

CDFI BOND GUARANTEE PROGRAM

TERM SHEET

[NAME OF ELIGIBLE CDFI]

[Address]

Re: Term Sheet for the Bond Loan related to the [QUALIFIED ISSUER] Eligible Purpose Funding Bond, [YEAR - \_\_] ([NAME OF ELIGIBLE CDFI])

This Term Sheet constitutes the commitment of [QUALIFIED ISSUER], as Qualified Issuer (acting as the lender), to provide a Bond Loan to [ELIGIBLE CDFI], acting as the borrower, for the Eligible Purposes set forth herein (the Eligible Purpose) pursuant to section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (Pub. L. 103-325, 108 Stat. 2160), as added by section 1134 of the Small Business Jobs Act of 2010 (Pub. L. No. 111-240, 124 Stat. 2504, 2515), codified at 12 U.S.C. § 4713a (the Act), as implemented by the regulations set forth at 12 C.F.R. Part 1808 (the Regulations). The Bond Loan will be made from the Bond Proceeds, derived from the issuance of the above-referenced Bond by the Qualified Issuer pursuant to the Act and the Regulations.

This Term Sheet is attached to and made a part of that certain Agreement to Guarantee, dated as of \_\_\_\_\_, between the Qualified Issuer and the Secretary of the Treasury (or his designee), acting as the Guarantor (the Agreement to Guarantee). All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Agreement to Guarantee and / or the Regulations.

By executing this Term Sheet, the Eligible CDFI agrees to the terms herein set forth and to reimburse the Qualified Issuer and the Master Servicer/Trustee for fees and expenses that the Qualified Issuer and the Master Servicer/Trustee, respectively, incur for legal counsel, financial advice, and other consultants in connection with the negotiation, documentation and making of the Bond Loan, whether or not the Bond Loan is ultimately consummated.

This Term Sheet is a legal commitment of the Qualified Issuer only to the terms specified herein. It is subject in all respects to the issuance of the Bond and the execution of a Bond Loan Agreement on terms and conditions acceptable to the Guarantor and the Bond Purchaser.

**CDFI BOND GUARANTEE PROGRAM**  
**BOND LOAN TERMS AND CONDITIONS**

<b>QUALIFIED ISSUER</b>	<b>[QUALIFIED ISSUER], acting as lender</b>
<b>ELIGIBLE CDFI</b>	<b>[ELIGIBLE CDFI], acting as borrower [and contact information]</b>
<b>BOND COUNSEL</b>	<b>[Insert name and contact information]</b>
<b>ELIGIBLE CDFI'S COUNSEL</b>	<b>[Insert name and contact information]</b>
<b>ELIGIBLE PURPOSE</b>	<b>To finance and Refinance Secondary Loans from among the following Secondary Loan asset classes: [insert approved asset classes].</b>
<b>ORIGINAL PRINCIPAL AMOUNT OF BOND LOAN SUBJECT TO GUARANTEE</b>	<b>\$____ million</b>

**LAST DAY FOR AN  
ADVANCE**

Five years from the Bond Issue Date.

**FINAL MATURITY DATE**

The final maturity of the Bond Loan shall be the date which is no later than twenty-nine and one-half (29.5) years from the Bond Issue Date.

**BOND LOAN RATE**

Each advance of funds under the Bond Loan shall bear interest at a fixed rate that will be equal to the interest rate set on the particular advance of funds under the Bond that is made to fund the advance of funds under the Bond Loan. The interest rate set on each advance of funds under the Bond will be based upon the current average market yield on outstanding marketable U.S. Treasury obligations of comparable duration, as determined by the Department of the Treasury at the time of such advance plus a liquidity premium of [\_\_\_\_ basis points (\_\_\_\_%)] as determined by the Federal Financing Bank.

**DEBT SERVICE**

The Bond shall amortize in level payments of principal and interest beginning on the first principal payment date. Payments of principal and interest for each advance will be determined based upon the amount of such advance and the applicable Bond Rate. A final principal and interest payment schedule reflecting the aggregation of the principal and interest payment schedules for all advances will be delivered by the Bondholder after the last day for an advance.

**PAYMENT DATES**

Bond Loan installments on any outstanding advances shall be due monthly, beginning on the date which is [seven (7) months][four (4) months] prior to the first [semiannual][quarterly] Bond payment date, which Bond payment date shall occur on [June 15 and December 15] [March 15, June 15, September 15, and December 15] of each year.

**BOND**

**LOAN COLLATERAL**

As security for the obligation of the Eligible CDFI to make all payments due and to perform all obligations under the Bond Loan Agreement, the Promissory Note, and any other Bond Loan Documents, and for the benefit and security of all Bonds issued on behalf of the Eligible CDFI under the Bond Trust Indenture, the Eligible CDFI will grant, pledge, and assign to the Qualified Issuer a first lien on and security interest in the Bond Loan Collateral (as herein defined) and any rights to receive such Bond Loan Collateral, subject only to Permitted Liens, as defined in Bond Loan Agreement.

Bond Loan Collateral is the payment receivables from the

Secondary Loans [plus payment receivables from Other Pledged Loans. Other Pledged Loans means other loans pledged or owned by the Eligible CDFI the terms of which comply with the requirements for Secondary Loans such that they would be classified as Secondary Loans if they were made from Bond Loan Proceeds.

The Eligible CDFI will, further, covenant and agree that, in the event any Secondary Loan or Other Pledged Loan comprising the Bond Loan Collateral is delinquent in payment of debt service for greater than ninety (90) consecutive calendar days (the Non-Performing Collateral), the Eligible CDFI will substitute such Non-Performing Collateral with Secondary Loans or Other Pledged Loans of equal or greater value which demonstrate no more than two (2) delinquencies in payment of debt service of greater than thirty (30) days over the two (2) immediately prior fiscal years of the debtor on such loan; provided, however, that if the Eligible CDFI is unable to provide substitute loans in accordance with this paragraph within thirty (30) days, the Eligible CDFI shall provide funds other than proceeds of the Bond Loan to effectuate a prepayment of the Bond Loan such that the Required Overcollateralization is again in compliance with the Required Overcollateralization covenant set forth in this section.

The Eligible CDFI will covenant and agree to maintain, at all times, the value of Bond Loan Collateral to outstanding principal amount of the Bond Loan ratio of one hundred and [ten] percent [(110%)] (the equivalent of [ten] percent [(10%)] overcollateralization) (the Required Overcollateralization).]

**[Describe any additional Credit Enhancements (including guarantees and cash collateral) any and all such collateral as may be assigned to the Qualified Issuer or the Master Servicer/Trustee pursuant to any collateral assignment or any Principal Loss Collateral Provision].**

Additionally, without the prior written consent of the Guarantor, in the Guarantor's sole discretion, the Eligible CDFI will covenant and agree not to pledge, sell, mortgage, encumber, lease, transfer or otherwise dispose of the Bond Loan Collateral to any person during the life of the Bond Loan and not to create or suffer to be created or exist any lien upon any of the Bond Loan Collateral, then owned or thereafter acquired by the Eligible CDFI other than Permitted Liens.

Further, the Eligible CDFI will pledge the Secondary Loan

collateral to secure the repayment of the Bond Loan and execute an assignment of any and all of the Eligible CDFI's right, title and interest in and to the Secondary Loan collateral to the Qualified Issuer to be further assigned to the Master Servicer/Trustee for the benefit of the Bondholder. This collateral assignment will also be used as a monitoring tool to ensure that the unpaid principal balance of the Bond Loan Collateral exceeds the unpaid principal balance of the Bond Loan, at all times.

The Eligible CDFI shall have a transferable ownership interest in all Bond Loan Collateral and Other Pledged Loans.

**CONDITIONS  
PRECEDENT**

The obligation of the Qualified Issuer to close the Bond Loan is subject to the satisfaction of the following conditions precedent:

- 1) All conditions precedent pursuant to the Agreement to Guarantee shall have been satisfied to the satisfaction of the CDFI Fund.
- 2) The Qualified Issuer and the CDFI Fund have received the following, in form and substance satisfactory to the CDFI Fund:
  - a) The Bond Loan Agreement duly executed by the Qualified Issuer, as lender, and the Eligible CDFI, as borrower, including: (i) the Promissory Note duly executed by the Eligible CDFI, substantially in the form of the Exhibit A attached to the Bond Loan Agreement and dated the Bond Issue Date, (ii) the favorable written opinion of legal counsel to the Eligible CDFI substantially in the form of the Exhibit B attached to the Bond Loan Agreement and dated the Bond Issue Date, and (iii) the Reimbursement Note duly executed by the Eligible CDFI and dated as of the Bond Issue Date;
  - b) UCC Financing Statements which, when filed, will secure the Qualified Issuer's interest in the Bond Loan Collateral;
  - c) Financial statements of the Eligible CDFI for the prior three (3) years certified by a firm of independent certified public accountants and pro forma statements for the subsequent three (3) years;
  - d) The Eligible CDFI's organizational documents

(articles of incorporation; bylaws; good standing certificate; IRS tax-exemption letter, if applicable);

- e) Certificates of each of the Eligible CDFI and the Qualified Issuer regarding lobbying required to be filed by recipients of Federal loans and/or Federal guarantees or insurance under 31 C.F.R. Part 21;
  - f) Certificates of each of the Eligible CDFI and the Qualified Issuer that no default, event of default, or due and unsatisfied liability has occurred and is continuing with respect to any obligations of the Qualified Issuer and the Eligible CDFI, respectively, to the CDFI Fund, the Guarantor, the Bond Purchaser, the U.S. Internal Revenue Service, or any other agency, authority or instrumentality of the Federal Government; and
  - g) Such other documents and certificates as the Qualified Issuer, the CDFI Fund, the Guarantor, the Bond Purchaser or Bond Counsel shall require.
- 3) No event has occurred and is continuing, or will occur upon the borrowing of the Bond Loan or the execution, filing or recordation of any of the Bond Loan Documents, which constitutes an Event of Default under the Bond Loan Agreement, or would violate, result in a breach of or constitute a default under any covenants, conditions or agreements contained in any other debt obligation of the Eligible CDFI or which, upon the giving of notice, the lapse of time, or both, would constitute such an event of default, violation, or breach.
- 4) Any Bond Loan Document deemed necessary by the Qualified Issuer to be executed, recorded or filed to create or perfect the liens and security interests intended to be created for the benefit of the Qualified Issuer pursuant to the Bond Loan Documents will have been delivered to Qualified Issuer in recordable form or filed; and all taxes and other charges in connection with the execution of any of the Bond Loan Documents or the recording or filing thereof have been duly paid in full by the Eligible CDFI.

**MANDATORY  
PREPAYMENT**

The Eligible CDFI shall prepay the Bond Loan in whole or in part, at any time the Bond is mandatorily pre-payable pursuant to the Supplemental Indenture and subject to any conditions set

## PROVISIONS

forth in the Bond Indenture, the Supplemental Indenture and the Bond Loan Agreement.

Subject to such make whole premiums or discounts as are set forth in the Bonds, the Bonds and the advances made thereunder shall be subject to redemption, in whole or in part, at the option and upon the written direction of the Qualified Issuer, as follows:

- 1) [On the Calculation Date (as defined below) of each calendar year, such Authorized Denominations (as defined below) as are on deposit in the Relending Account related to the Bonds that exceeds the applicable Relending Account Maximum (as defined below) by \$100,000 or more shall be transferred to the Redemption Account related to the Bonds of the Debt Service Fund and applied to redeem Bonds on the next succeeding Payment Date; *provided* that the sum of such amounts transferred from the Relending Account shall constitute the requisite amounts of principal, together with any interest and redemption premiums or discounts, necessary to effectuate such mandatory redemption on the date set for redemption such that no additional funds shall be required in order to do so][OR][Upon the failure of the Eligible CDFI to maintain the Required Overcollateralization subject to any applicable cure periods]; and
- 2) Upon the liquidation of any collateral in connection with the exercise by the Guarantor, the Qualified Issuer or the Bondholder of remedies upon default of the related Bond pursuant to Section 811 of the Bond Trust Indenture, any amounts remaining after the repayment of any amounts drawn under the Guarantee shall be deposited in the Redemption Account of the Debt Service Fund and applied in accordance therewith on the date set for redemption. Any amounts remaining after such mandatory redemption of Bonds shall then be applied in the following order of priority: FIRST, to the replenishment of any funds drawn from accounts of the Risk-Share Pool Fund relating to other Bonds of other Eligible CDFIs participating in the Bond Issue and SECOND, to the Eligible CDFI for application in accordance with Secondary Loan Documents.

[“**Calculation Date**” means, following the Notification Date (as hereinafter defined), the earlier of: (i) the date on which the

balance in the applicable Relending Account becomes less than or equal to the applicable Relending Account Maximum or (ii) six (6) months following the Notification Date. “**Notification Date**” means the date on which the Master Servicer/Trustee notifies the Eligible CDFI that the balance in the applicable Relending Account exceeds the applicable Relending Account Maximum. “**Relending Account Maximum**” means ten percent (10%) of the principal amount outstanding of the Loan minus the amount on deposit in the applicable account of the Risk-Share Pool, as of the Calculation Date. “**Authorized Denominations**” means \$100,000 or any integral multiples thereof.]

### **OPTIONAL PREPAYMENT PROVISIONS**

The Eligible CDFI may prepay the Bond Loan in whole or in part, at any time that the Bond is optionally pre-payable, subject to the conditions that:

- 1) the Eligible CDFI has given the Qualified Issuer written notice of its intention to prepay the Bond Loan, specifying the amount of the prepayment, the Bond to which such prepayment relates and the date of prepayment, at least ten (10) business days prior to the date of prepayment; subject to a right to rescind such notice no later than three (3) business days prior to the prepayment date;
- 2) any prepayment must be in an amount of at least \$100,000; and
- 3) the Eligible CDFI pays to the Qualified Issuer on the date of prepayment an amount equal to any premium, if any, required to be paid on the Bond that is called as a result of such prepayment as well as any expenses due under any Bond Loan Document.

### **FINANCIAL AND ADDITIONAL DEBT COVENANTS**

**[INSERT SPECIFIC FINANCIAL COVENANTS FOR THE ELIGIBLE CDFI]** The Eligible CDFI will covenant and agree that until payment in full of the principal of and interest on the Bond Loan and other obligations, the Eligible CDFI will maintain the following financial covenants at all times:

- 1) Leverage covenant: TBD
- 2) Liquidity covenant: TBD
- 3) Other financial covenant(s): TBD.

The Bond Loan shall be subject to cross default with the financial covenants contained in other financial agreements (the Existing Obligation Agreements) evidencing debt or contingent obligations of the Eligible CDFI in excess of \$100,000 existing as of the date of the closing of the Bond Loan (the Existing Obligations). Any event of default with respect to payment or financial covenants pursuant to any Existing Obligation Agreement, not cured in accordance with the applicable cure provisions or otherwise waived by the respective creditor (so long as such creditor is not an Affiliate of the Eligible CDFI), shall constitute an Event of Default under the Bond Loan. This cross default provision shall remain in effect for so long as each of the Existing Obligations, or any portion thereof, remain outstanding.

Further, the Eligible CDFI will covenant and agree not to incur or issue additional long-term or short-term debt or contingent liabilities to the extent that the incurrence of such additional debt or contingent liabilities would violate the financial covenants of the Eligible CDFI set forth above. Contingent liabilities which, as of the date of any test under the financial covenants, have (i) matured into actual liabilities of the Eligible CDFI and (ii) are outstanding, shall be taken into account in the calculation of any indebtedness or liabilities of the Eligible CDFI for purposes of determining compliance with the financial and additional debt covenants of the Eligible CDFI set forth above.

Post-closing of the Bond Loan, all line items existing in the audited financial statements of the Eligible CDFI submitted in connection with the application for the Bond Loan shall continue to be calculated in the manner calculated with respect to such audited financial statements. Any deviations from the formulas used to calculate such line items in future audited financial statements, or restatements of audited financial statements submitted in connection with the Bond Loan Agreement shall be subject to review and prior written approval of the Qualified Issuer and the CDFI Fund.

**RESTRICTIONS ON USE  
OF PROCEEDS**

The Eligible CDFI will covenant and agree not to apply proceeds of the Bond Loan for the following purposes, in accordance with 12 U.S.C. 47123a(c)(5):

- 1) Political activities;
- 2) Lobbying, whether directly or through other parties;
- 3) Outreach;

- 4) Counseling services;
- 5) Travel expenses;
- 6) For the salaries or administrative costs of the Qualified Issuer or any recipients of Bond Proceeds, other than those costs covered by Bond Issuance Fees;
- 7) To fund the Risk-Share Pool;
- 8) To pay fees other than Bond Issuance Fees;
- 9) Any other use as may be specified in the applicable Notice of Guarantee Availability.

## **SECONDARY LOANS AND RELENDING**

Notwithstanding anything contained in this Term Sheet to the contrary, so long as the Eligible CDFI is in compliance with the Required Overcollateralization, the Eligible CDFI shall not be subject to the covenants and requirements related to the Relending Account herein set forth; provided, however, that the Relending Account shall be established by the Master Servicer/Trustee pursuant to the Bond Trust Indenture, in any event.

The Eligible CDFI will covenant and agree to the following with respect to the making of Secondary Loans:

- 1) Execute Secondary Loan documents (in the form of loan agreements and promissory notes) with Secondary Borrowers as follows: (i) not later than twelve (12) months after the Bond Issue Date, Secondary Loan documents representing at least fifty percent (50%) of the Bond Loan proceeds allocated for Secondary Loans, and (ii) not later than twenty-four (24) months after the Bond Issue Date, Secondary Loan documents representing one hundred percent (100%) of the Bond Loan proceeds allocated for Secondary Loans. In the event that the Eligible CDFI does not comply with the foregoing requirements of clauses (i) and (ii) of this paragraph, the available Bond Loan proceeds at the end of the applicable period shall be reduced by an amount equal to the difference between the amount required by clauses (i) or (ii) minus the amount previously committed to Secondary Loans in the applicable period.
- 2) Make each Secondary Loan in accordance with the Secondary Capital Distribution Plan approved by the Guarantor, as it may be amended from time to time, and underwritten and approved in accordance with the

Secondary Loan Requirements.

- 3) Ensure that each Secondary Loan agreement, and the corresponding Secondary Loan documents, (i) comply with the requirements set forth in Section 1808.307 and/or Section 1808.308 of the Regulations, as applicable, and (ii) contain all such representations, warranties and covenants of the Secondary Borrower with respect to the Secondary Borrower, the Secondary Loan, the Eligible Purposes and the collateral securing the Secondary Loan, as are required of the Eligible CDFI by the Bond Loan Agreement with respect to the Eligible CDFI, the Bond Loan, the Eligible Purposes and the Bond Loan Collateral. Each proposed Secondary Loan shall be approved by the credit committee of the Eligible CDFI or its equivalent, in accordance with applicable Secondary Loan Requirements and the Eligible CDFI's own underwriting requirements.
- 4) [Use best and commercially reasonable efforts to ensure that amounts on deposit in the applicable account of the Relending Fund does not equal more than the Relending Account Maximum. Any amounts retained in the applicable Relending Account that exceeds the Relending Account Maximum by \$100,000 or more as of the applicable Calculation Date shall be transferred to the Redemption Account of the Debt Service Fund to effectuate a mandatory redemption of the Bond. The determination of the actual amount on deposit on any Calculation Date shall exclude amounts then obligated pursuant to any executed promissory notes for Secondary Loans, whether then disbursed or undisbursed.]
- 5) Ensure that Secondary Loans made from proceeds of the Bond Loan or from the Relending Account, as applicable, shall not be effectuated through the commingling of such funds with funds derived from other sources or other Bond Loans of the Eligible CDFI. Each Secondary Loan must be separate and distinct and, as such, must be evidenced by separate and distinct agreements, notes and other applicable instruments or contracts.

**OTHER COVENANTS**

The Eligible CDFI must obtain an annual assessment of its overall financial strength, creditworthiness, and ability to achieve its policy /program objectives. In such connection, the

Eligible CDFI shall notify the CDFI Fund in writing of the vendor(s) to render the annual assessment at least thirty (30) days prior to such assessment, together with a certification that the vendor(s) has/have demonstrated experience in similar assessments, and which form of assessment has been approved by the Qualified Issuer. In the event the Eligible CDFI or the Qualified Issuer desire to substitute the vendor described in this paragraph, such vendor shall have demonstrated experience in similar assessments, the substitution shall be subject to mutual agreement of the parties and the Qualified Issuer shall notify the CDFI Fund of such selection in writing, together with a certification that the selection complies with the applicable requirements and is acceptable to the Qualified Issuer.

The Eligible CDFI agrees to such covenants and negative covenants including but not limited to, those related to Information Reporting; Books and Records; Eligible CDFI's Corporate Existence and Certifications; Compliance with Laws; Insurance; Taxes; Expenses; Indemnities; Disposition of Property and Assets; and Conveyance of Interest in the Eligible CDFI as set forth in the Regulation and form of Bond Loan Agreement that have been submitted to the Eligible CDFI.

The signatures below attest to the agreement between the Qualified Issuer and the Eligible CDFI with respect to the material terms herein set forth. Both parties hereto acknowledge that the closing of the Bond Loan is subject to the conditions precedent, the delivery of specific diligence material and the execution of all Bond Documents and Bond Loan Documents and closing papers required to consummate the transaction. The consummation of the transaction is subject to the approval of the Guarantor and the Bond Purchaser. Therefore, the Qualified Issuer makes no guarantee that the Bond Loan closing will occur.

Sincerely,

**[QUALIFIED ISSUER]**, as lender

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**ACKNOWLEDGED AND AGREED TO:**

**[ELIGIBLE CDFI]**, the Eligible CDFI, as borrower

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_