

The following slides are presented for illustrative purposes only and are subject to further modification to reflect developments in the structure of the CDFI Bond Guarantee Program. Please contact the CDFI Fund for additional information.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

www.cdfifund.gov



CDFI Bond Guarantee Program 101

February 27, 2015

Today's Schedule



Topic	Time	Duration
Introduction and Overview	09:00 am – 09:15 am	15 min
Program Requirements, Structure, and Participants	09:15 am – 10:00am	45 min
Break	10:00 am – 10:15 am	15 min
Flow of Funds	10:15 am – 10:30 am	15 min
Eligible Use of Funds	10:30 am – 10:45 am	15 min
Qualified Issuer Application and Evaluation Process	10:45 am – 11:45 am	60 min
Lunch	11:45 am – 01:15 pm	90 min
Guarantee Application and Evaluation Process	01:15 pm – 02:15 pm	60 min
Credit Enhancements	02:15 pm – 02:30 pm	15 min
Break	02:30 pm – 02:45 pm	15 min
Case Studies	02:45 pm – 04:15 pm	90 min
Application and Closing Timeline	04:15 pm – 04:30 pm	15 min
Reporting Requirements	04:30 pm – 04:50 pm	20 min
Closing Remarks	04:50 pm – 05:00 pm	10 min

Agenda



- Introduction and Overview
- Program Requirements, Structure, and Participants
- Flow of Funds
- Eligible Use of Funds
- Application Process
- Credit Enhancements
- Case Studies
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- Reporting Requirements
- Closing Remarks

Outreach Sessions



- This outreach session is intended to:
 - Foster a greater understanding of the requirements and financial structure of the CDFI Bond Guarantee Program;
 - Clarify the purpose and goals of the CDFI Bond Guarantee Program; and
 - Pave the way for successful application submission to the CDFI Bond Guarantee Program.

Outreach Sessions: CDFI Bond Guarantee Program 101



- Objective: To provide a basic explanation of key aspects of the CDFI Bond Guarantee Program. Topics include:
 - Federal Credit and CDFI Bond Guarantee Program requirements;
 - Program participants and their roles, responsibilities, and relationships;
 - Qualified Issuer and Guarantee Application processes;
 - Experience of current Qualified Issuer participants; and
 - Discussion on sample structure case studies.

Opportunity for Questions



- The CDFI Fund welcomes clarifying questions regarding the CDFI Bond Guarantee Program and information presented today.
- These questions will enable the CDFI Fund to improve future outreach efforts to better address industry concerns.
- Formal comments regarding the CDFI Bond Guarantee Program must be submitted to the CDFI Fund in writing to:
bgp@cfdi.treas.gov.

Agenda



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CDFI Bond Guarantee Program Overview



- The CDFI Bond Guarantee Program is a Federal Credit Program designed to provide long-term, fixed rate capital to certified Community Development Financial Institutions.
- CDFI Bond Guarantee Program documents are available on the CDFI Fund website at www.cdfifund.gov. Available documents include, but are not limited to:
 - Interim Program Regulations
 - Application Materials
 - Secondary Loan Requirements
 - Program Legal Documents
 - Bond Loan Agreement
 - Bond Trust Indenture
 - Agreement to Guarantee
 - FY 2015 Notice of Guarantee Availability (NOGA) *Upon Release*

Policy Goals and Objectives



- The CDFI Bond Guarantee Program seeks to achieve the following policy goals and programmatic objectives, while simultaneously mitigating risk and minimizing costs for taxpayers:
 - Promoting community and economic development in Low-Income or Underserved Rural Areas, including:
 - Origination of loans for small business start-ups and expansion;
 - Financing businesses that support job creation;
 - CDFI-to-CDFI lending; and
 - Financing housing and community facilities.
 - Supporting Eligible CDFIs' lending activities by providing access to low-cost, long-term capital.

Federal Credit Requirements



- The CDFI Bond Guarantee Program is a Federal Credit program within the U.S. Department of the Treasury.
- Program Regulations are informed by overarching, standardized lending policies that are applicable to all Federal Credit programs.
- The CDFI Bond Guarantee Program must adhere to Federal requirements and lending guidelines, including:
 - Federal Credit Reform Act (FCRA) of 1990, as amended;
 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 1000);
 - OMB Circular A-129;
 - OMB Circular A-11;
 - OMB Circular A-136 and U.S. Standard General Ledger;
 - Federal Accounting Standards Advisory Board (FASAB) No. 2 Accounting for Federal Credit Programs; and
 - FASAB Technical Release 6 – Preparing Estimates for Direct Loan and Loan Guarantee Subsidies.

Federal Credit Requirements, cont.



- The Federal Financing Bank is the sole purchaser of Bonds issued under the CDFI Bond Guarantee Program, due to the 100 percent Guarantee by the Secretary of the Treasury.*
- Congress did not appropriate funding for any credit losses under the CDFI Bond Guarantee Program, requiring applicants to demonstrate high credit quality and strong recovery rates in the event of default.
- **Definitions under Federal Credit policy are specific and may differ from usage outside of Federal Credit. Precise definitions of terms under Federal Credit policy are vital to understand for the CDFI Bond Guarantee Program.**

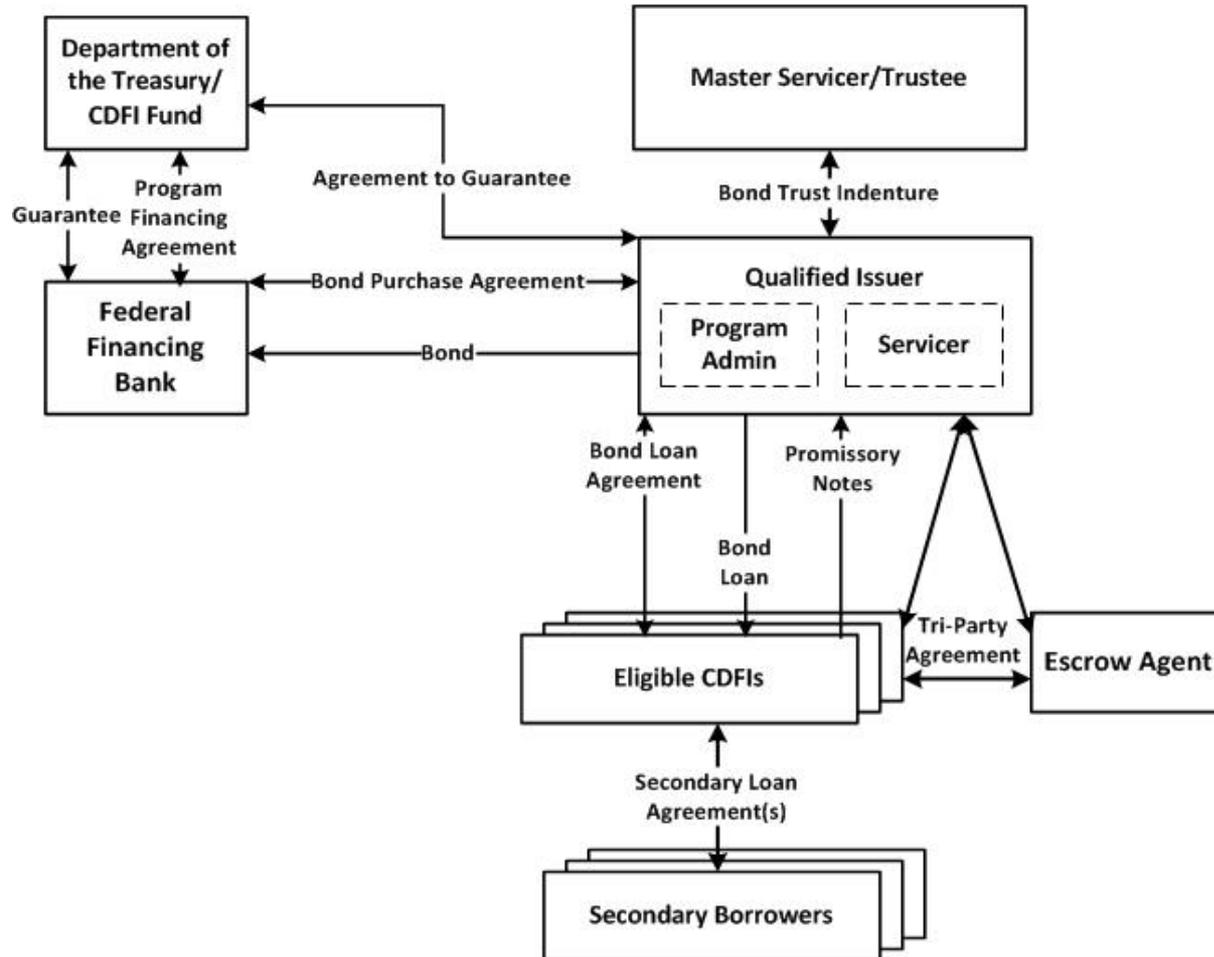
*OMB Circular A-129 Section II, subsection C, paragraph 6: "Guarantees of the timely payment of 100 percent of the loan principal and interest against all risk create a debt obligation that is the credit risk equivalent of a Treasury security. Accordingly, a Federal agency other than the Department of the Treasury may not issue, sell, or guarantee an obligation of a type that is ordinarily financed in investment securities markets, as determined by the Secretary of the Treasury, unless the terms of the obligation provide that it may not be held by a person or entity other than the Federal Financing Bank or another Federal agency."

Program Regulatory Requirements



- 100 percent Guarantee by the Secretary of the Treasury for bonds or notes, including principal, interest, and call premiums.
- Minimum Bond Issue of \$100 million; minimum Bond Loan of \$10 million.
- Annual program-wide limit of \$1 billion.
 - \$500 million authorized in FY2013
 - \$750 million authorized in FY2014
 - **\$750 million authorized in FY2015**
- Maximum of 10 Guarantees issued annually; effectively, a maximum of seven available in FY2015.
- Bond maturity terms not to exceed 29.5 years.

Financial Structure





Key Financial Structure Terms

- **Bond Issue:** Aggregate principal amount of Bonds covered by a single Guarantee. Guarantee provided by the Secretary of the Treasury to the FFB. Minimum amount of \$100 million and maximum amount of \$1 billion.
- **Bond:** Issued by a Qualified Issuer and purchased by the FFB.
- **Bond Loan:** On Bond Issue Date, the Qualified Issuer will use 100 percent of Bond Proceeds to make Bond Loans to Eligible CDFIs. Bond Loan must be a minimum amount of \$10 million (but not immediately disbursed).
- **Secondary Loan:** Financed or Refinanced by the Eligible CDFI to a Secondary Borrower.

Key Players, Roles and Responsibilities



- **Secretary of the Treasury:** Provides Guarantees on Bonds issued by the Qualified Issuer. The CDFI Fund administers the CDFI Bond Guarantee Program, which includes but is not limited to monitoring the Qualified Issuers and Eligible CDFIs to ensure compliance with program requirements.
- **Federal Financing Bank:** Purchases Bonds from the Qualified Issuer and disburses funds to Eligible CDFIs through accounts held by the Master Servicer/Trustee.
- **Master Servicer/Trustee:** Collects repayments, disburses funds, and manages trust accounts under the CDFI Bond Guarantee Program.

Key Players, Roles and Responsibilities, cont.



- **Qualified Issuer:** Structures Bond Issues and performs the roles of Program Administrator and Servicer. Responsibilities include, but are not limited to, receiving and approving loan commitments and collecting Secondary Loan data from Eligible CDFIs.
- **Escrow Agent:** Maintains escrow accounts and remits funds to the Master Servicer/Trustee and Eligible CDFI, as instructed by the Qualified Issuers.
- **Eligible CDFI:** Finances or Refinances Secondary Loans for Eligible Community and Economic Development Purposes, and monitors Bond Loan Collateral performance.
- **Secondary Borrower:** Receives Secondary Loans from Eligible CDFIs for Eligible Community and Economic Development Purposes.

Legal Documents in the CDFI Bond Guarantee Program



- Three primary legal agreements which must be in place for the term of the Bond Issue include:
 - **Agreement to Guarantee:** signed by the Qualified Issuer and the Secretary of the Treasury/CDFI Fund (with a Term Sheet signed by each Eligible CDFI);
 - **Bond Loan Agreement:** signed by the Qualified Issuer and each Eligible CDFI; and
 - **Bond Trust Indenture:** signed by the Qualified Issuer and the Master Servicer/Trustee.
- These documents and other supplemental agreements dictate the necessary structure of the Bond Issue and Bond Loans under the CDFI Bond Guarantee Program, as well as the required duties of each party.



15 minute break

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Bond Issuance: Key Concepts



- Each Bond Issue must be a minimum of \$100 million.
- Bond Loans from Qualified Issuers must be a minimum of \$10 million.
- FFB purchases Bonds from Qualified Issuers that are issued on behalf of a pool of one or more Eligible CDFIs.
- The closing of the Bond Issue and Bond Loans occur simultaneously.
- Disbursement of Bond Loan Proceeds occurs on a draw-down basis after Eligible CDFIs have executed Secondary Loan documents with Secondary Borrowers.

Bond Issuance: Key Concepts, cont.



- Qualified Issuer will lend Bond Proceeds to Eligible CDFIs for Eligible Uses in the form of Bond Loans.
- Bond Loans will be draw-down loans. Disbursement of Bond Loan proceeds to Eligible CDFIs will be made by a requisition process approved by the Federal Financing Bank and the CDFI Fund.
- Eligible CDFIs will lend Bond Loan Proceeds to Secondary Borrowers in the form of Secondary Loans.

Bond Issuance: Maturity and Interest Rates



- Maturity
 - Bonds and Bond Loans will have a maximum maturity of 29.5 years. Secondary Loans may not have maturities that exceed the associated Bond and Bond Loan maturities.
- Interest Rates
 - Bond interest rates will be based on the Treasury Rate (based on duration) and Liquidity Premium (based on duration and maturity). The rate is set by the Federal Financing Bank. The underlying Treasury Rate for the Bond relies upon corresponding rates at the time that an advance is made under the Bond.
 - Bond Loan rates will be the same as the interest rates on the particular advance of funds under the Bond.
 - Secondary Loan interest rates will be set by Eligible CDFIs.

Bond Issuance: Repayment Structure



- Bonds and Bond Loans will amortize on a level debt service payment basis.
- Each advance of funds under the Bond amortizes independently, so the overall payment schedule may vary.
- Eligible CDFIs will be responsible for managing principal and interest payments through an Escrow Account.
- Eligible CDFIs will determine amortization of Secondary Loans. Secondary Loans must be underwritten in good faith of being repaid upon maturity.
 - The cash flow model presented by an Eligible CDFI must demonstrate how it is capable of repaying the Bond Loan if amortizations do not match.

Bond Issuance: Fees and Costs



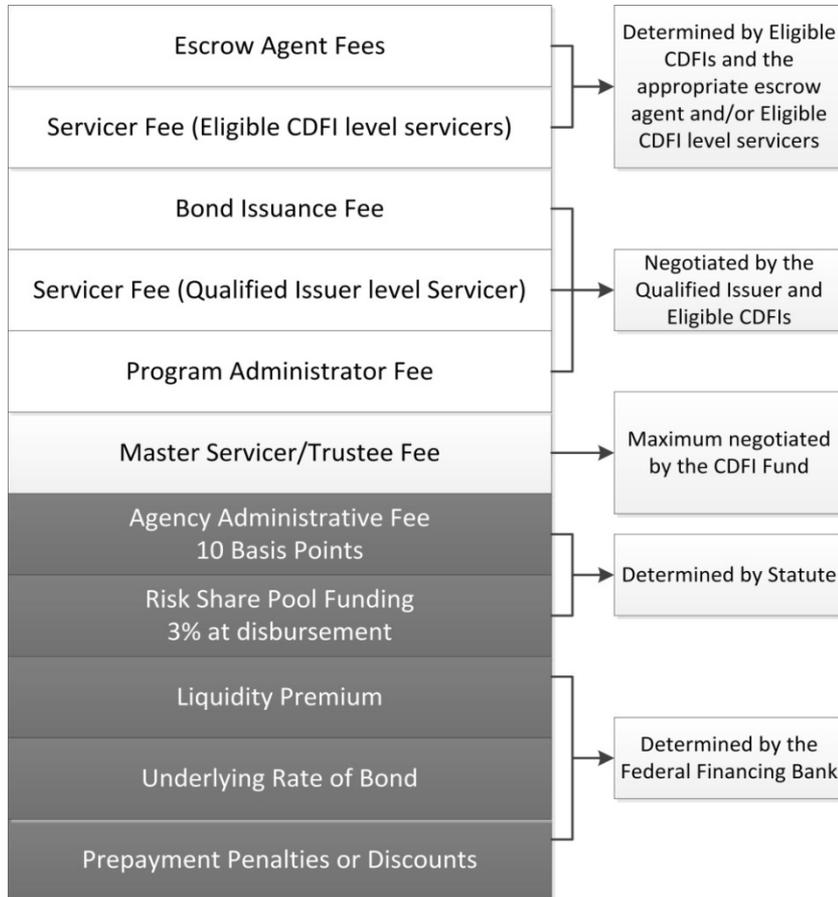
- Prior to the disbursement of funds from the FFB, each Eligible CDFI must contribute to a Risk-Share Pool in an amount equal to 3 percent of the disbursement under the Bond.
- The Risk Share Pool is funded from sources **other than** Bond Loan proceeds.
- FFB will disburse Bond Loan Proceeds when Eligible CDFIs pledge eligible collateral, and upon receiving requisition and advance request approval from the CDFI Fund.
- Eligible CDFIs will be responsible for Bond issuance fees.
- Up to 1 percent of Bond Loan proceeds may be used to finance Bond Issuance Fees.

Bond Issuance: Recourse and Security



- Recourse:
 - Bonds are non-recourse to the Qualified Issuer; and
 - Bond Loans are fully recourse to the Eligible CDFI.
- Security:
 - Bond Loans are secured by a first security lien on defined collateral acceptable to the CDFI Fund; and
 - All collateral associated with the CDFI Bond Guarantee Program will be held in trust by the Master Servicer/Trustee.

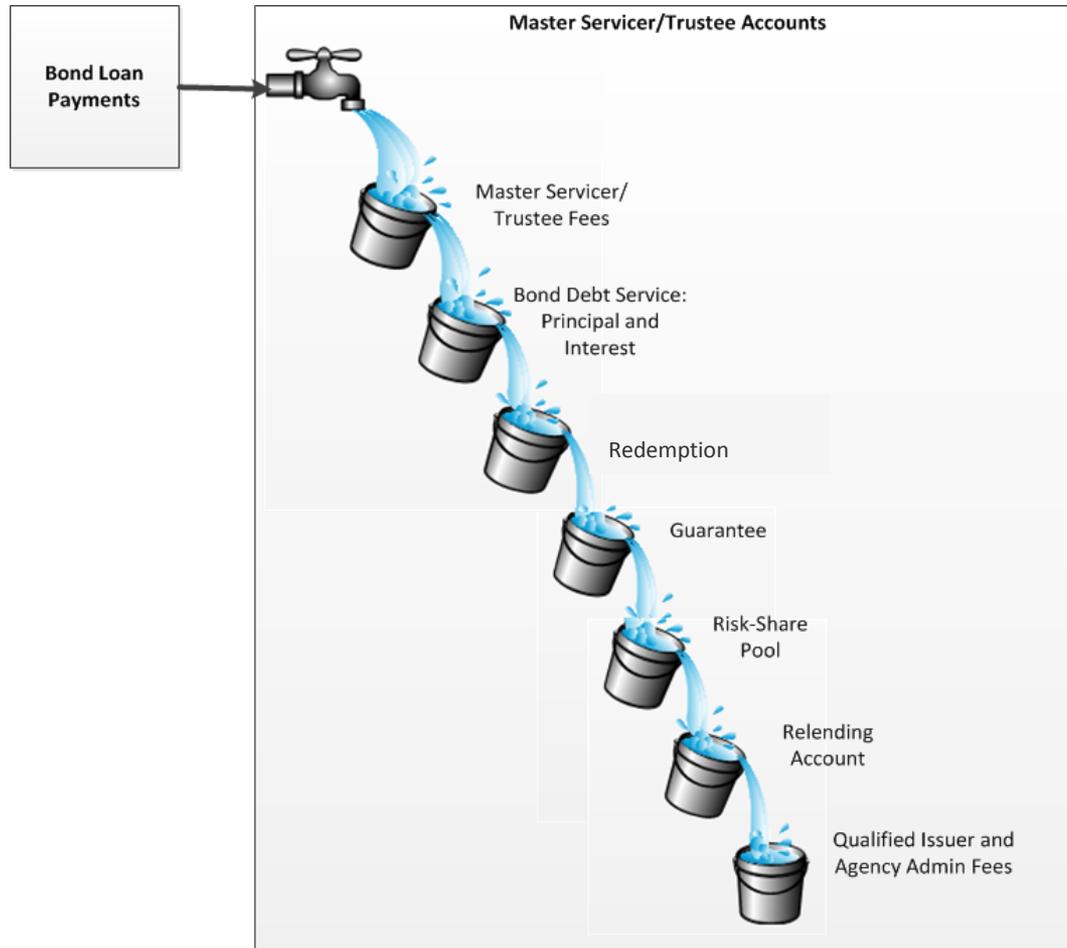
Breakdown of Costs



Negotiable Fees
 Predetermined Costs

- Eligible CDFIs will be responsible for all fees and costs associated with the CDFI Bond Guarantee Program.
- Costs may take the form of basis point additions to the interest rate on the associated Bond Loan.
- Eligible CDFIs should also consider organizational costs associated with conforming to ongoing programmatic reporting and compliance requirements.

Cash Flow Waterfall



Cash Flow Waterfall



- Bond Loan repayments will be deposited into accounts held by the Master Servicer/Trustee in trust.
- Separate accounting will be maintained for each Eligible CDFI.
- On Bond Loan Payment Dates, amounts available in accounts relating to a Bond that are held by the Master Servicer Trustee will be applied to the cash flow waterfall.
- Funds will be applied first toward Master Servicer/Trustee-related fees and administrative expenses.
- Funds will subsequently be used to service debt coverage on the Bond.
- Appropriate funds will be deposited into the Redemption Sub-account, and the Risk-Share Pool Account, as needed.

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Eligible Uses



- Bond Proceeds must be used for Eligible Community and Economic Development Purposes.
- Bond Proceeds may be used to Refinance existing loans.
- As a Bond Loan is repaid, Bond Loan proceeds in excess of those required for debt service payments on the Bond may be held in a Relending Account and used for additional Secondary Loans.
- Eligible CDFIs may lend to other CDFIs, provided that applicable Bond Loan and Secondary Loan Requirements are satisfied.

Prohibited Uses



- Bond proceeds may *not* be used for:
 - Political activities;
 - Lobbying;
 - Outreach;
 - Counseling services;
 - Travel expenses;
 - Salaries or administrative costs of the Qualified Issuer unrelated to the Bond Issue;
 - Risk-Share Pool funding; and/or
 - To pay fees other than Bond Issuance Fees up to one percent of the Bond Loan.

Relationship with Other Federal Funding Sources



- Award funds received under any other CDFI Fund program *may not* be used to pay principal, interest, fees, administrative costs, or issuance costs related to the CDFI Bond Guarantee Program.
- Bond Proceeds may be combined with equity derived from New Markets Tax Credits (NMTC) in order to make a Qualified Equity Investment in a Community Development Entity, or to refinance a Qualified Low-income Community Investment at the beginning of the seven year NMTC compliance period, only if the Eligible CDFI provides additional collateral or a payment guarantee for the entire seven year NMTC compliance period.
- Bond Loans may not be used to refinance existing Federal debt, or to service debt from other Federal credit programs.
- If other Federal funds are used to service Bond Loan debt or as a Credit Enhancement, the CDFI Fund requires written assurance from the other Federal program that the use is permissible.

Secondary Loan Requirements



- Secondary Loans must comply with Secondary Loan Requirements, which include:
 - Timely repayments from a reasonable source;
 - Proposed use must be sufficiently capitalized to ensure completion of projects being funded; and
 - Secured by a perfected senior lien on pledged collateral.
- Secondary Loan Requirements will be specific to each asset class, and are subject to change at the discretion of the CDFI Bond Guarantee Program.

Secondary Loan Process



- Eligible CDFIs will commit Secondary Loans according to their own origination policies and processes. These Secondary Loans must comply with Secondary Loan Requirements.
- Qualified Issuers will review Eligible CDFI certifications prior to disbursement of funds.
- Secondary Loans will be financed by the receipt of Bond Loan proceeds or the release of funds from the Relending Account.

Secondary Loan Process, cont.



- Secondary Borrowers will repay the Eligible CDFI through payment deposits into the appropriate Escrow Account.
- Eligible CDFIs will work with Secondary Borrowers regarding non-performing loans, as necessary.
- If a Secondary Borrower's payments are insufficient for the Bond Loan repayment, the Eligible CDFI will be responsible for making whole the missing portion of the Bond Loan payment.

Secondary Loan Requirements: Asset Classes



- The following asset classes are eligible for Secondary Loans:
 - CDFI-to-CDFI
 - CDFI to financing entity (other than a Certified CDFI)
 - Charter schools
 - Commercial real estate
 - Daycare centers
 - Healthcare facilities
 - Rental housing
 - Rural infrastructure
 - Owner-occupied homes
 - Licensed senior living and long-term care facilities
 - Small business (for-profit)
 - Not-for-profit organizations



Lunch
(11:30am – 1:00pm)

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- **Application Process**
- Credit Enhancements
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CDFI Bond Guarantee Program Applications



- The CDFI Bond Guarantee Program application process includes:
 1. The Qualified Issuer Application; and
 2. The Guarantee Application.
- The Qualified Issuer Application may be submitted in advance or concurrently with a Guarantee Application for a Bond Issue.

Qualified Issuer Evaluation Criteria



- Qualified Issuer Applications should:
 - Demonstrate strategic interest in promoting community and economic development in Low-Income Areas and Underserved Rural Areas; and
 - Demonstrate capability in performing Qualified Issuer functions and promoting community or economic development in Low-Income Areas and Underserved Rural Areas.
- The CDFI Bond Guarantee Program will evaluate applicants' proposed pricing structure and approve Qualified Issuer Applications.
- Qualified Issuer Applications are not evaluated under a competitive process.

Qualified Issuer Application



- The Qualified Issuer Application includes documentation on the capability and experience of the applicant.
- The following section describes the evaluation criteria and the associated documentation to be reviewed as part of the Qualified Issuer Application.

Qualified Issuer Application



Qualified Issuer Application Checklist

Section	Document	Included	Format
QI-1	Checklist	<input type="checkbox"/>	PDF
QI-2	Organizational Documents A. SF-424 (with Certifications and Assurances) signed by Qualified Issuer applicant B. SF-424 (with Certifications and Assurances) signed by proposed Program Administrator, if third-party C. SF-424 (with Certifications and Assurances) signed by proposed Servicer, if third-party D. SF-424 (with Certifications and Assurances) signed by Certified CDFI(s), as applicable E. Notice designating Qualified Issuer signed by Certified CDFI, if applicable F. EINTIN letter from IRS, as applicable G. Articles of Incorporation H. By-Laws I. Licenses J. Errors and omissions insurance certificate	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	PDF (All)
QI-3	Narrative Discussion A. Organization Capability – Qualified Issuer B. Organization Capability- Program Administrator C. Organization Capability- Servicer D. Strategic Alignment E. Management and Staffing F. Financial Strength	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Word (All)
QI-4	Organization Capability – Bond Issuance A. Servicer’s most recent SSAE16 or similar review B. Independent reports C. Information Technology systems documentation D. Internal controls and policies E. Credit, Underwriting, and Servicing Policies	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	PDF (All)
QI-5	Strategic Alignment A. Strategic or Operational Plan B. Conflicts of Interest policies C. Ethics policies	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	PDF (All)

Section	Document	Included	Format
QI-6	Management and Staffing A. Overall Organizational Structure (Entities and Affiliates) B. Organizational Chart (Positions) C. Management or operating agreement D. Resumes of Key Management and Personnel E. Staffing Data	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	PDF PDF PDF Excel
QI-7	Financial Strength A. Appropriate Federal Banking Agency or Appropriate State Agency B. Three (3) year history of financing transactions C. Three (3) year history of earned revenues D. Current loan covenants and Three (3) year history of compliance with covenants E. Portfolio Quality Report F. Three (3) year history of Off-Balance Sheet Activities G. Three (3) years of audits and management letters H. Most recent interim financial statements I. Next Year’s Budget (Unregulated Institutions) J. Three (3) year projection of financial position (Unregulated Institutions)	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Excel Excel Excel Excel Excel Excel PDF PDF Excel Excel
QI-8	Cash Flows and Pricing Structure A. Sample Bond Issue cash flow model B. Sample Proposed Sources and Uses of Funds C. Pricing Structure	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Excel (All)

Qualified Issuer Application: Evaluation



- The Qualified Issuer Applications are evaluated on the following factors:
 - Organizational Capacity
 - Strategic Alignment
 - Experience
 - Management & Staffing
 - Financial Strength
 - Systems & Technical Approach
- The pricing structure presented in a Qualified Issuer Application will be evaluated by looking at the capability of Qualified Issuer capabilities, among other criteria.
- The CDFI Fund may consider third-party data sources or other factors as appropriate, such as results of an on-site review.

Qualified Issuer Evaluation Criteria: Organizational Capacity



- The CDFI Fund will determine the applicant's capability to perform the required tasks of the Qualified Issuer.
- An applicant should demonstrate either independently, or with the support of contracted affiliate or third party Servicers and Program Administrators, the ability to:
 - Support the Guarantee Application submission process;
 - Issue Bonds;
 - Perform Servicing duties; and
 - Perform Program Administrator duties.

Organizational Capacity: Application Documents



- The applicant should describe its capabilities to deploy Bond and Bond Loan proceeds. This description should demonstrate that the applicant has the appropriate expertise through:
 - Prior experience,
 - Relevant risk mitigation strategies, and
 - Any quantifiable statistics, as appropriate.

Organizational Capacity: Application Documents



- The applicant will submit a *sample* cash flow model and *sample* proposed sources and uses of funds* to demonstrate knowledge and capability of performing Bond issuance functions with regard to the specifics of the CDFI Bond Guarantee Program.
- The application should include any independent reports or ratings regarding the performance of the applicant and any third party Servicer or Program Administrator.

***Concurrent Guarantee Applications and Qualified Issuer Applications may submit identical actual cash flows and sources and uses of funds.**

Qualified Issuer Evaluation Criteria: Strategic Alignment and Experience



- Strategic alignment of an applicant's mission statement and actions and the goals of the CDFI Fund and the CDFI Bond Guarantee Program are key to successfully working with CDFIs and making meaningful impact in their targeted communities.
- The Qualified Issuer applicant will be evaluated on its knowledge of the CDFI industry and alignment of goals and policies.

Qualified Issuer Evaluation Criteria: Strategic Alignment and Experience



- Assessment of an applicant's track record and past experience is key to determining future performance of Qualified Issuer activities.
- Qualified Issuer applicants will be evaluated based on prior experience in performing Qualified Issuer activities, including but not limited to:
 - Loan origination and underwriting;
 - Loan administration, servicing, and monitoring;
 - Loan restructuring;
 - Financial reporting; and
 - Lending activities in Low Income Areas and/or Underserved Rural Areas.

Strategic Alignment and Experience: Application Documents



- The applicant will describe its knowledge and experience in:
 - Working with the CDFI Industry, especially with regard to evaluation of the financial strength and operations of CDFIs; and
 - Demonstrated track record and commitment to community and economic development.
- The applicant will detail any ethics policies and conflicts of interest which will influence the organization's alignment of interests.
- Descriptions of technical experience should be tailored towards lending to CDFIs or similar institutions.

Qualified Issuer Evaluation Criteria: Management and Staffing



- The Qualified Issuer applicant should demonstrate a sound plan for managing and staffing operations related to the activities required of a Qualified Issuer.
- The proposed management team will be evaluated on its past track record.
- The applicant will be evaluated for management and staffing stability with regard to succession planning, turnover, and training, among other characteristics.

Qualified Issuer Evaluation Criteria: Management and Staffing - Servicing



- The Qualified Issuer applicant will be evaluated for its management and staffing capabilities with regard to servicing true debt and directing the Escrow Agent each month regarding:
 - Amount of fees to be paid to various parties;
 - Amount of principal and interest debt service on each Bond Loan; and
 - Amount to be deposited to the Relending Account.
- The Qualified Issuer applicant should have the capability of servicing Secondary Loans in the absence of appropriate Eligible CDFI level servicers.
- The applicant must have adequate internal control requirements as described in Statements on Standards for Attestation Engagements 16 (SSAE 16).

Management and Staffing: Application Documents



- The applicant will submit an organizational chart for all participating entities.
- The applicant will provide a discussion of management's ability of managing Qualified Issuer activities, with special attention on experience in developing multiple-lender loan pools.
- The applicant will provide resumes, job descriptions, and hiring data for all senior managers of participating entities.
- The applicant will describe current retention of management and staff and describe staffing plans related to the CDFI Bond Guarantee Program.

Qualified Issuer Evaluation Criteria: Financial Strength



- Qualified Issuer applicants should demonstrate adequate financial strength to perform the duties of the Qualified Issuer.
- Funding and projected revenue associated with the duties of the Qualified Issuer should support the performance of required activities.
- The basic financial stability of the applicant will be verified, with attention paid to any counterparty issues and/or other credit concerns. These concerns may include, but are not limited to:
 - Off-balance sheet obligations; and
 - Inter-affiliate relationships.

Financial Strength: Application Documents



- The Qualified Issuer applicant must submit the following :
 - The most recent three years of audited financial statements, including information on the applicant's net assets, equity, or net capital.
 - Financial risks and risk mitigation strategies.
 - List of applicable regulatory agencies, as well as ratings, reports, or score cards received.
 - Instances of financing transactions with a cumulative value of \$100 million or greater within the most recent three years.

Financial Strength: Application Documents, cont.



- Unregulated applicants will provide additional information, including, but not limited to:
 - Financial and operating covenants;
 - Report of off-balance sheet contingencies;
 - Discussion of largest sources of earned revenue; and
 - Approved budget for the next year, including a comparison to current operations.

Qualified Issuer Evaluation Criteria: Systems and Technical Approach



- The Qualified Issuer applicant should demonstrate adequate technical capability with regard to systems and technology used in Qualified Issuer activities.
- The Qualified Issuer applicant should have adequate backup and disaster plans with regard to its systems.

Systems and Technical Approach: Application Documents



- The applicant will provide information on the applicant's IT environment for program administration, servicing, and monitoring.
- Provide **internal controls policies** for documenting management decisions and retention of loan documents. These internal control policies should address:
 - Policies and procedures for management decisions and the documentation of such decisions; and
 - Loan servicing and administration documentation.

Qualified Issuer Evaluation Criteria: Pricing



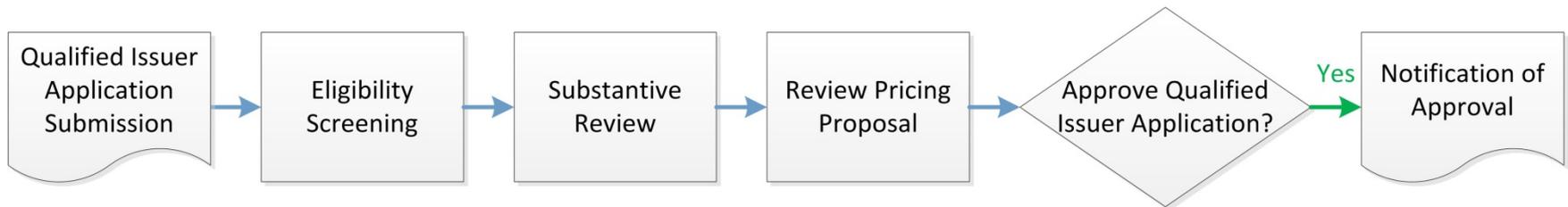
- The CDFI Fund will evaluate pricing only after determining capability of the applicant to perform Qualified Issuer activities.
- Pricing proposed by the applicant will be evaluated with regard to the level of sophistication provided by the applicant.
- Final pricing for Bond Issuance Fees, Program Administrator Fees, and Servicer fees will be determined by Eligible CDFIs and the Qualified Issuer. Pricing evaluation during the application review process will determine whether pricing is commensurate with proposed level of sophistication and sample cash flows.

Pricing: Application Documents



- The applicant will provide a pricing structure describing the level of effort and pricing for the following tasks:
 - Submitting a Guarantee Application and Bond Issuance fees (as a percentage in basis points of aggregate principle amount of the Bond Issue);
 - Servicer duties (basis point additions to the interest rate of a Bond Issue);
 - Program Administrator (basis point additions to the interest rate of a Bond Issue); and
 - Any other anticipated fees.
- The cash flow model submitted by the applicant should incorporate all applicable fees including, but not limited to Escrow Agent and Master Servicer/Trustee fees.

Qualified Issuer Application Review Process



Qualified Issuer Application Submission: MyCDFIFund



- Applications will be submitted via the CDFI Fund’s myCDFIFund platform at: www.cdfifund.gov/myCDFI/.
- Each applicant must create an organization account and user account for each entity, including any third-party Servicer or Program Administrator.
- Follow naming conventions in the QI application materials.
- Keep a copy of your “Signature Page” after submission.
- Control numbers for QI applicants follow FY-BQI-##### format.
- Contact bgp@cdfi.treas.gov or (202) 653-0376 for questions.

Qualified Issuer Application Review Process: Eligibility Screening



- The review process for the Qualified Issuer process will be conducted by the CDFI Fund.
- After submission to the CDFI Fund, Qualified Issuer Applications will be screened for conformance to eligibility requirements.
 - All required documentation and attachments should be submitted.
 - The CDFI Fund will check on past performance with other CDFI Fund programs and Federal requirements such as Do Not Pay, Suspension, Debarment, etc.
- If the Qualified Issuer Application fails to satisfy eligibility requirements, the CDFI Fund may request additional information from the applicant or recommend withdrawal.
- The applicant must respond to CDFI Fund requests for information within timeframes allotted.

Qualified Issuer Application Review Process: Substantive Review



- After a Qualified Issuer Application passes eligibility screening, the CDFI Fund will substantively review the application to determine if the applicant has adequate capability as a Qualified Issuer.
- The applicant must satisfy each of the evaluation categories in order to meet the minimum requirements of the Qualified Issuer.
 - The evaluation categories are represented by each of the sections in the Qualified Issuer Application and match up to the 11 overall factors in the FY2015 NOGA.

Qualified Issuer Application Review Process: Pricing Review



- The CDFI Fund will evaluate the pricing structure in conjunction with the proposed activities by the applicant, as well as the sample cash flow model.

Qualified Issuer Application Review Process: Review and Approval



- The CDFI Fund will approve the Qualified Issuer application for recommendation or for withdrawal.
- The applicant will be notified of approval status in writing through the email address maintained in the applicant's myCDFI Fund account.
- The Qualified Issuer will have the responsibility of notifying its proposed Program Administrator, Servicer, and Eligible CDFIs of the approval status of the Qualified Issuer Application.

Guarantee Application and Evaluation Criteria



- The Guarantee Application is the document that the Qualified Issuer must submit in order to request the issuance of a Guarantee by the Secretary of the Treasury.
- The Guarantee Application may be submitted concurrently with or after a Qualified Issuer application.
- Multiple Guarantee Applications may be submitted by a single Qualified Issuer.

Guarantee Application and Evaluation Criteria



- The Guarantee Application consists of two main sections:
 - Capital Distribution Plan; and
 - Secondary Capital Distribution Plans for each Eligible CDFI.

Guarantee Application and Evaluation Criteria



- Capital Distribution Plan:
 - Contains the documentation that the Qualified Issuer must submit about itself and its operations in order to be considered for a Guarantee;
 - Contains the Qualified Issuer’s plan for lending, disbursing, servicing and monitoring the Bond Loan; and
 - Meets the requirements set forth in the Regulations and the Notice of Guarantee Availability.

Guarantee Application and Evaluation Criteria



The Capital Distribution Plan portion of the Guarantee Application includes the following:

- 1) Checklist;
- 2) Qualified Issuer Information and No Material Change Certification;
- 3) Bond Issue Narrative;
- 4) Statement of Proposed Sources and Uses of Funds;
- 5) Bond Issue Qualified Issuer Cash Flow Model;
- 6) Credit Enhancement; and
- 7) Term Sheet.

Guarantee Application and Evaluation Criteria



1.0 Qualified Issuer Capital Distribution Plan

Section	Document	Included	Format
A-1	Checklist	<input type="checkbox"/>	PDF
A-2	Qualified Issuer Information and No Material Change Certification A. No Material Change Certification B. SF-424 C. Federal assurances and certifications D. EIN/TIN letter	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	PDF (All)
A-3	Bond Issue narrative	<input type="checkbox"/>	Word
A-4	Statement of Proposed Sources and Uses of Funds	<input type="checkbox"/>	Excel
A-5	Bond Issue Qualified Issuer cash flow model	<input type="checkbox"/>	Excel
A-6	Credit Enhancement	<input type="checkbox"/>	Word
A-7	Draft Term Sheet	<input type="checkbox"/>	Word

Guarantee Application and Evaluation Criteria



- Secondary Capital Distribution Plan:
 - Consists of documentation submitted by the Qualified Issuer for each Eligible CDFI represented by the Guarantee Application; and
 - Demonstrates the plan for lending, disbursing, servicing and monitoring Secondary Loans.

Guarantee Application and Evaluation Criteria



The Secondary Capital Distribution Plan portion of the Guarantee Application includes the following:

- 1) Checklist;
- 2) Eligible CDFI organization and contact information;
- 3) Secondary Capital Distribution Plan Narrative;
- 4) Eligible CDFI Statement of proposed sources and uses of funds;
- 5) Eligible CDFI cash flow model;
- 6) Organizational capacity;
- 7) Policies and procedures;
- 8) Financial statements;
- 9) Loan portfolio; and
- 10) Funding Sources and Capitalization.

Credit Enhancements and Principal Loss Collateral Provisions



- Credit Enhancements and Principal Loss Collateral Provisions may be required as part of the Guarantee Application to achieve the necessary credit quality of an Eligible CDFI or Qualified Issuer.
- Credit Enhancements may include, but are not limited to:
 - Payment guarantees from third parties or Affiliates;
 - Lines or letters of credit; and
 - Other pledges of financial resources which enhance an Eligible CDFI's ability to make timely debt service payments under the Bond Loan.
- Credit Enhancements and Principal Loss Collateral Provisions should be proffered by creditworthy providers and provide information about the adequacy of the facility in protecting the interests of the Federal Government.

Credit Enhancement Evidence for Application



- Credit Enhancements must be documented as a part of application materials including:
 - Letters of commitment, outlining the terms and conditions for the Credit Enhancement; and
 - Letters must be presented on Credit Enhancement provider's letterhead and executed by Credit Enhancement Provider.

Principal Loss Collateral Provisions



- Principal Loss Collateral Provisions may be provided in lieu of and in addition to pledged collateral, or else be individually underwritten by the CDFI Fund. The latter option is a more complex process.
- Principal Loss Collateral Provisions may be at the Bond Loan level (blanket) or Secondary Loan level (specific); regardless, all terms and conditions of the Principal Loss Collateral Provision must be explicit within the application.
- Principal Loss Collateral Provisions may be a letter of credit, cash, or cash equivalent guarantees in the amounts necessary to secure an Eligible CDFI's obligations under the Bond Loan after exercising other remedies for default.
- Principal Loss Collateral Provisions may include a deficiency guarantee in which another entity assumes liability after other default remedies have been exercised.

Principal Loss Collateral Provisions, cont.



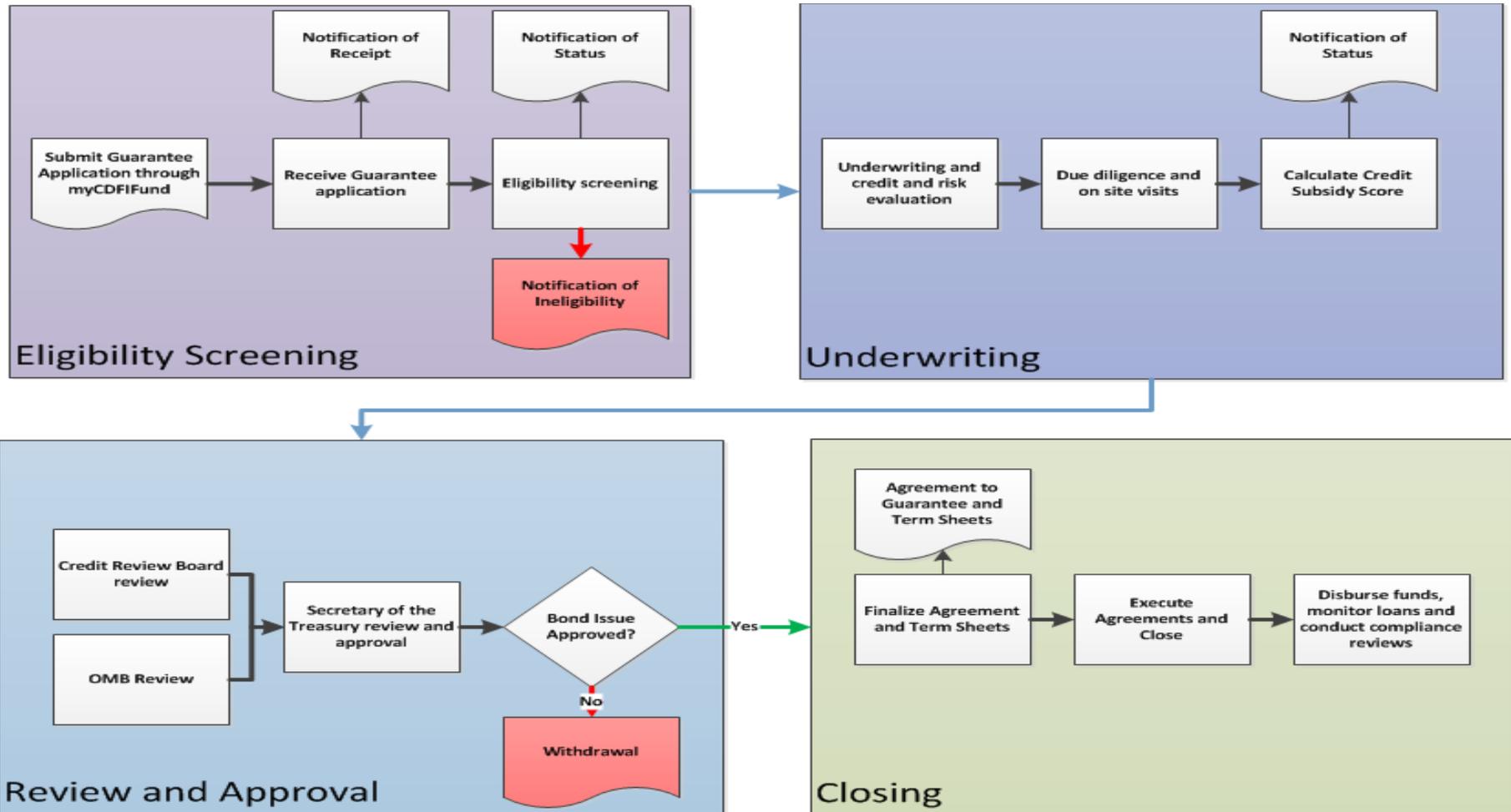
- At a minimum, the Principal Loss Collateral Provision must provide for cash or cash equivalents that are not less than the difference between the value of the collateral and the amount of the accelerated Bond Loan outstanding.
- An organization providing a Principal Loss Collateral Provision must be publicly rated as investment grade or comparable.
- A Principal Loss Collateral Provision that is provided by a regulated financial institution must demonstrate financially sound business practices relative to the industry norm.
- Secondary Loans collateralized by Principal Loss Collateral Provisions must have a loan-to-value ratio of 100 percent or less.

Credit Enhancements and Principal Loss Collateral Provisions



- Credit Enhancements and Principal Loss Collateral Provisions both impact the determination of credit subsidy scores of a Bond Issue, but through different methods.
- Credit Enhancements will influence the determination of an Eligible CDFI's creditworthiness and probability of default.
- Principal Loss Collateral Provisions enhance estimated recoveries from an Eligible CDFI by preventing default and/or providing a source of collateral for recovery.
- Examples of Principal Loss Collateral Provisions will be provided in Case Studies 1 and 2.

Guarantee Application Review Process Overview



Guarantee Application Review Process Overview, cont.



- The Guarantee Application review process includes three stages:
 - Completeness and Eligibility Screening;
 - Underwriting and Credit Risk Evaluation; and
 - Recommendation and Approval.
- After approval, additional steps are required to close the Bond Issue.

Guarantee Application Submission



- The Qualified Issuer submits the Guarantee Application to the CDFI Fund’s myCDFIFund platform at: www.cdfifund.gov/myCDFI/
- Please read the instructions in the Guarantee Application carefully, as there are two sets of Signature Pages for the Guarantee Application.
 - Guarantee Application- Eligible CDFI Portion
 - Guarantee Application- Qualified Issuer Portion
- All Eligible CDFIs must submit their portions first so that the Qualified Issuer can “link” the Signature Pages together as one comprehensive Guarantee application.
- Eligible CDFIs will receive control numbers as FY-BGC-#####.
- The overall Guarantee Application will receive FY-#-BG-#####.
- Contact bgp@cdfi.treas.gov or (202)653-0376 for questions.

Tip: Grant the Qualified Issuer “user” access to each Eligible CDFI’s MyCDFIFund account so that it can monitor the progress of participants.

Communications in the Guarantee Application Review Process



- Throughout the application review process, the CDFI Fund will contact the Qualified Issuer to request clarification on submitted application material.
- The Qualified Issuer must respond to CDFI Fund requests for information and clarification within a timely manner, and contact the Eligible CDFIs as appropriate.
- The Qualified Issuer may request additional time to respond to CDFI Fund inquiries if necessary.
- Eligible CDFIs should not contact the CDFI Fund directly regarding applications to the CDFI Bond Guarantee Program, but should instead communicate through the Qualified Issuer.

Eligibility Screening



- The CDFI Fund will send a Notification of Receipt to the applicant to acknowledge receipt of a Guarantee Application.
- The CDFI Fund will perform screening for eligibility after receiving the Guarantee Application.
- After reviewing the Guarantee Application for minimum eligibility, the CDFI Fund will notify the Qualified Issuer of the eligibility status of the Guarantee Application through a Notification of Status.
 - Applications fulfilling minimum eligibility standards will move to the next phase of application review.
 - Qualified Issuers with ineligible applications will be notified by the CDFI Fund.

Underwriting and Credit and Risk Evaluation



- Guarantee Applications passing the eligibility screening will undergo underwriting and credit and risk evaluation by the CDFI Fund.
- The CDFI Fund will review the application according to established underwriting criteria.
- Guarantee Applications will be evaluated on the proposed Bond Issue feasibility, Eligible CDFI credit quality and lending policies and procedures, and any applicable Credit Enhancements and Principal Loss Collateral Provisions.
- The CDFI Fund may contact the Qualified Issuer during this process to clarify application material.

Underwriting and Credit and Risk Evaluation – Bond Issue



- The Bond Issue underwriting and credit and risk evaluation begins by identifying the Qualified Issuer and determining if the Qualified Issuer requires approval.
- The Capital Distribution Plan is then evaluated as to the proposed Bond Issue structure.
- The CDFI Fund will identify the Eligible CDFIs to be evaluated. Each Eligible CDFI will be underwritten.
- The CDFI Fund will determine if additional entities will need to be evaluated, such as affiliated or third-party organizations providing Credit Enhancements.

Underwriting and Credit and Risk Evaluation – Eligible CDFIs



- Secondary Capital Distribution Plan demonstrates the plan for lending, disbursing, servicing and monitoring Secondary Loans for each Eligible CDFI.
- Each Secondary Capital Distribution Plan will be used to evaluate the credit quality of the associated Eligible CDFI.
- Eligible CDFIs will be evaluated on:
 - Predictive financial ratios;
 - Capital adequacy;
 - Asset composition;
 - Management and organization;
 - Performance and earnings;
 - Liquidity;
 - Forecasted performance; and
 - Credit Enhancements and other criteria.

Due Diligence and On-Site Visits



- After initial underwriting and credit and risk evaluation, the CDFI Fund will conduct due diligence and on-site visits.
- The CDFI Fund will collaborate with the Qualified Issuer of a Guarantee Application to coordinate due diligence and site visits.
- The objective of due diligence and on-site visits is to support underwriting and credit and risk evaluation with further evaluation of an entity's infrastructure, processes, and management practices.

Credit Subsidy Score Calculation



- After completion of underwriting and due diligence, the proposed Bond Issue will be evaluated and a credit subsidy estimate will be determined based on the risk profile of the proposed Bond Issue and Eligible CDFIs.
- The overall credit subsidy estimate of the proposed Bond Issue must comply with statutory requirements and be zero or less.

Credit Review Board



- The Credit Review Board consists of a panel of non-political career civil servants experienced in loan underwriting and federal credit practices.
- The CDFI Bond Guarantee Program Manager, together with representatives from origination, credit and risk management, and compliance will present the proposed Bond Issue to the Credit Review Board.
- Credit Review Board will review the Guarantee Application and recommend one of the following:
 - Approval;
 - Disapproval; or
 - Remittance back to CDFI Fund for additional information.

Office of Management and Budget Review



- The CDFI Bond Guarantee Program Manager, together with representatives from origination, credit and risk management, and compliance will present the proposed Bond Issue to the Office of Management and Budget (OMB).
- This presentation will familiarize OMB with the proposed Bond Issue and associated credit subsidy estimate.
- This presentation may allow the CDFI Fund to determine any necessary adjustments to the credit subsidy estimate, which must be approved by OMB prior to obligation.

Secretary Review and Approval



- Following presentation to the Credit Review Board, OMB, and other applicable governmental entities, the Guarantee Application and associated recommendations will be presented to the Secretary of the Treasury or his/her designee, the Deputy Secretary for Small Business, Community Development, and Housing Policy (DAS SBCDH).
- The DAS SBCDH will approve or disapprove a Guarantee.
- After the DAS SBCDH has approved the proposed Bond Issue, the Qualified Issuer will receive the Agreement to Guarantee with a Term Sheet to be signed by each Eligible CDFI.

Closing



- Due to the statutory requirements of the CDFI Bond Guarantee Program, the Agreement to Guarantee, Term Sheets, Bond Documents, and Bond Loan Documents for each Eligible CDFI must be signed prior to September 30, 2015, so as to obligate funds and close transactions.
- If a significant amount of time passes (i.e., 3 months) between the signing of the Agreement to Guarantee and the Bond Documents, the proposed Bond Issue will be reviewed for material changes (i.e., changes in the Capital Distribution Plan, bring-downs of certifications).
- All additional loan documentation (e.g., Bond Trust Indenture, Bond Loan Agreement, Guarantee) must be signed by the appropriate parties at closing, which must be prior to September 30, 2015.
- The Guarantee is not effective until closing.

Agenda



- Introduction and Overview
- Program Requirements, Structure, and Participants
- Flow of Funds
- Eligible Use of Funds
- Application Process
- Credit Enhancements
- Case Studies
- Application and Closing Timeline
- Reporting Requirements
- Closing Remarks

Credit Enhancements



- The credit quality of a Bond Issue may be bolstered by various types of Credit Enhancements.
- Credit Enhancements may include, but are not limited to:
 - Overcollateralization of pledged collateral;
 - Payment guarantees from third parties or Affiliates;
 - Lines or letters of credit; and
 - Other pledges of financial resources which enhance an Eligible CDFI's ability to make timely debt service payments under the Bond Loan.
- Credit Enhancements and Principal Loss Collateral Provisions should be proffered by creditworthy providers and provide information about the adequacy of the facility in protecting the interests of the Federal government. These providers may include, but are not limited to:
 - Affiliate organizations
 - Foundations
 - Banks and other financial institutions

Levels of Credit Enhancements



- Credit Enhancements may be provided at multiple layers of the Bond Issue, including at the:
 - Bond Loan Level;
 - Secondary Loan Level; and/or
 - Bond Level.

Credit Enhancement Provisions



- Credit Enhancements are part of the Trust Estate for the benefit of the Bondholder and must be eligible for use for the CDFI Bond Guarantee Program.
- Any Credit Enhancements that are provided must be accompanied by language outlining the exact terms of the credit enhancement.
- Providers of Credit Enhancements may require additional fees or restrictions which should be disclosed to the CDFI Fund in the Guarantee Application.
- If other Federal funds are used to service Bond Loan debt or as Credit Enhancement, the CDFI Fund requires written assurance from the other Federal program that the use is permissible.

Credit Enhancement Desired Terms



- To the extent that Credit Enhancements are utilized within the Bond Issue:
 - Specific terms and conditions need to be detailed in the application materials;
 - Specific information about the Credit Enhancement provider must be included; and
 - Credit Enhancement providers may be separately underwritten as a part of the Credit Risk and Evaluation process.

Credit Enhancement Evidence for Application

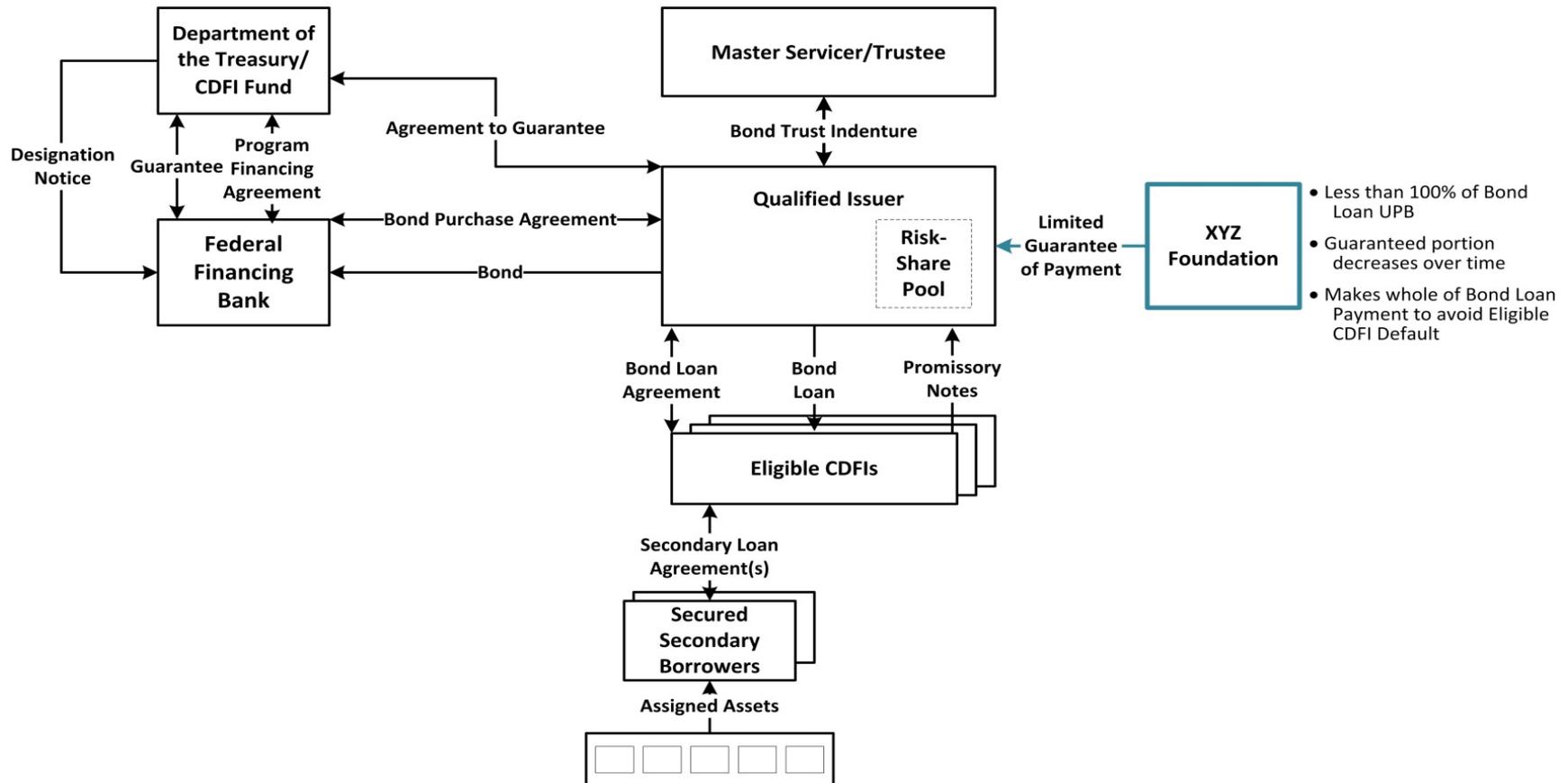


- Credit Enhancements must be documented as a part of application materials including:
 - Letters of commitment, outlining the terms and conditions for the Credit Enhancement; and
 - Letters must be presented on Credit Enhancement provider's letterhead and executed by Credit Enhancement provider.

Credit Enhancements: Bond Loan Level



1. Limited Guarantee of Timely Individual Bond Loan Payments



- Less than 100% of Bond Loan UPB
- Guaranteed portion decreases over time
- Makes whole of Bond Loan Payment to avoid Eligible CDFI Default

UPB = Unpaid Principal Balance

Credit Enhancements: Bond Loan Level

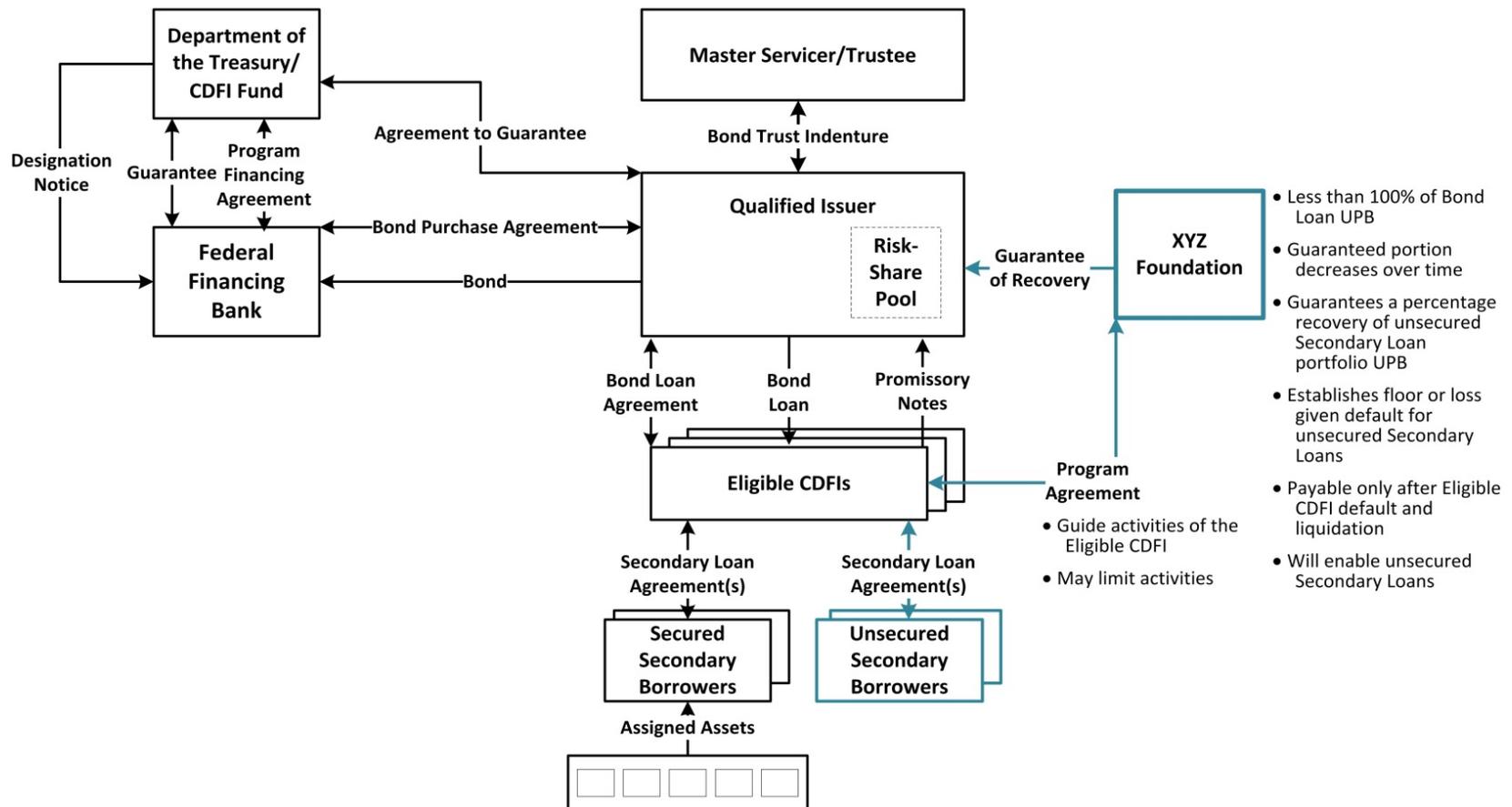


- A third party may provide a limited guarantee on timely Bond Loan payments to the Qualified Issuer for an Eligible CDFI.
- Such a guarantee would backstop missing monthly Bond Loan payments and prevent defaults on the Bond Loan by the Eligible CDFI.

Credit Enhancements: Secondary Loan Level



2. Limited Guarantee of Recovery of Individual Bond Loan



UPB = Unpaid Principal Balance

Credit Enhancements: Secondary Loan Level

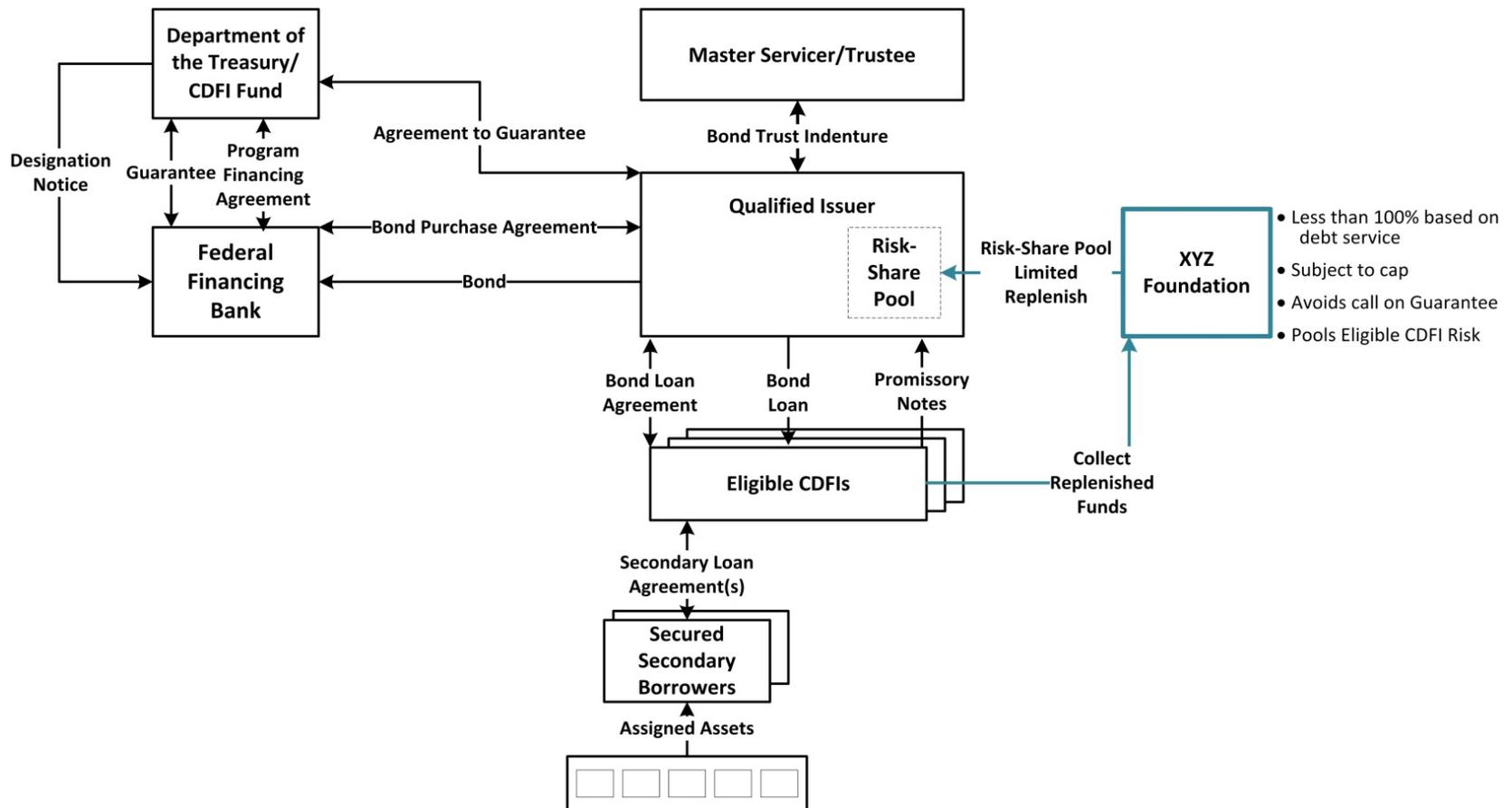


- A third party may provide a limited guarantee on recoveries from an individual Eligible CDFI's Bond Loan as a Principal Loss Collateral Provision (PLCP).
- A limited percentage of recoveries on unsecured Secondary Loans will be guaranteed, supporting the recovery on the Bond Loan.
- The third party should be able to provide guidance on lending to unsecured portfolio being guaranteed.
- Such a guarantee would provide a floor for recoveries on a Bond Loan and allow for unsecured Secondary Loans.

Credit Enhancements: Bond Level



3. Limited Risk-Share Pool Replenishment



Credit Enhancements: Bond Level



- A third party may provide a limited replenishment of the Risk-Share Pool, providing risk mitigation of the entire Bond Issue.
- The replenishment of the Risk-Share Pool may be based on debt service payment, with caps on total replenishment.



15 minute break

Agenda



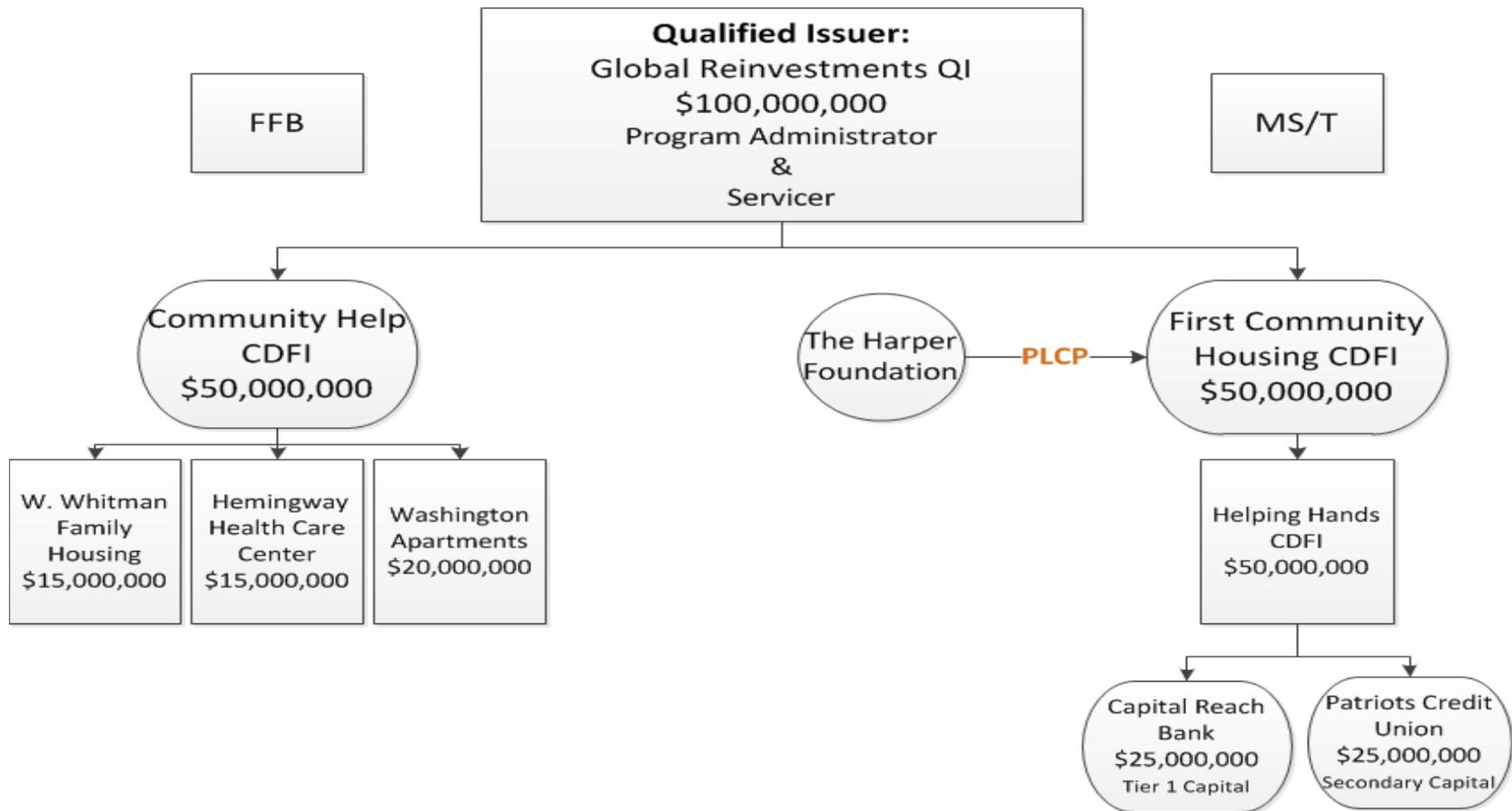
- Introduction and Overview
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- **Case Studies**
- Application and Closing Timeline
- Reporting Requirements
- Closing Remarks

Case Studies Introduction



- The two case studies will cover the structures and key requirements of the structures, per Federal Credit requirements and CDFI Bond Guarantee Program regulations.
 - Case Study 1: Multi-Party Application – Principal Loss Collateral Provision (Approved Structure)
 - Case Study 2: Lending without real estate as collateral (e.g. lending to a small business located on Indian land held in Trust with the Federal government) (Approved Structure)

Bond Issue Case Study 1: Global Reinvestments QI (GRQ)



The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Qualified Issuer Application Submission



- GRQ submits its Qualified Issuer Application and Guarantee Application simultaneously.
- GRQ utilizes guidance instructions in the Qualified Issuer and Guarantee Applications to complete the applications
 - Ability to complete applications are a prerequisite for approval as a Qualified Issuer and the application materials detail how the applications must be submitted to the CDFI Fund.
 - Submission of the most complete and comprehensive applications will expedite the application review process.
 - Missing or unclear documentation will likely delay the review and approval process.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1:

Participants



Qualified Issuer: Global Reinvestments, Inc. (GRQ)

CDFI (1): Community Help CDFI

Community Help CDFI has a national market area and focuses its lending activities in community facilities, specifically housing and community health centers. The CDFI has long history with GRQ as one of its primary capital sources.

CDFI (2): First Community Housing CDFI

First Community Housing has a regional market area located in the Northwest states and concentrates its lending activities on other CDFIs. FCH has not previously worked with the Qualified Issuer, GRQ, but has financed CDFIs that maintain a strong lending relationship with the QI. FCH has negotiated a Credit Enhancement (Principal Loss Collateral Provision) with The Harper Foundation.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1:

Capital Distribution Plan and Secondary Capital Distribution Plan



CDFI 1:	Community Help CDFI	<u>\$50,000,000</u>
Secondary Loans:	Asset Class	
– W. Whitman Family Housing	Rental Housing	\$15,000,000
– Hemingway Health Center	Health Center	\$15,000,000
– Washington Apartments	Rental Housing	\$20,000,000
CDFI 2:	First Community Housing CDFI	<u>\$50,000,000</u>
Secondary Loan:		
– Helping Hands CDFI	CDFI/CDFI	\$50,000,000

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Capital Distribution Plan



- Required information in the Capital Distribution Plan includes:
 - Dates of disbursements;
 - Amounts of disbursements;
 - Term of disbursements;
 - Amortization schedule for each disbursement; and
 - Relending Plan for EACH Eligible CDFI.
- The Capital Distribution Plan must demonstrate that 100% of the Bond Proceeds will be used for Eligible Purposes.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Cash Flow Model



- GRQ's Cash Flow Model is structured with the following assumptions:
 - Bond Term: 15 years
 - GRQ will execute 2 Bond Loans.
 - Each Bond Loan is \$50 million.
 - GRQ has negotiated a fee schedule with each Eligible CDFI.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Fee Schedule



GRQ CDFI Bond Guarantee Program Fee Schedule **		
<u>Fee Type</u>	<u>Calculation</u>	<u>Status</u>
Agency Administrative Fee	10 bps	Determined by statute
Bond Issuance Fee	12.5 bps	Negotiated by the Qualified Issuer and Eligible CDFIs
Servicer Fee*	25 bps	Negotiated by the Qualified Issuer and Eligible CDFIs
Program Administrative Fee*	12.5 bps	Negotiated by the Qualified Issuer and Eligible CDFIs
Master Servicer/Trustee Fee	25 bps	Negotiated by the Master Servicer/Trustee
Underlying Bond Rate + Liquidity Premium – 15 year term	2.50%	Determined by the Federal Financing Bank
Spread for Prepayment after Five Years	43.2 bps	Determined by the Federal Financing Bank
Eligible CDFI Interest Rate to Secondary Borrowers	4.3% to 6.75%	Determined by the Eligible CDFI

** Third party fees likely higher*

***RSP is not calculated as a part of the rate for the Eligible CDFI*

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.



Bond Issue Case Study 1:

Pricing Structure – Sample FFB Rates

APPROXIMATE FEDERAL FINANCING BANK LOAN RATES						
Loan Issue Date: 2/23/2015 Yield Curve Date: 2/20/2015						
Semiannual Amortizing Loans Callable at Par (except N/A case)						
	Maturity	Years to 1st Call	Option Spread	Treasury Yield	FFB Yield Est. (excludes Liquidity Premium)	
	30	20	0.144	2.488	2.632	
	30	15	0.322	2.488	2.810	
	20	15	0.099	2.257	2.356	
	10	N/A	N/A	1.784	1.784	

Bond Issue Case Study 1: Eligible CDFI Interest Rate



- The Eligible CDFI's interest rates for its Secondary Loans are calculated by the Eligible CDFI and may be a function of:
 - Underlying Bond rate and liquidity premium;
 - Fees paid to Bond Loan participants;
 - Other costs of the CDFI Bond Guarantee Program;
 - Eligible CDFI's interest spread; and/or
 - Credit risk evaluation by the Eligible CDFI.
- Within this Bond Issue, the Eligible CDFIs propose to lend Secondary Loans at interest rates of 4.3% to 6.75% to Secondary Borrowers.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Secondary Capital Distribution Plan



- Consistent with GRQ's Capital Distribution Plan, the Secondary Capital Distribution Plan will require the Eligible CDFIs (First Community Housing CDFI and Community Help CDFI) to provide specific detail in the timing of disbursements of the Bond Loan, including:
 - Date and amount;
 - Term;
 - Amortization schedule;
 - Estimated interest rate, fees; and
 - Relending Plan.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Secondary Capital Distribution Plan



- The Eligible CDFIs must present the **Asset Classes proposed for Secondary Loans** currently allowed within the CDFI Bond Guarantee Program
- Community Help CDFI proposes to lend to the following Asset Classes:
 - Community Health Centers
 - Rental Housing
- First Community Housing CDFI proposes to lend to:
 - CDFI-to-CDFI

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Secondary Capital Distribution Plan



- Community Help CDFI on-lends to three Community Facility borrowers.
 - One of the Secondary Loan maturities and amortization schedules is consistent with the Bond Loan at 15 years.
 - Hemingway Health Center and Washington Childcare have maturities of 10 years.
 - Because two of its Secondary Loans are amortizing faster than the Bond Loan, Community Help will show an increasing balance in its Relending Account over the term of the Bond Loan.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Secondary Capital Distribution Plan



Bond Loan 1 – Community Help CDFI

Secondary Borrower	Secondary Loan Amount	Interest Rate	Project Month of Disbursement	Loan Term (Months)
W. Whitman Family Housing	\$15,000,000	6.75%	1	180
Hemingway Health Care Center	\$15,000,000	6.75%	6	120
Washington Apartments	\$20,000,000	6.75%	12	120
Total	\$50,000,000			

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Bond Issue Case Study 1: Secondary Capital Distribution Plan



- Community Help CDFI's Secondary Capital Distribution Plan indicates that the CDFI will rely on overcollateralization rather than the relending account.
- CDFIs may over-collateralize the Bond Loan to avoid relending account activity as a result of the uneven amortization periods between Secondary Loans and the Bond Loan.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Relending Account and Overcollateralization



- The overcollateralization chart shown on the next slide is a simplified example which is not reflective of the loan balances within the case study.
- The example assumes a 110% overcollateralization requirement.
- The blue highlighted portion of the chart reflects additional collateral pledged by the Eligible CDFI (other pledged loans).
- As long as the total value of the Secondary Loans' unpaid principal balance (UPB) is sufficient to comply with the overcollateralization requirement, the Relending Account may be zero (and unfunded).

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Relending Account and Overcollateralization Example



(\$000)										
Period	1	2	3	4	5	6	7	8	9	10
Secondary Loan UPB 1	500	430	360	290	220	150	80	10	0	0
Secondary Loan UPB 2	500	430	360	290	220	150	80	10	0	0
Secondary Loan UPB 3	100	50	0	0	0	0	0	0	0	0
Secondary Loan UPB 4			160	100	40	0	0	0	0	0
Secondary Loan UPB 5				90	60	30	0	0	0	0
Secondary Loan UPB 6					120	70	20	0	0	0
Secondary Loan UPB 7						150	100	50	0	0
Secondary Loan UPB 8							160	110	60	10
Secondary Loan UPB 9								150	100	50
Secondary Loan UPB 10									60	30
Secondary Loan UPB 11										20
TOTAL										
Secondary Loan UPBs	1100	910	880	770	660	550	440	330	220	110
Bond Loan UPB	1000	900	800	700	600	500	400	300	200	100
Secondary UPB/ Bond Loan										
UPB	110.0%	101.1%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%
Relending Account	0	0	0	0	0	0	0	0	0	0

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Secondary Capital Distribution Plan

Bond Loan 2 – First Community Housing CDFI

Secondary Borrower	Secondary Loan Amount	Interest Rate	Project Month of Disbursement	Loan Term (Months)
Helping Hands CDFI	\$50,000,000	4.3%	1	180
Total	\$50,000,000			

Tertiary Investments *

Capital Reach Bank	\$25,000,000	4.5%	1	180
Patriots Credit Union	\$25,000,000	4.5%	1	180
Total	\$50,000,000			

* Eligible use met by CDFI to CDFI Lending

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Secondary Capital Distribution Plan



- First Community Housing CDFI proposes to generate one Secondary Loan to Helping Hands CDFI.
- The Asset Class is CDFI-to-CDFI Lending.
- Helping Hands CDFI will on-lend (invest) to two regulated CDFIs
 - Capital Reach Bank - \$25,000,000
 - Patriot CDFI Credit Union - \$25,000,000
- Helping Hands has negotiated a Credit Enhancement with the Harper Foundation in the form of a Principal Loss Collateral Provision to support the Secondary Capital Distribution Plan.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Principal Loss Collateral Provision



- First Community Housing CDFI proposes to use a credit enhancement of \$50 Million (structured as a Principal Loss Collateral Provision) to support the Bond structure at the Eligible CDFI level.
 - Helping Hands CDFI is proposing lending within the CDFI-to-CDFI asset class.
 - Tertiary lending is in the form of secondary capital and Tier 1 capital to regulated entities providing no collateral.
 - Helping Hands CDFI is substituting collateral with the \$50 Million Principal Loss Collateral Provision.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Summary



Bond Issue Case Study Overview

Bond Issue: \$100 Million

Qualified Issuer: GRQ

Bond Term: 15 Years

Community Help CDFI: \$50,000,000

<u>Secondary Loans:</u>	Asset Class	Loan Amount	Rate	Amortization (Months)
W. Whitman Family Housing	Rental Housing	\$ 15,000,000	6.75%	180
Hemingway Health Care Center	Health Care Center	\$ 15,000,000	6.75%	120
Washington Apartments	Rental Housing	\$ 20,000,000	6.75%	120

First Community Housing CDFI: \$50,000,000

<u>Secondary Loans:</u>	Asset Class	Loan Amount	Rate	Amortization (Months)
Helping Hands CDFI	CDFI/CDFI	\$ 50,000,000	4.30%	180
<u>On-Lending:</u>				
Capital Reach Bank	Tier 1 Capital	\$ 25,000,000	4.50%	180
Patriots Credit Union	Secondary Capital	\$ 25,000,000	4.50%	180

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Sample Cash Flows



- As a part of the case study, sample cash flows were developed to replicate those to be included in a Guarantee Application.
- The following slides present snapshot views of the various accounts which are impacted by transactions and activities within the Bond Issue, including:
 - Draws under the Bond Loans;
 - Repayments of the Secondary Loans;
 - Funding of the Risk-Share Pool; and
 - Relending activities.
- The first account examined is First Community Housing CDFI which executes a \$50,000,000 draw under the Bond Loan.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Cash Flows – First Community Housing



- The cash flows associated with First Community Housing present a straightforward view of how accounts and payments vary over time with concurrent maturities and level amortization schedules.
- The following table displays the accounts of First Community Housing CDFI, which draws \$50,000,000 under the Bond Loan, at the end of month one.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Cash Flows – First Community Housing



Line Item	Month 1 (Year 1)	Comments
Bond Loan UPB (End)	\$49,770,772	
Bond Loan Principal Payment	\$229,228	Based on level monthly amortization
Bond Loan Interest Payment	\$104,167	Based on level monthly amortization
Secondary Loan UPB (End)	\$49,801,761	
Secondary Loan Principal Payment	\$198,239	Based on level monthly amortization
Secondary Loan Interest Payment	\$179,167	Based on level monthly amortization
Total Fees	\$35,417	Based on UPB of Bond Loan
Eligible CDFI Spread	\$8,594	Remainder after fees and Bond Loan payment
Relending Account*	\$0	

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

*Note: Relending Account Funds are assumed to be used to make additional Secondary Loans in the month which they are available for relending.

Bond Issue Case Study 1: Cash Flows – First Community Housing



- The following table compares the value of the various accounts at the end of month 1 and at the end of the 15-year term.
 - Unpaid principal balances of the Bond Loan and Secondary Loans decrease over time.
 - Principal payments on the Bond Loan and Secondary Loans increase over time.
 - Interest payments on the Bond Loan and Secondary Loans decrease over time.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Cash Flows – First Community Housing



Line Item	Month 1 (Year 1)	Month 180 (Year 15)	Account Change
Bond Loan UPB (End)	\$49,770,772	\$0	Decrease
Bond Loan Principal Payment	\$229,228	\$334,701	Increase
Bond Loan Interest Payment	\$104,167	\$693	Decrease
Secondary Loan UPB (End)	\$49,801,761	\$0	Decrease
Secondary Loan Principal Payment	\$198,239	\$376,058	Increase
Secondary Loan Interest Payment	\$179,167	\$1,348	Decrease
Total Fees	\$35,417	\$236	Decrease
Eligible CDFI Spread	\$8,594	\$41,766	Increase
Relending Account*	\$0	\$0	No change

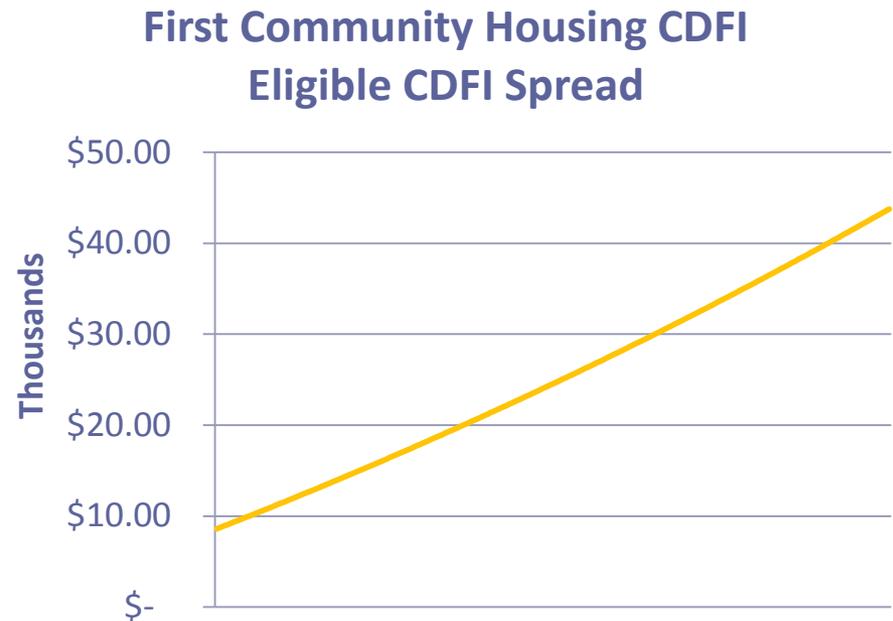
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*Note: Relending Account Funds are assumed to be used to make additional Secondary Loans in the month which they are available for relending.

Bond Issue Case Study 1: Cash Flows – First Community Housing



- Due to the Secondary Loan having the same maturity as the Bond Loan, no additional funds will be necessary in the Relending Account.
- Fees decrease over time with the decrease in Bond Loan UPB.
- As fees decrease and Secondary Loan repayments continue to occur on a level payment basis, spread of the Eligible CDFI is expected to increase over time.



The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Cash Flows – Community Help



- The Bond Loan to Community Help CDFI is also \$50,000,000 with staggered disbursements associated with three Secondary Loans.
- This example demonstrates multiple draws under a single Bond Loan for the Secondary Loans, some of which have a shorter duration than the Bond Loan.
- The following tables demonstrate the cash flows associated with the various accounts of Community Help CDFI at the end of month one.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Cash Flows – Community Help



Line Item	Month 1 (Year 1)	Comments
Bond Loan UPB (End)	\$14,931,232	
Bond Loan Principal Payment	\$68,768	Based on level monthly amortization
Bond Loan Interest Payment	\$31,250	Based on level monthly amortization
Secondary Loan UPB (End)	\$14,951,639	
Secondary Loan Principal Payment	\$48,361	Based on level monthly amortization
Secondary Loan Interest Payment	\$84,375	Based on level monthly amortization
Total Fees	\$27,813	Based on UPB of Bond Loan
Eligible CDFI Spread	\$4,906	Remainder after fees and Bond Loan payment
Relending Account*	\$0	

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

*Note: Relending Account Funds are assumed to be used to make additional Secondary Loans in the month which they are available for relending.

Bond Issue Case Study 1: Cash Flows – Community Help



- The following table reflects Community Help CDFI's staggered disbursement of Bond proceeds with varying Secondary Loan terms at the end of month one.
- As Bond proceeds are disbursed over time:
 - Bond Loan and Secondary Loan unpaid principal balances increase;
 - Bond Loan and Secondary Loan principal and interest payments may increase, depending on the incremental amount of disbursements; and
 - Fees and Eligible CDFI spread increase as the amount disbursed increases.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Cash Flows – Community Help



Line Item	Month 1 (Year 1)	Month 12 (Year 1)	Account Change
Bond Loan UPB (End)	\$14,931,232	\$48,565,409	Increase
Bond Loan Principal Payment	\$68,768	\$241,231	Increase
Bond Loan Interest Payment	\$31,250	\$101,681	Increase
Secondary Loan UPB (End)	\$14,951,639	\$48,658,715	Increase
Secondary Loan Principal Payment	\$48,361	\$259,456	Increase
Secondary Loan Interest Payment	\$84,375	\$275,165	Increase
Total Fees	\$27,813	\$90,048	Increase
Eligible CDFI Spread	\$4,906	\$101,661	Increase
Relending Account*	\$0	\$0	No Change

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

*Note: Relending Account Funds are assumed to be used to make additional Secondary Loans in the month which they are available for relending.

Bond Issue Case Study 1: Cash Flows – Community Help



- The cash flows for Community Help CDFI reflect shorter Secondary Loan terms compared to the associated Bond Loan.
- Because differences exist between the terms for the Secondary Loans and the Bond Loan, funds may be deposited into the Relending Account in certain periods.
- For the case study, Relending Account funds are assumed to be relent to Secondary Loans the month they are available for relending, at a term equal to the remaining term of the Bond Loan and at an average interest rate of 6.75%.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Cash Flows – Community Help



- The following table shows Community Help cash flows from full disbursement of Bond proceeds to repayment of non-full term Secondary Loans.
 - Bond Loan and Secondary Loan UPB decrease over time.
 - Bond Loan and Secondary Loan principal payments increase over time.
 - Bond Loan and Secondary Loan interest payments decrease over time.
- Because shorter Secondary Loan payments do not match with longer Bond Loan fees and payments, Eligible CDFI spread decreases from full disbursement of Bond proceeds to the repayment of non-full term Secondary Loans.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Cash Flows – Community Help



Line Item	Month 12 (Year 1)	Month 132 (Year 11)	Account Change
Bond Loan UPB (End)	\$48,565,409	\$15,648,044	Decrease
Bond Loan Principal Payment	\$241,231	\$309,667	Increase
Bond Loan Interest Payment	\$101,681	\$33,245	Decrease
Secondary Loan UPB (End)	\$48,658,715	\$15,673,956	Decrease
Secondary Loan Principal Payment	\$259,456	\$283,755	Increase
Secondary Loan Interest Payment	\$275,165	\$89,762	Decrease
Total Fees	\$90,048	\$29,588	Decrease
Eligible CDFI Spread	\$101,661	\$1,017	Decrease
Relending Account*	\$0	\$0	No Change

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

*Note: Relending Account Funds are assumed to be used to make additional Secondary Loans in the month which they are available for relending.

Bond Issue Case Study 1: Cash Flows – Community Help



- Once all remaining Secondary Loans have terms which coincide with the end of the Bond Loan, changes in balances will reflect those of First Community Housing CDFI.
 - Bond Loan and Secondary Loan UPB decrease over time.
 - Bond Loan and Secondary Loan principal payments increase over time.
 - Bond Loan and Secondary Loan interest payments decrease over time.
 - Eligible CDFI spread will increase, due to decreasing UPB and fees on the Bond Loan.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Cash Flows – Community Help



Line Item	Month 132 (Year 11)	Month 180 (Year 15)	Account Change
Bond Loan UPB (End)	\$15,648,044	\$0	Decrease
Bond Loan Principal Payment	\$309,667	\$342,199	Increase
Bond Loan Interest Payment	\$33,245	\$713	Decrease
Secondary Loan UPB (End)	\$15,673,956	\$0	Decrease
Secondary Loan Principal Payment	\$283,755	\$371,428	Increase
Secondary Loan Interest Payment	\$89,762	\$2,089	Decrease
Total Fees	\$29,588	\$634	Decrease
Eligible CDFI Spread	\$1,017	\$29,971	Increase
Relending Account*	\$0	\$0	No Change

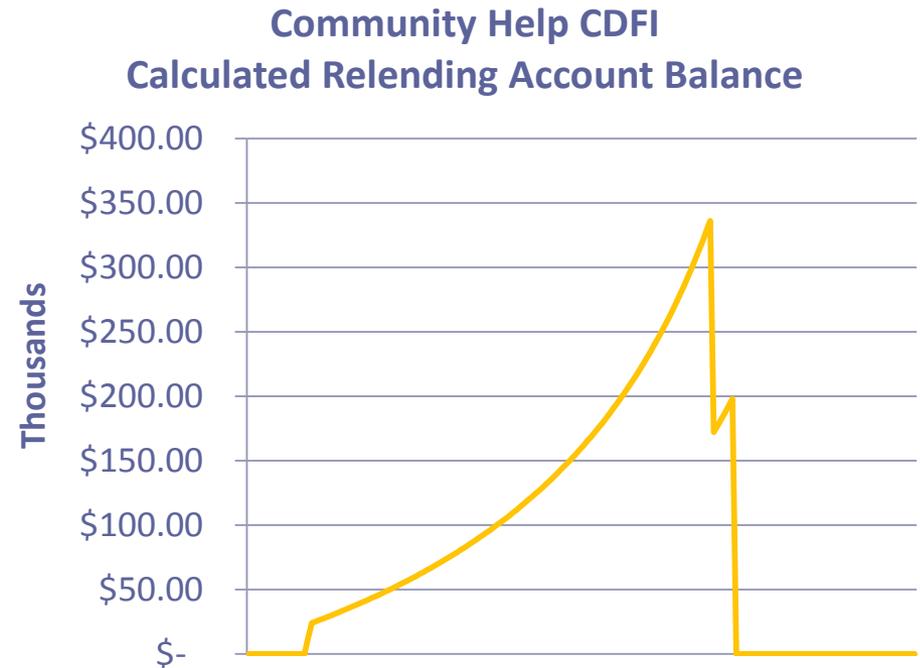
The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

*Note: Relending Account Funds are assumed to be used to make additional Secondary Loans in the month which they are available for relending.

Bond Issue Case Study 1: Cash Flows – Community Help



- Expected Relending Account Balance (in the absence of relending or prepayment) is expected to rise until Secondary Loans with shorter terms than the Bond Loan are repaid.
- The Relending Account will not have a balance once all Secondary Loans have terms coinciding with the maturity of the Bond Loan.



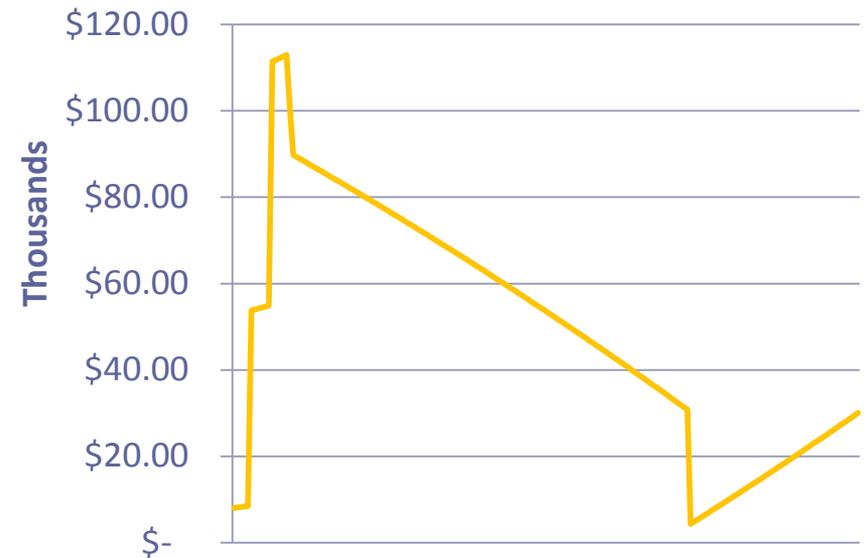
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Bond Issue Case Study 1: Cash Flows – Community Help



- Due to the discrepancy between Bond Loan repayment and Secondary Loan repayment and associated fees, along with the deposit of funds into the Relending Account, the Eligible CDFI spread fluctuates depending on the terms of its Secondary Loans.
- Due to relatively consistent relending to Secondary Loans from the Relending Account, cumulative nominal Eligible CDFI spread is expected to be higher than if no relending took place.

**Community Help CDFI
Eligible CDFI Spread**



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Bond Issue Case Study 1: Risk-Share Pool



- As the Bond is repaid and there are no missing payments, the Risk-Share Pool as a percentage of the Bond UPB will increase over time.

Month	Bond UPB	Expected Risk-Share Pool Amount	Risk-Share Pool as a Percentage of Bond (Beginning of Period)
1	\$65,000,000	\$1,950,000	3.00%
6	\$78,272,172	\$2,400,000	3.07%
12	\$96,258,703	\$3,000,000	3.12%
126	\$35,110,391	\$3,000,000	8.54%
132	\$31,472,531	\$3,000,000	9.53%
180	\$674,900	\$3,000,000	444.51%

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 1: Risk-Share Pool



- As determined by Statute, Eligible CDFIs are responsible to fund the Risk-Share Pool
 - The Risk-Share Pool is 3% of the Bond Loan.
 - The Risk-Share Pool is funded pro-rata upon the draw under the Bond Loan.
 - The Risk-Share Pool may not be funded from Bond proceeds, the Qualified Issuer, or funding from other CDFI Fund programs.
 - The Risk-Share Pool must remain in place throughout the term of the Bond Issuance.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

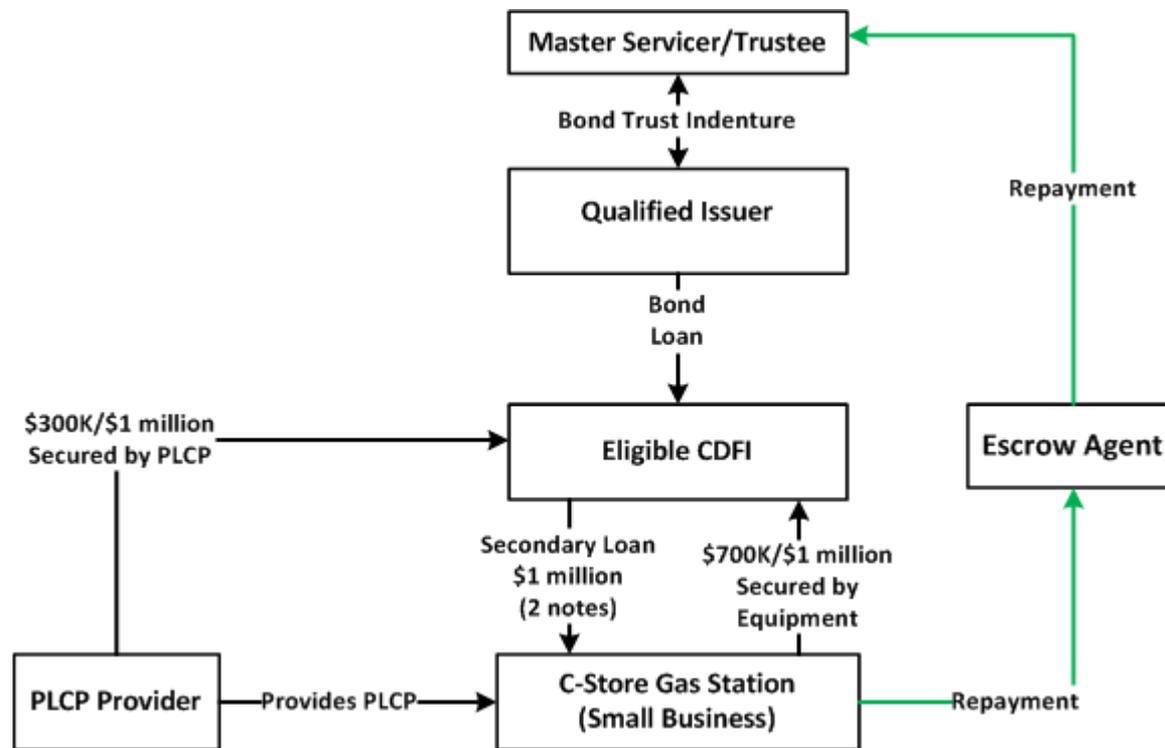
Bond Issue Case Study 2:

Non-Real Estate Structure



- This case study describes a sample financing of a Secondary Loan without pledging real estate as collateral.
- The sample loan used in this case study may be applicable to Native lending, where real estate may not be pledged.

Bond Issue Case Study 2: Non-Real Estate Structure



The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 2:

Key Entities



- C-Store Gas Station: Secondary Borrower
 - Is an existing small business on trust land.
 - Project funds are used to finance acquisition of new equipment.
 - No construction is necessary.
 - Real estate is not available for collateral, so equipment is used as collateral instead.
 - Value of equipment is insufficient to meet the loan-to-value requirements of the Secondary Loan.
 - New equipment as collateral may be financed up to a 70% loan-to-value.
- Eligible CDFI
 - Is approved to lend to the small business asset class (small business of C-Store Gas Station).
 - Does not have to be a Native CDFI to engage in Native lending.
 - Enters into an agreement with the provider of Principal Loss Collateral Provision (PLCP) as a Credit Enhancement for the Secondary Loan.

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Bond Issue Case Study 2:

Key Entities, cont.



- PLCP Provider
 - Is a separately governed entity from C-Store Gas Station.
 - May be a tribe, foundation, or bank.
 - Regulated institutions must be in good standing.
 - Should be publicly rated and investment grade.
 - Non-rated entities must be separately underwritten and approved by the CDFI Fund.
 - Credit Enhancement providers will be monitored through the life of the Bond Issue.
 - Provides a Credit Enhancement in the form of PLCP to the Secondary Loan in the form of:
 - Cash and
 - Deficiency Guarantee.
 - PLCP provided is limited in scope and amount may decrease over time as the loan is repaid.
 - Enters into an agreement with the Eligible CDFI.

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 2:

Key Entities, cont.



- The Qualified Issuer will issue Bond Loans to the Eligible CDFI and provide instructions to the Escrow Agent.
- The Escrow Agent receives payment from C-Store gas station and remits funds to the Master Servicer/Trustee based on the Qualified Issuer's instructions.
- The Master Servicer/Trustee will disburse funds from trust accounts as appropriate and remit Bond payment to the FFB.

Bond Issue Case Study 2: Secondary Capital Distribution Plan



- The C-Store Gas Station loan consists of two pari passu notes.

Note	Note Amount	Secured by	Security Value	LTV
Note 1	\$ 700,000	Equipment	\$1,000,000	70%
Note 2	\$300,000	PLCP (deficiency guarantee)	\$300,000	100%
Total	\$1,000,000	Equipment and PLCP	\$1,300,000	77%

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 2: Secondary Capital Distribution Plan, cont.



- The PLCP is necessary so that the underlying asset value of the loan is equal to the unpaid principal balance of the loan to C-Store Gas Station.
- All \$1,000,000 is disbursed to C-Store Gas Station in the first month of the first year.
- If collateral is liquidated and PLCP called, C-Store Gas Station remains liable for any balances owed if a deficiency remains.

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Bond Issue Case Study 2:

Case Study Assumptions



- Fees and costs are built into the interest rate to C-Store Gas Station and include:
 - Combined Qualified Issuer fees of 1%;
 - Master Servicer/Trustee fee of 16 bps;
 - Agency Administrative Fee of 10 bps; and
 - Cost for PLCP of 50 bps on the \$300K original unpaid principal balance.

Bond Issue Case Study 2:

Case Study Cash Flow



Inflows	Month 24	Month 60	Month 120
C-Store Repayment Amount	\$11,355	\$11,355	\$11,355
Total Secondary Loan Repayments	\$731,854	\$755,818	\$822,760
Outflows	Month 24	Month 60	Month 120
Bond Loan Payment	\$481,614	\$481,614	\$481,614
PLCP Fee (C-Store Loan)	\$125	\$125	\$125
MS/T Fee	\$12,862	\$12,047	\$10,451
Agency Admin Fees	\$8,038	\$7,529	\$6,532
QI Fees	\$80,385	\$75,291	\$65,322
Total Monthly Invoice	\$583,024	\$576,606	\$564,044
Eligible CDFI Spread	\$148,830	\$179,212	\$258,716

Note: Cash flows indicated are one of many loans.

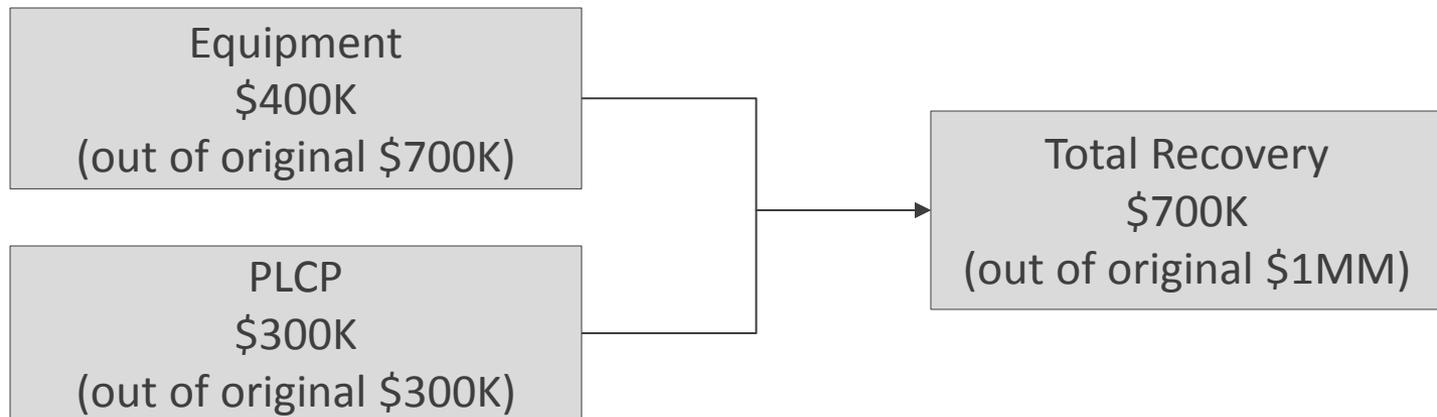
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Bond Issue Case Study 2:

Liquidation Example 1



- C-Store Gas Station defaults in year 1 and equipment used as security is liquidated.
 - Eligible CDFI recovers \$400,000 on equipment.
 - Eligible CDFI contacts PLCP provider, recovering \$300,000 on Note 2.
 - Eligible CDFI recovers 70% of total \$1,000,000 lent to C-Store Gas Station.



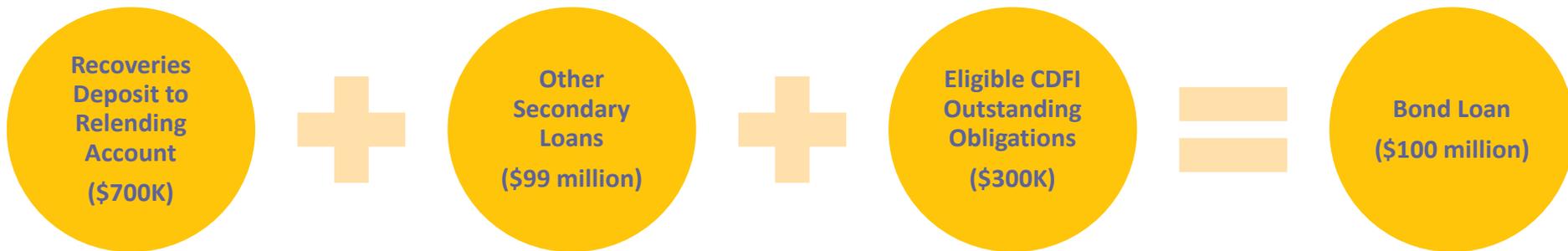
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Bond Issue Case Study 2:

Liquidation Example 1, cont.



- Recoveries from liquidation will be deposited into the Relending Account or overcollateralization account after meeting monthly Bond Loan payments.
- The amount of funds to be deposited in the Relending Account or overcollateralization account is equal to the difference between the UPB of the Bond Loan and the UPB of remaining pledged loans by the Eligible CDFI.



The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 2:

Liquidation Example 1, cont.



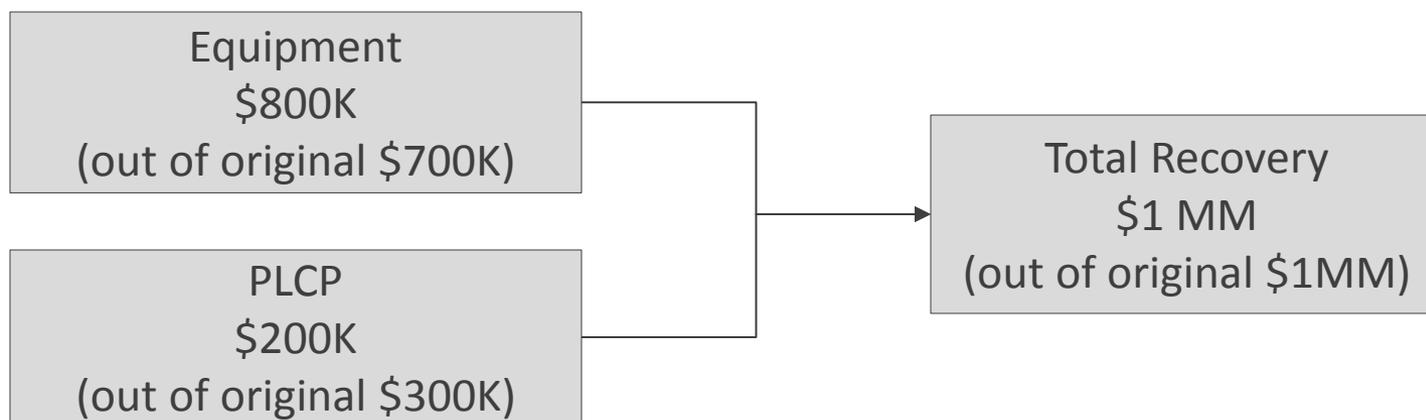
- The Eligible CDFI is still responsible for the remaining \$300K that has not been recovered.
 - The Eligible CDFI may replace the remaining \$300K with another loan of similar principal balance that meets Secondary Loan Requirements.
 - The Eligible CDFI may use its own funds to make whole the remaining \$300K.
 - The PLCP provider is not responsible for additional recoveries other than the \$300K it originally provided as a deficiency guarantee.

Bond Issue Case Study 2:

Liquidation Example 2



- C-Store Gas Station defaults in year 1 and equipment used as security is liquidated.
 - Eligible CDFI recovers \$800K on equipment.
 - Eligible CDFI contacts PLCP provider, recovering the remaining \$200K that is remaining after liquidating equipment.
 - Eligible CDFI recovers 100% of total \$1,000,000 lent to C-Store Gas Station.



The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 2:

Cash Flows – Risk-Share Pool



- As the Bond is repaid and there are no missing payments, the Risk-Share Pool as a percentage of the Bond UPB will increase over time.

Month	Bond UPB	Expected Risk-Share Pool Amount	Risk-Share Pool as a Percentage of Bond (Beginning of Period)
1	\$65,000,000	\$1,950,000	3.00%
6	\$78,272,172	\$2,400,000	3.07%
12	\$96,258,703	\$3,000,000	3.12%
126	\$35,110,391	\$3,000,000	8.54%
132	\$31,472,531	\$3,000,000	9.53%
180	\$674,900	\$3,000,000	444.51%

The figures and organizations in this chart are provided for example purposes only and do not represent those of a particular Bond Issue; parties are fictitious.

Bond Issue Case Study 2: Risk-Share Pool



- As determined by statute, Eligible CDFIs are responsible to fund the Risk-Share Pool.
 - The Risk-Share Pool is 3% of the Bond Loan.
 - The Risk-Share Pool is funded pro-rata upon each advance of funds under the Bond Loan.
 - The Risk-Share Pool may not be funded from Bond proceeds, the Qualified Issuer, or from funding received via other CDFI Fund programs.

Agenda



- Introduction and Overview
- Program Requirements, Structure, and Participants
- Flow of Funds
- Eligible Use of Funds
- Application Process
- Credit Enhancements
- Case Studies
- Application and Closing Timeline
- Reporting Requirements
- Closing Remarks

Closing Requirements



- Due to statutory program limitations, approved transactions in the FY2015 application round must be closed by September 30, 2015.
 - FY2015 applicants must identify legal counsel that will be available in this time frame.
 - Disbursements may occur at a later time and will be subject to conditions precedent for initial and subsequent advances.
- Closing requires:
 - Guarantee Application approval by the Secretary of the Treasury;
 - Signed Agreement to Guarantee and Term Sheets;
 - Signed Bond Loan Agreements, Bond Purchase Agreements, Bond, Escrow Agreements, and other Bond Documents and Bond Loan Documents; and
 - Signed Bond Trust Indenture Agreement.

Application and Closing Timeline



- The CDFI Fund must complete underwriting of applications before commencing closing activities.
- Early submission of applications to the CDFI Bond Guarantee Program enables the CDFI Fund to review applications more thoroughly and provides for additional opportunities for communication.

Agenda



- Introduction and Overview
- Program Requirements, Structure, and Participants
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- **Reporting Requirements**
- Closing Remarks

Post Issuance Reporting Objectives



- Collect information consistent with the periodic and annual financial reporting requirements for the CDFI Bond Guarantee Program as described under:
 - Interim Rule 12 CFR 1808.619 - Data Collection and Reporting;
 - Bond Loan Agreement Section 5 - Information Reporting; and
 - Bond Trust Indenture Section 305 – Reports and Audits.
- Meet the risk monitoring and data driven decision making standards of OMB A-129: Policies for Federal Credit Programs.
- Implement standardized data collection practices allowing program participants to demonstrate the ability to successfully deploy long-term debt.
- Provide a mechanism for Credit and Risk Management unit to accurately assess Eligible CDFI credit risk, and provide a record of accomplishment on which to base future lending and investment.

ECDFI Reporting Requirements



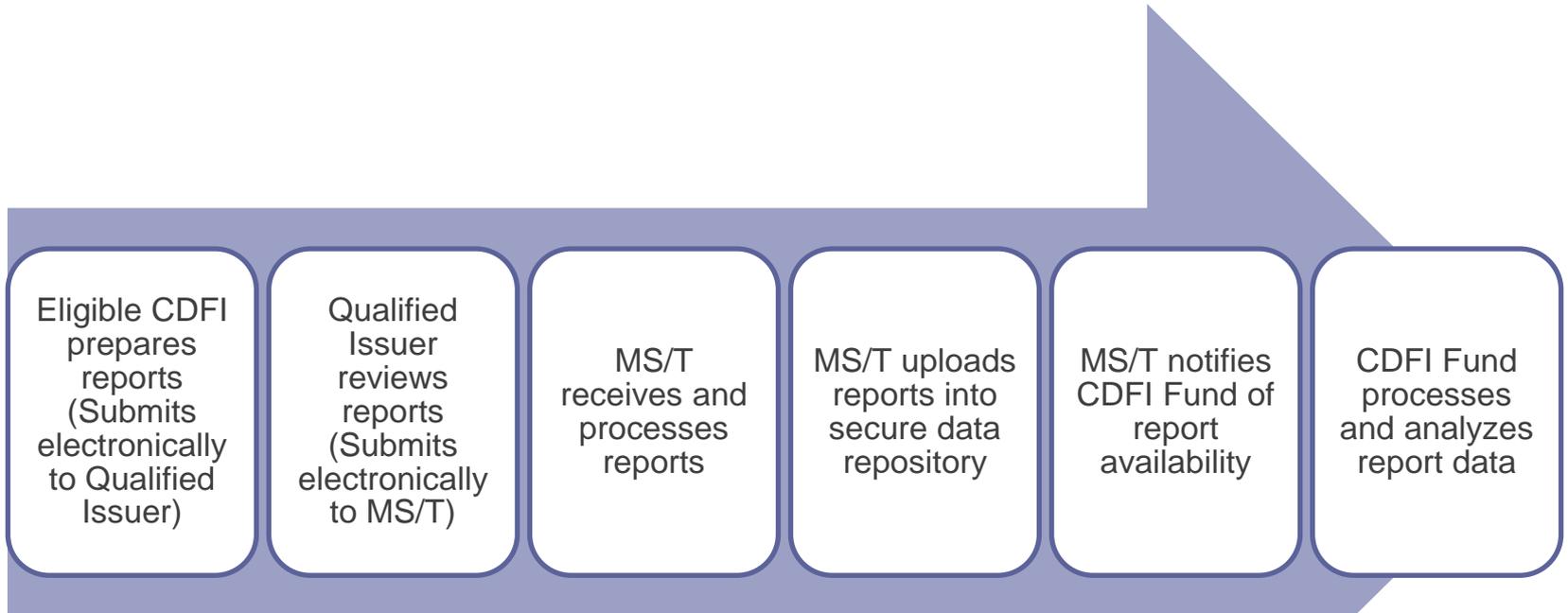
- Pledged Loan Monitoring Report (*Final*)
 - Completed monthly by each Eligible CDFI, and reviewed by QI.
 - Describes the term, risk, and collateral profiles of all Pledged Loans.
 - Provides “real-time” monitoring, as report must be filed no later than 5 calendar days after each Bond Loan Deposit Date (i.e., 15th of the month or next Business Day).
- Financial Condition Monitoring Report (*Final*)
 - Completed quarterly by each Eligible CDFI, and reviewed by QI.
 - Evaluates the financial condition of each Eligible CDFI by extracting, on a quarterly basis, information from an institution’s balance sheet and income statement (e.g., assets, liabilities, net assets, and equity). In addition, each Eligible CDFI must report on its overall portfolio quality.
 - Includes a quarterly compliance checklist to ensure that borrowers are current on all relevant certifications.
 - Report must be filed no later than 45 calendar days after the end of each interim fiscal quarter, and no later than 60 calendar days after the end of the ECDFI’s final fiscal year quarter.

ECDFI Reporting Requirements, cont.



- Program Impact Monitoring Report (pending OMB approval)
 - Completed annually by each Eligible CDFI, and reviewed by QI.
 - Provides information on the Secondary Borrower's use of Bond proceeds, and the impacts generated as a result of these investments (e.g., capacity, job growth, population served). Metrics vary for each Secondary Loan asset class.
 - Report must be filed no more than 60 calendar days after the calendar year end.

Reporting Submission Process



Note: Master Servicer/Trustee (MS/T) is Bank of New York Mellon and Midland Services. Access to Midland's secure data repository (i.e., SharePoint site) is restricted. ECDFIs will only see data for their Bond Loan; Qualified Issuers will only see data for their own issuance pool(s)

Reporting Requirements: Annual Assessment



- Third-party report intended to mitigate risk and ensure compliance with CDFI Bond Guarantee Program Regulations.
- Required for Eligible CDFIs, and contemplated for QIs, and includes assessment of the following criteria:
 - Financial Strength;
 - Portfolio Management and Servicing Capability;
 - Management and Staffing;
 - Systems and Information Technology;
 - Internal Controls; and
 - Programmatic Considerations (i.e., Program Administration and Impact Assessment Methodology).

Reporting Requirements: Annual Assessment, cont.



- The data collection effort will support proactive portfolio risk management and serve as an advance risk detection mechanism to inform and alert the CDFI Bond Guarantee Program staff of potential performance concerns.
- Annual Assessment findings, recommendations, and analysis will be tracked, reviewed, and monitored by the CDFI Bond Guarantee Program, and will guide and inform post-issuance monitoring activities.

Agenda



- Introduction and Overview
- Program Requirements, Structure, and Participants
- Flow of Funds
- Eligible Use of Funds
- Application Process
- Credit Enhancements
- Case Studies
- Application and Closing Timeline
- Reporting Requirements
- **Closing Remarks**

Closing Remarks: Final Questions?

