLBC will continue to provide Community Investment Cash Advances (CICA), letters of credit, and AHP and Downpayment Plus® housing grants that permit you and your local partners to invest in the small businesses, infrastructure improvements, agricultural expansions, and affordable housing activities that make communities thrive. We look forward to—and welcome—your participation in the FHLBC programs. Through your efforts and with our support, we're a powerful force for change.



Matt Feldman
President and CEO



Eldridge Edgecombe
Community Investment Officer

This newsletter contains forward-looking statements which are based upon our current expectations and speak only as of the date hereof. These statements may use forward-looking terms, such as "anticipates," "believes," "expects," "could," "plans," "estimates," "may," "should," "will" or their negatives or other variations on these terms. The Bank cautions that, by their nature, forward-looking statements involve risk or uncertainty, that actual results could differ materially from those expressed or implied in these forward-looking statements, and that actual events could affect the extent to which a particular objective, projection, estimate, or prediction is realized. These forward-looking statements involve risks and uncertainties including, but not limited to, the risk factors set forth in our periodic filings with the Securities and Exchange Commission, which are available on our website at www.fhlbc.com. The Bank assumes no obligation to update any forward-looking statements made in this newsletter.

The mission of the Bank is to deliver value to our members, and promote and support their growth and success, by providing:

- Highly reliable liquidity;
- Secured advances, wholesale mortgage financing, and other products and services to meet members' needs; and
- Direct financial support for members' affordable housing and community investment programs.

2008 AHP Awards: Transforming Lives and Neighborhoods

More than 150 years ago, the Englewood neighborhood in Chicago was called “Chicago Junction” in recognition of its nine major railroad connections. Unfortunately, the south side community is better known today for its high poverty rate. Through it all, St. Bernard Hospital has been a fixture in the community and is now trying to increase the neighborhood’s affordable housing stock, attract working

similar project in Englewood sponsored by the New Birth Community Care Center.

In Wisconsin, the AHP subsidies that FHLBC member AnchorBank is providing to community partners are being used for down payment and closing cost assistance, but the impact is the same. “In today’s market, the AHP subsidy is becoming even more important to homebuyers,” says Susan Day, the Affordable Housing Coordinator for AnchorBank,

Inc., and CouleeCap, Inc. to provide down payment and closing cost assistance to 190 low- and moderate-income homebuyers across Wisconsin.

Park National Bank and AnchorBank are just two of the 45 members that were recently awarded over \$7.9 million in grants in the FHLBC’s AHP Competitive process. The grants will help to finance more than 2,000 affordable housing units located primarily in Illinois and Wisconsin. More than one-third of these units are for very-low income residents earning less than 50% of the median income for the area in which the project is located.

For a complete list of the 2008 AHP awards, visit the FHLBC website at www.fhlbc.com or click here.

Eligible Uses of AHP

AHP subsidies can be used for two broad purposes:

- To finance the purchase, construction and/or rehabilitation of owner-occupied housing for households with incomes at or below 80% of area median income; or
- To finance the purchase, construction and/or rehabilitation of rental housing. At least 20% of the rental units must be occupied by, and affordable to, households with incomes at or below 50% of area median income.

class families, and bring back resources and employment activities. As part of that initiative, FHLBC member Park National Bank will provide a \$32,000 Affordable Housing Program (AHP) subsidy to St. Bernard Housing Development Corporation for the construction of eight single-family homes for first-time low- and moderate-income homebuyers in the Englewood neighborhood. “The subsidy makes the project work,” says Patrick Kennelly, a loan representative for Park National Bank. “It wouldn’t be feasible without it.” As part of the revitalization effort, Park National Bank also received a second AHP award of \$32,000 for a

which is based in Madison. “It can make a difference for people buying their first home.” AnchorBank is the direct recipient of two 2008 AHP awards totaling \$419,000. They have partnered with the Wisconsin Housing Development Authority (WHEDA), Movin Out, Inc., and the Wisconsin Department of Health and Family Services on the projects, which will assist 76 first-time low- and moderate-income homebuyers. AnchorBank is also a participating member in four member consortium projects (involving 22 members total) awarded over \$1 million in AHP subsidy. The member consortiums will work with Housing Resources, Inc., Select Milwaukee,

How to Apply

Members partner with non-profit groups, for-profit developers, and public entities to apply for the Competitive AHP grants. The next competitive round will be held in 2009. The 2009 AHP application will be posted to the Bank’s website approximately 60 days prior to the application deadline. Community Investment staff will hold workshops for members and sponsor organizations prior to the round to provide applicants with technical assistance. Check the website in January for the AHP application deadline date and information about the AHP workshops.

If you have any questions, please contact Debra Pater at (312) 565-5745 or dpater@fhlbc.com.

FHLBC Letters of Credit Support Investments in Your Communities

The Housing and Economic Recovery Act of 2008 expanded the Federal Home Loan Banks' authority to issue standby letters of credit on behalf of members to include qualified tax-exempt economic development projects for new or refinanced bond issuances. This expanded authority is in addition to the FHLBC's existing ability to guarantee housing projects and certain taxable economic development projects.

Letter of Credit Uses

A FHLBC letter of credit is a financial tool that may be used to support housing finance and community lending. It provides our members with a lower-cost alternative to letters of credit issued by commercial financial institutions and creates an opportunity for community banks to compete in the marketplace. The letter of credit serves to guarantee the obligations or performance of the member in various types of transactions.

Credit Enhancement

Currently, tight credit markets make it more difficult to achieve adequate credit support for public/private bond issuances supporting community development and housing activities. A FHLBC letter of credit may be used to credit enhance certain bond issuances. The Bank's Aaa/AA+ rating typically improves the credit rating of the bonds, thereby lowering interest costs while increasing the marketability of the bonds.

Members may use a FHLBC letter of credit to credit enhance various types of housing and economic development projects. The expanded authority to guaranty tax-exempt economic development projects will likely support smaller government, non-profit, and manufacturing projects. The types of projects may include infrastructure, agricultural, industrial, man-

ufacturing, small businesses, and multifamily rental projects. For example, on behalf of one of its members, the FHLBC issued a letter of credit that provided a credit enhancement for bonds that will finance the acquisition and rehabilitation of 95 rental units for seniors in a rural community. The monthly rent is affordable to households earning less than 60% of area median income (AMI). In another instance, a FHLBC letter of credit supported the financing of a small furniture wholesaler that qualified for the FHLBC competitive rate as a small business, based on its number of employees. The FHLBC letter of credit not only credit enhanced the bonds financing the wholesaler, but

Payment or Performance Guaranty

FHLBC letters of credit may also be used for payment or performance guaranties, such as those required to ensure completion of housing and economic development projects. For

Benefits to Members

Letters of credit issued by the FHLBC provide many benefits. They can be used to:

- Support members' participation in community development activities;
- Provide a lower-cost alternative to letters of credit issued by commercial financial institutions;
- Lower the interest costs for financing housing and economic development projects because of the FHLBC Aaa/AA+ rating; and
- Expand members' relationships with their customers.

replaced a letter of credit from a commercial bank, which lowered costs to the member.

example, a letter of credit from the FHLBC provided a performance guaranty for completion of a large commercial retail store that is part of a mixed-use development. The project, which is located in an urban neighborhood, is located in an income-eligible census tract (incomes are at or below 100% AMI) and includes a 100-unit residential building affordable to low-income households.

Qualifying for a Community Investment Rate

Community Investment letters of credit are priced lower than the FHLBC's standard letter of credit. These discounted rates apply if the project meets certain guidelines:

(continued on page 4)

FHLBC Letters of Credit Support Investments in Your Communities

(continued from page 3)

Housing Project Guidelines

For owner-occupied housing projects, the household income must be at or below 115% of the area median income, adjusted for a four-person household, as published annually in HUD's income guidelines. For rental housing projects, at least 51% of the units in the project must be occupied by, or affordable to, households earning at or below 115% of AMI, adjusted for a 4-person household, as published annually in HUD's income guidelines. For further information on these requirements and to access the letter of credit application for housing projects, [click here](#).

Economic Development Project Guidelines

The project must meet one of three

guidelines: (1) project is located in a census tract with median income at or below 100% of AMI for urban areas or 115% of AMI for rural areas, (2) project qualifies as a small business based on U.S. Small Business Administration criteria, or (3) 51% of full-time employee salaries or income of households served by the project are at or below 100% of AMI for urban areas or 115% for rural areas. [Click here](#) for additional information on eligibility and to access the application for economic development projects.

Maturities

Letters of credit may be issued with maturities up to 10 years and may be renewed at the FHLBC's discretion. The Bank is reviewing the possibility of offering longer-term letters of credit for housing

projects that utilize Low Income Housing Tax Credits. We will notify members if and when this opportunity is available.

Collateral Requirements

Letters of credit are subject to the same FHLBC collateral requirements as advances. Members can refer to the Credit and Collateral Guide on the eBanking website.

For More Information

For more information about Community Investment letters of credit, visit the Bank's website using the links above or contact Suzi Thackston at (312) 565-6922 or sthackston@fhlbc.com or Debra Pater at (312) 565-5745 or dpater@fhlbc.com.

Nominations to FHLBC Community Investment Advisory Council Due Oct. 31

Nominations to the Community Investment Advisory Council of the FHLBC are being accepted through October 31. Representatives from community and nonprofit organizations actively involved in providing or

promoting low- and moderate-income housing or community lending in Illinois or Wisconsin are encouraged to apply. For more information on the Advisory Council and a copy of the nomination form, [click here](#).

Advisory council members serve a three-year term, meeting quarterly with representative from the FHLBC Board of Directors to advise the Bank on ways in which it can carry out its housing finance and community investment mission.

24 New Homes in Northern Wisconsin

On a brilliant September afternoon in northern Wisconsin, four families received the keys to their new homes during a ceremony on the Red Cliff Indian Reservation. By the end of the year, a total of 24 new affordable homes will be available to rent on the reservation.

The FHLBC awarded an AHP grant in 2007 to member Chippewa Valley Bank in Winter, Wisconsin, to provide a \$200,000 subsidy for the project. "Because we are an economically strapped tribal community, there's just no way we could build these homes by ourselves," says Ray DePerry, Executive Director of the Red Cliff Housing Authority.



Eldridge Edgecombe, Community Investment Officer at the FHLBC, and tribal member Beneshii Bigboy celebrate the completion of four new homes on the reservation, one of which Beneshii moved into.



At the end of 15 years, the families renting the new two-, three-, and four-bedroom homes (such as the one pictured here) through this program can opt to keep renting through the Red Cliff housing program or obtain their own first mortgage financing and purchase the home for the remaining mortgage amount.



Charlie Warner and Rhandi Ehn from Chippewa Valley Bank flank Ray DePerry from the Red Cliff Housing Authority. Ray is holding an aerial photograph of the Red Cliff Reservation, which is on the shore of Lake Superior.

Look for information on the FHLBC 2009 Competitive AHP application process in the next issue of *Community First!*

“Topping-off” Ceremony in Chicago

Mercy Properties celebrated the near-completion of Victory Center, a 102-unit supportive living facility, with a “Topping Off” ceremony in September. Located in the Galewood neighborhood of Chicago, the development will provide affordable housing for seniors, allowing people who have lived, worked, and raised families in the neighborhood to remain in the neighborhood as they age. In 2006, the FHLBC awarded an AHP grant to member Cole Taylor Bank to provide a \$380,000 subsidy to Mercy Properties for the project.



In addition to providing affordable housing for a growing population of low-income seniors in the Galewood neighborhood of Chicago, Victory Centre will expand employment opportunities by creating jobs in food service, nursing, maintenance, facility administration, and social service activities.



Rischarad Gray from the FHLBC’s Community Investment group joins Karen Thomas from Cole Taylor Bank at the topping-off ceremony.



FHLBC partnered with Cole Taylor Bank and Mercy Properties, Inc., to help provide financing for Victory Center. From left to right: Rischarad Gray, FHLBC; Rhonda Hopps, Treasurer of Mercy Housing Lakefront’s Board of Directors; Cindy Holler, President of Mercy Housing Lakefront; and Bobby Thapar, Project Manager at Mercy Housing Lakefront.

Federal Home Loan Bank of Chicago

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