



CDFI Bond Guarantee Program 101

FY 2022

Today's Schedule



Topic	Time	Duration
Introduction and Overview	01:00 pm – 01:15 pm	15 min
Financing Structure, Secondary Loan Requirements	01:15 pm – 02:00 pm	45 min
Qualified Issuer Application & Evaluation Process	02:00 pm – 02:25 pm	25 min
Guarantee Application & Evaluation Process	02:25 pm – 02:45 pm	20 min
Break	02:45 pm – 03:00 pm	15 min
Credit Enhancements	03:00 pm – 03:15 pm	15 min
Flow of Funds	03:15 pm – 03:45 pm	30 min
Application and Closing Timeline	03:45 pm – 04:00 pm	15 min
Reporting Requirements	04:00 pm – 04:20 pm	20 min
Questions and Answers & Closing Remarks	04:20 pm – 05:00 pm	40 min

Agenda



- **Introduction and Overview**
- Financing Structure, Secondary Loan Requirements
- Qualified Issuer Application & Evaluation Process
- Guarantee Application & Evaluation Process
- Break
- Credit Enhancements
- Flow of Funds
- Application and Closing Timeline
- Reporting Requirements
- Questions and Answers & Closing Remarks

BG Program Staff Organizational Chart



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 completion of an application submission to the CDFI Bond Guarantee Program.

Outreach Sessions: CDFI Bond Guarantee Program 101



- Objective: To provide an 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.

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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- **Financing Structure, Secondary Loan Requirements**
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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 CDFIs.
- CDFI Bond Guarantee Program documents are available on the CDFI Fund's website at www.cdfifund.gov/bond. Available documents include, but are not limited to, those identified below.
 - FY 2022 Notice of Guarantee Availability (NOGA)
 - Interim Program Regulations
 - Application Materials
 - Secondary Loan Requirements
 - Program Legal Documents, including:
 - Bond Loan Agreement;
 - Bond Trust Indenture; and
 - Agreement to Guarantee.

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 C.F.R. 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 (FFB) 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; therefore, applicants are required 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. Understanding precise definitions of terms under Federal Credit policy is vital for participation in the CDFI Bond Guarantee Program.

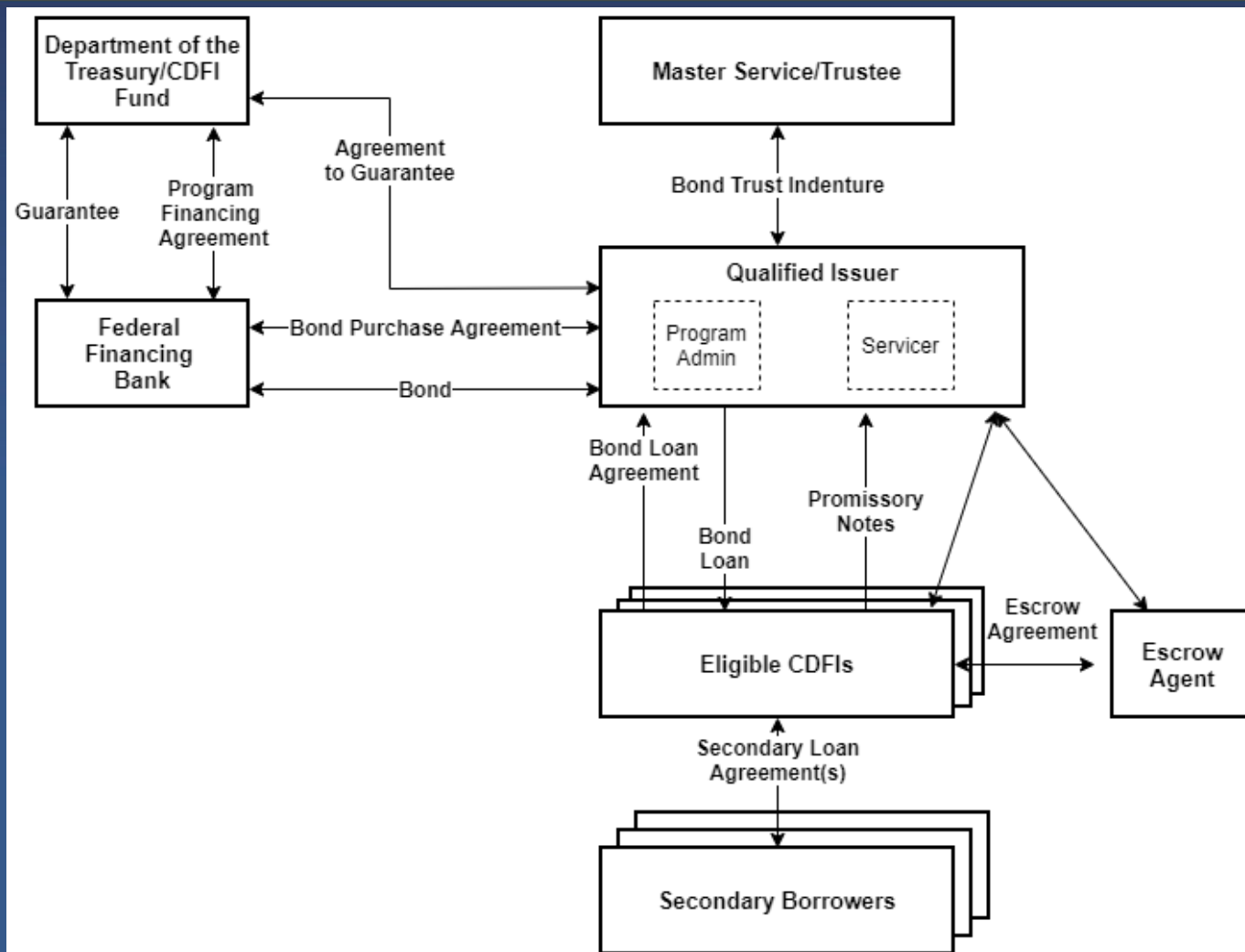
* OMB Circular A-129 Section II, subsection C, paragraph 6: "Guarantees of the timely payment of 100 percent of the loan principal and interest against all risk create a debt obligation that is the credit risk equivalent of a Treasury security. Accordingly, a Federal agency other than the Department 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



- One hundred 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.
 - \$1.812 billion guaranteed from FY2013 – FY2021
 - \$500 million authorized annually since FY2017
 - \$500 million authorized in FY2022
- Bond maturity terms not to exceed 29.5 years.

General Recourse-Secured 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 (FFB):** Purchases Bonds from the Qualified Issuer and disburses funds to Eligible CDFIs through accounts held by the Master Servicer/Trustee.
- **Master Servicer/Trustee (MS/T):** Disburses funds, collects repayments, and manages trust accounts under the CDFI Bond Guarantee Program.
 - BNY Mellon serves as the Master Trustee and PNC-Midland conducts Servicer duties.

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 CDFIs hire their own Escrow Agent and document custodian (with the BG Program's approval)
- **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



- 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;
 - **Bond Trust Indenture:** signed by the Qualified Issuer and the Master Servicer/Trustee; and
 - **Collateral Assignment of Loan Documents, Mortgages, and Security Agreements:** Assignment of the Secondary Loan Collateral and related documents from the Eligible CDFI to the Qualified Issuer; further assigned to the Master Servicer/Trustee.
- There are more than 40 legal documents required to close a Bond Issue. They dictate the structure of the Bond Issue and Bond Loans under the CDFI Bond Guarantee Program, as well as the required duties of each party.

Relationship with Other Federal Funding Sources



- Awards 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 not be used to refinance a leveraged loan during the seven-year NMTC compliance period. However, Bond Proceeds may be used to refinance a QLICI after the seven-year NMTC compliance period has ended, so long as all other programmatic requirements are met.
- Bond Loans cannot be utilized to finance a specific project or phase that also receives funds resulting from a grant from the Capital Magnet Fund (CMF).
- 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.

Construction Loans as Secondary Loan Collateral



- Loans secured by real property that are still in a construction phase will only be permitted when backed by a letter of credit issued by a bank deemed acceptable by the Bond Guarantee Program, in a format deemed acceptable to the Bond Guarantee Program, that guarantees the full value of the pledged collateral until completion of the construction and stabilization phases.
- Acceptance of construction loans as Secondary Loan Collateral will allow the ECDFI to lock in the rate for permanent financing at the time of initial funding for up to the term of the Bond Loan.
- Once construction is complete, the project has stabilized, and the construction loan meets the **Secondary Loan Requirements**, the CDFI Fund will instruct the Master Servicer/Trustee to release the L/C, and the take-out (permanent) loan can be pledged.

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 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

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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 for 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. EIN/TIN 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"/>	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 PDF Excel
QI-7	Financial Strength A. Identification of 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. Four (4) years of audited financial statements and management letters H. Most recent interim financial statements I. Current Year's Approved Budget or Projected Budget if the Board has not yet approved it (Unregulated Institutions) J. Three (3) year financial projections (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 PDF 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; and
 - Systems & Technical Approach.
- The pricing structure presented in a Qualified Issuer Application will be evaluated by looking at the capability of the Qualified Issuer, the feasibility of a sample cash flow model prepared in conjunction with the proposed activities by the applicant, and 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.
- Application documents include:
 - A description of prior experience, risk mitigation strategies, and quantifiable statistics, as appropriate.
 - A *sample* cash flow model and *sample* proposed sources and uses of funds* to demonstrate knowledge and capability of performing Bond issuance functions.
 - 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 with the actions and the goals of the CDFI Fund and the CDFI Bond Guarantee Program.
- The Qualified Issuer applicant will be evaluated on its knowledge of the CDFI Industry, and alignment with the Industry's 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/or
 - Demonstrating a track record and commitment to community and economic development.
- The applicant will detail any ethics policies and conflicts of interest which may 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 capability with respect to conducting 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 (3) 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; and
 - Instances of financing transactions with a cumulative value of \$100 million or greater within the most recent three (3) years.

Financial Strength: Application Documents



- 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.
- The Qualified Issuer applicant should demonstrate in the underwriting process, the capacity to service the lending they sponsor in the applications.
 - E.g. the capacity to service the Eligible CDFI's portfolio

Systems and Technical Approach: Application Documents



- The applicant will provide information on the applicant's IT environment for program administration, servicing, and monitoring.
- The applicant will 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.
- 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 the complexity of services being offered and sample cash flows.

Pricing: Application Documents



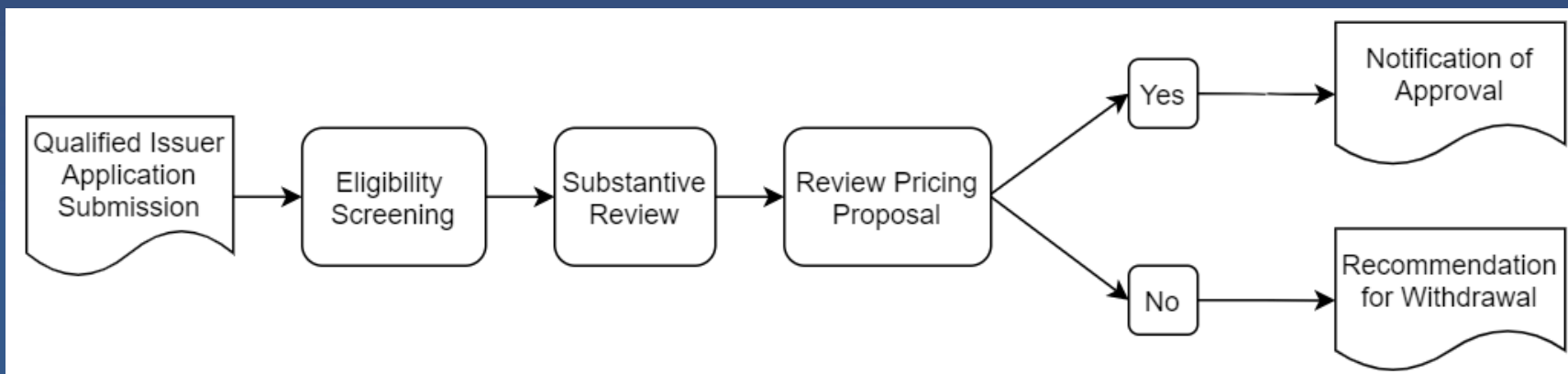
- The applicant will provide a pricing structure describing the level of effort and pricing for the following tasks:
 - Submitting a Guarantee Application and Bond Issuance fees (as a percentage in basis points of aggregate principle amount of the Bond Issue);
 - Servicer duties (basis point additions 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, Custodian, and Master Servicer/Trustee fees.

Qualified Issuer Application Submission



- The Qualified Issuer submits the Guarantee Application to the CDFI Fund's Awards Management Information System (AMIS) at: <https://amis.cdfifund.gov/s/AMISHome>.
- Qualified Issuers will receive control numbers with the format FY-BQI-##### format.
 - Applicants should keep a copy of the signature page after submission.
- Contact bgp@cdfi.treas.gov or (202) 653-0421 option 5 with questions.

Qualified Issuer Application Review Process



Qualified Issuer Application Review Process: Eligibility Screening



- The CDFI Fund conducts the Qualified Issuer applicant review process.
- 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 to be 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 2022 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 recommend the Qualified Issuer application for “Approval” or for “Withdrawal.”
- The applicant will be notified of its recommendation status in writing through the email address maintained in the applicant’s AMIS account.
- The Qualified Issuer will have the responsibility of notifying its proposed Program Administrator, Servicer, and Eligible CDFIs of the recommendation status of the Qualified Issuer Application.

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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.
- The Guarantee Application consists of two main sections:
 1. Capital Distribution Plan; and
 2. Secondary Capital Distribution Plan (one for each Eligible CDFI represented within the Guarantee Application).

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(s); and
 - Meets the requirements set forth in the Regulations and the NOGA.

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 within the Guarantee Application; and
 - Demonstrates the plan for lending, disbursing, servicing and monitoring Secondary Loans.

Guarantee Application and Evaluation Criteria



2.0 Secondary Capital Distribution Plan(s)

Section	Document	Included	Format
B-ID-1	Checklist	<input type="checkbox"/>	PDF
B-ID-2	Eligible CDFI Organization and Contact Information <ul style="list-style-type: none"> A. SF-424 B. Federal assurances and certifications C. EIN/TIN letter D. Affiliate/Subsidiary Organizational Structure 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	PDF (All)
B-ID-3	Secondary Capital Distribution Plan Narrative	<input type="checkbox"/>	Word
B-ID-4	Eligible CDFI Statement of Proposed Sources and Uses of Funds	<input type="checkbox"/>	Excel
B-ID-5	Eligible CDFI Cash Flow Model	<input type="checkbox"/>	Excel
B-ID-6	Eligible CDFI Organizational Capacity <ul style="list-style-type: none"> A. Employee organizational chart B. Organizational Documents <ul style="list-style-type: none"> i. Articles of incorporation ii. By-laws iii. Good standing certificate iv. 501(c)(3) letter C. Management or operating agreement D. Key management analysis E. Board of directors information F. Governance narrative G. Senior managers' biographies H. Employee information I. Independent reports J. Strategic plan and related progress reports K. Management Information Systems report and narrative 	<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"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	PDF PDF PDF PDF PDF PDF Word Excel PDF PDF PDF PDF PDF PDF
B-ID-7	Eligible CDFI Policies and Procedures <ul style="list-style-type: none"> A. Asset-liability matching policy B. Loan policies and procedures C. Conflicts of Interest/Ethics policies and procedures D. Other Policies 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	PDF PDF PDF PDF
B-ID-8	Eligible CDFI Financial Statements		

Section	Document	Included	Format
	<ul style="list-style-type: none"> A. Most recent four (4) years of audited financial statements B. Current year-to-date financial statements C. Current year's approved budget or projected budget if the Board has not yet approved it D. Appropriate Federal Banking Agency or Appropriate State Agency information 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	PDF PDF PDF PDF
B-ID-9	Eligible CDFI Loan Portfolio <ul style="list-style-type: none"> A. Portfolio Quality Report B. Pipeline report C. Portfolio listing D. Other assets under management (non-owned) E. Loan products F. Independent loan review report G. Impact report case studies H. Loan portfolio by risk rating I. Cumulative financing transactions 	<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 PDF PDF PDF PDF Excel Excel
B-ID-10	Eligible CDFI Funding Sources and Capitalization <ul style="list-style-type: none"> A. Current grant funding B. Projected grant funding C. Credit Enhancements D. Historical investor renewal rate E. Covenant compliance F. Off balance sheet contingencies G. Earned revenues H. Debt capital statistics I. Restricted Funds 	<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 Word Excel Excel Excel Excel Excel Excel Excel

Guarantee Application Submission



- The Qualified Issuer submits the Guarantee Application to the CDFI Fund's Awards Management Information System (AMIS) at:
<https://amis.cdfifund.gov/s/AMISHome>.
- Please read the instructions in the Guarantee Application carefully, as there are multiple sets of Signature Pages for the Guarantee Application:
 - Guarantee Application - Eligible CDFI(s) Portion; and
 - Guarantee Application - Qualified Issuer Portion.
- The Eligible CDFI(s) will receive control numbers as ##-BFA-#####.
- The overall Guarantee Application will receive ##-#-BG-#####.
- Contact bgp@cdfi.treas.gov or (202) 653-0421 option 5 with questions.

Tip: Each Eligible CDFI should grant its Qualified Issuer “user” access to its AMIS account so that the Qualified Issuer can monitor progress.

Guarantee Application Review Process Overview

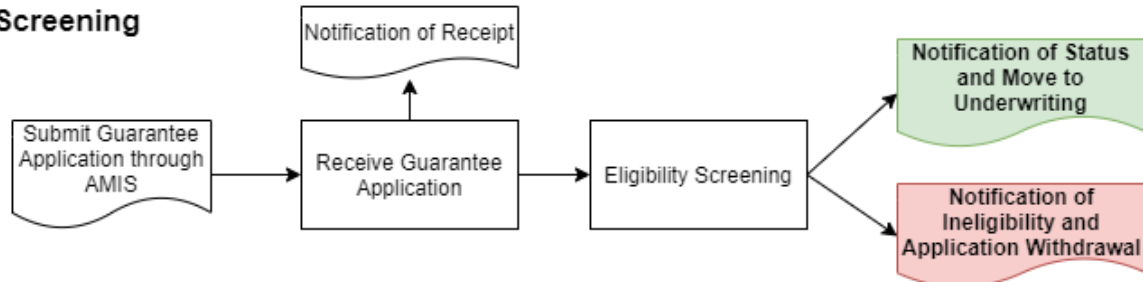


- The Guarantee Application review process includes three stages:
 1. Completeness and Eligibility Screening;
 2. Underwriting and Credit Risk Evaluation; and
 3. Review and Recommendation.
- If a Guarantee Application is approved, additional steps are required to close the Bond Issue.

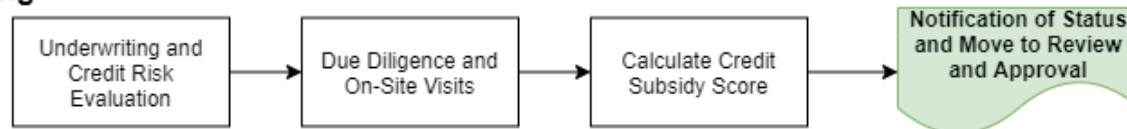
Guarantee Application Review Process Overview



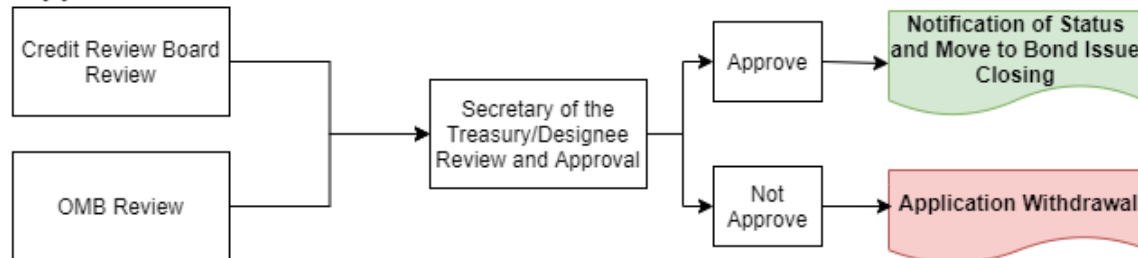
1. Eligibility Screening



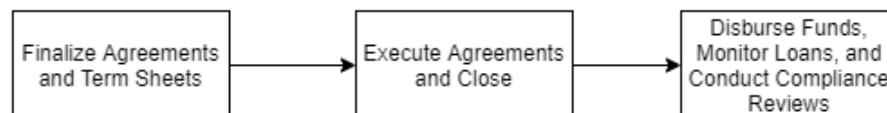
2. Underwriting



3. Review and Approval



4. Closing and Post-Issue Monitoring



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 Eligible CDFI(s) 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.

Completeness and 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 an initial screening for completeness after receiving the Guarantee Application.
- If an application is deemed incomplete, the CDFI Fund will notify which application items need to be amended or resubmitted. If the materials are not resubmitted before the application round deadline has passed, the application will be recommended for withdrawal.
- After reviewing the Guarantee Application for minimum completeness and eligibility, the CDFI Fund will notify the Qualified Issuer of the completeness 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



- A Secondary Capital Distribution Plan demonstrates each Eligible CDFI's plan for lending, disbursing, servicing and monitoring Secondary Loans.
- 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 on-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.

*Site visits may be conducted virtually at the discretion of the CDFI Fund.

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 that it be zero or less (i.e. “negative”).

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.
- The Credit Review Board will review the Guarantee Application and recommend one of the following:
 - Approval;
 - Withdrawal; 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).
- The CDFI Bond Guarantee Program's presentation will familiarize OMB with the proposed Bond Issue and associated credit subsidy estimate.

Secretary Review and Approval



- Following the 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 Assistant Secretary for Community and Economic Development (DAS CED).
- The DAS CED will “Approve” or “Disapprove” a Guarantee.
- After the DAS CED 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.

Additional Requirements for Alternative Financial Structures



- An Alternative Financial Structure (AFS) is an Affiliate of a Controlling CDFI(s) that is created for the sole purpose of participation as an Eligible CDFI in the CDFI Bond Guarantee Program.
- The AFS, as the Eligible CDFI, provides a general full recourse obligation to repay the Bond Loan, and the Bond Loan is on its balance sheet.
- The CDFI Fund, with a revision to the CDFI Certification regulation, may certify an AFS using the certification credentials of the AFS' Controlling CDFI(s).
- An AFS must have applied for certification by **March 28, 2022**, to be eligible to apply for the FY2022 CDFI Bond Guarantee Program.

BREAK



Break

Agenda



- Introduction and Overview
- Financing Structure, Secondary Loan Requirements
- Qualified Issuer Application & Evaluation Process
- Guarantee Application & Evaluation Process
- Break
- **Credit Enhancements**
- Flow of Funds
- Application and Closing Timeline
- Reporting Requirements
- Questions and Answers & Closing Remarks

Credit Enhancements and Principal Loss Collateral Provisions



- Credit Enhancements may be required as part of the Guarantee Application to achieve the necessary credit quality for an Eligible CDFI.
- 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 should be offered 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. Such documentation may include:
 - Letters of commitment, outlining the terms and conditions for the Credit Enhancement; and/or
 - Letters that are presented on a Credit Enhancement provider's letterhead and executed by the Credit Enhancement provider.

Impact of Credit Enhancements



- Credit Enhancements 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.
 - Credit Enhancements for Secondary Loans (often referred to as Principal Loss Collateral Provisions - PLCPs) enhance estimated recoveries from an Eligible CDFI by preventing default (i.e., payment guarantee) and/or providing a source of collateral for recovery (i.e., deficiency guarantee).
- In addition, the CDFI Fund will impose terms and conditions that address risks unique to the Eligible CDFI's business model and target market, to include concentration risk of a specific Eligible CDFI, geography or Secondary Borrower.

Credit Enhancement Provisions



- Credit Enhancements are part of the Trust Estate, are pledged 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

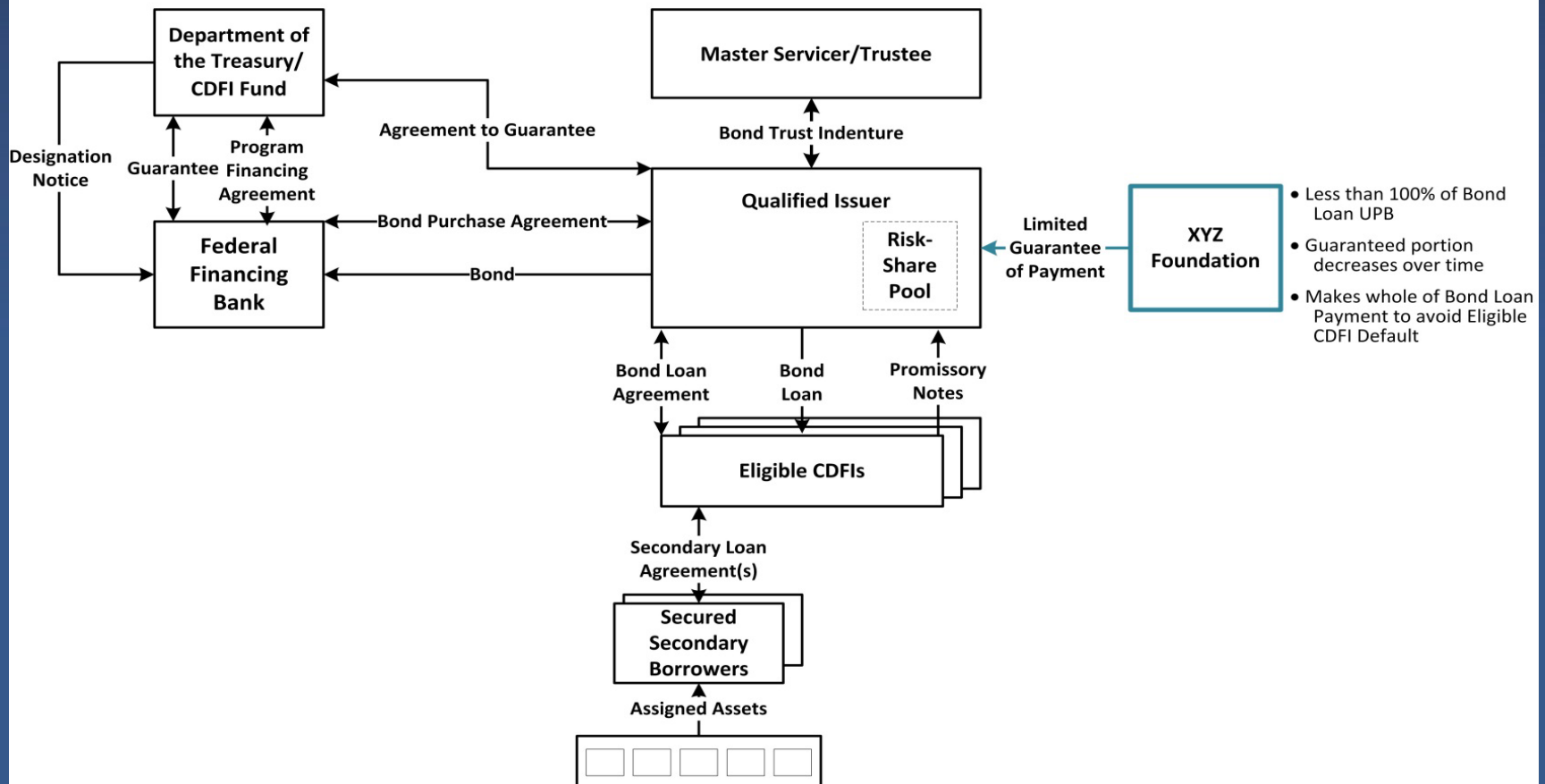


- To the extent that Credit Enhancements are utilized within the Bond Issue:
 - Specific terms and conditions need to be detailed in the application materials;
 - Specific information about the Credit Enhancement provider must be included; and
 - Credit Enhancement providers may be separately underwritten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

Credit Enhancements: Bond Loan Level



1. Limited Guarantee of Timely Individual Bond Loan Payments



UPB = Unpaid Principal Balance

Credit Enhancements: Bond Loan Level

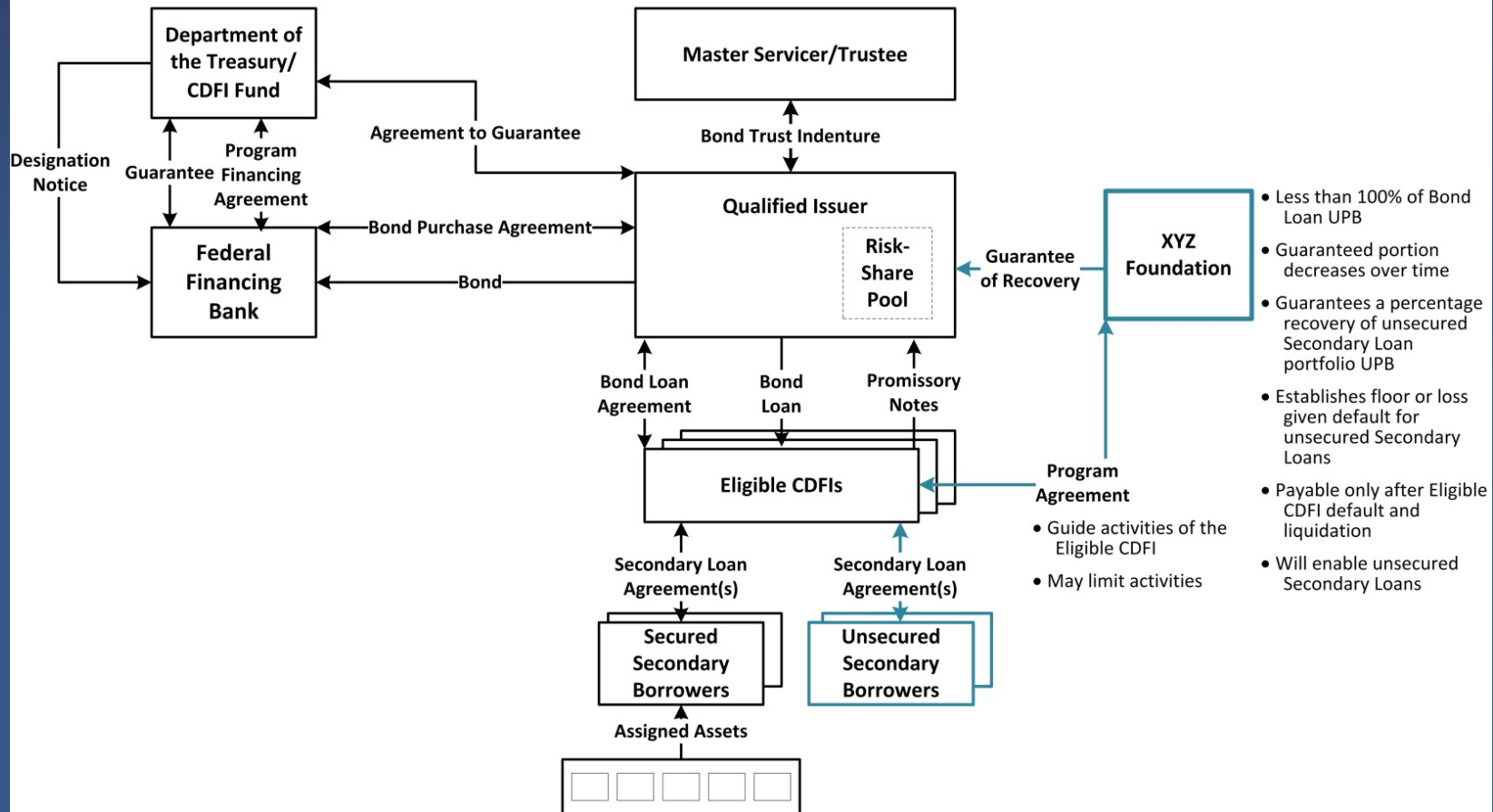


- A third party may provide a limited guarantee on timely Bond Loan payments to the Qualified Issuer for an Eligible CDFI.
- Such a guarantee (e.g., payment guarantee) would serve as backstop in the event of missing monthly Bond Loan payments, and prevent defaults on the Bond Loan by the Eligible CDFI.

Credit Enhancements: Secondary Loan Level



2. Limited Guarantee of Recovery of Individual Bond Loan



UPB = Unpaid Principal Balance

Credit Enhancements: Secondary Loan Level

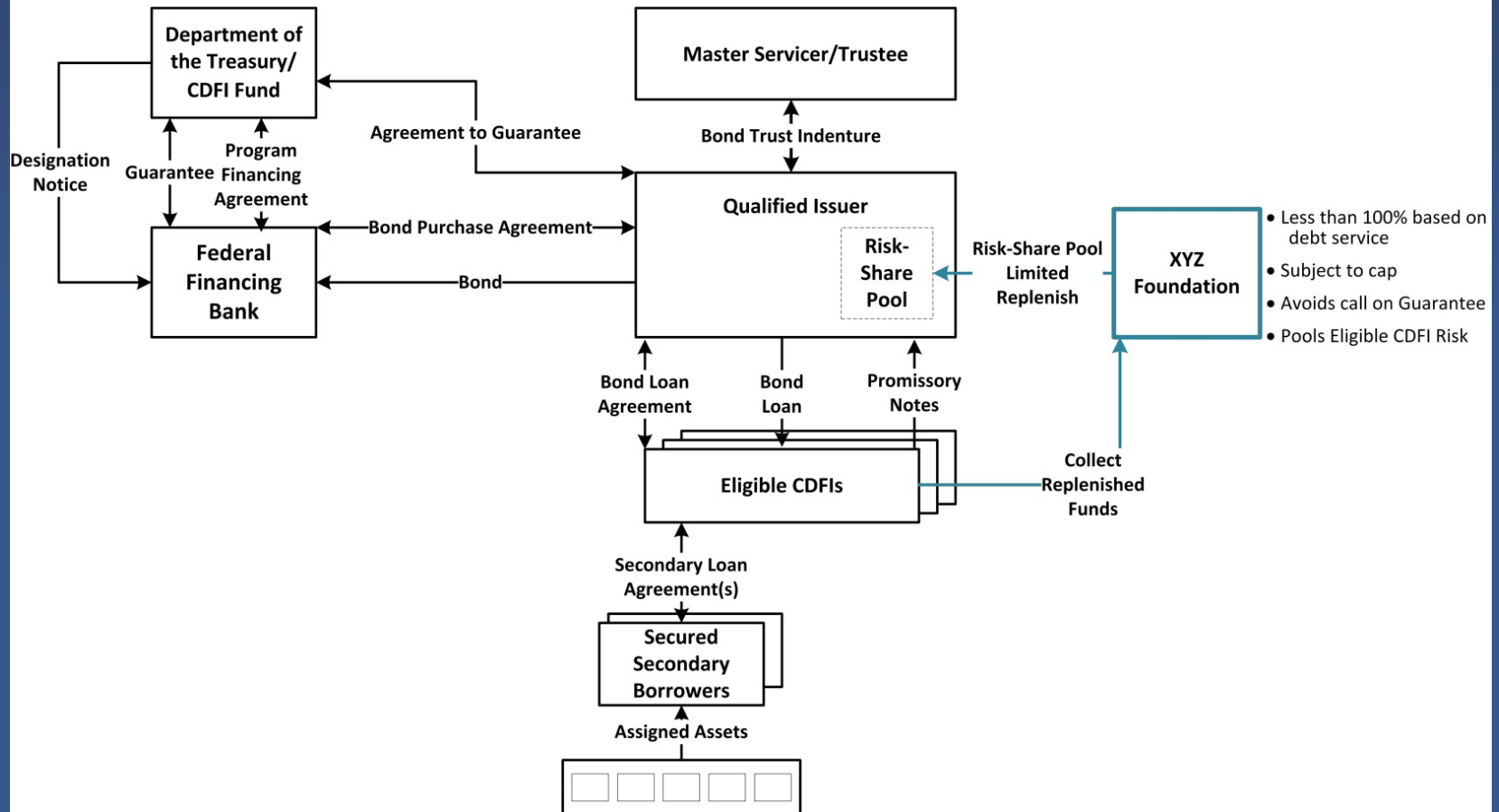


- A third party may provide a limited guarantee on recoveries (e.g., deficiency guarantees) from an individual Eligible CDFI's Bond Loan as a Principal Loss Collateral Provision.
- A limited percentage of recoveries on unsecured Secondary Loans will be guaranteed, supporting the recovery on the Bond 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 Secondary Loans secured with the Principal Loss Collateral Provision.

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.
- This example would indicate a current default; a better structure would be to have the guarantee access **prior** to the Risk Share Pool.

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Eligible Uses



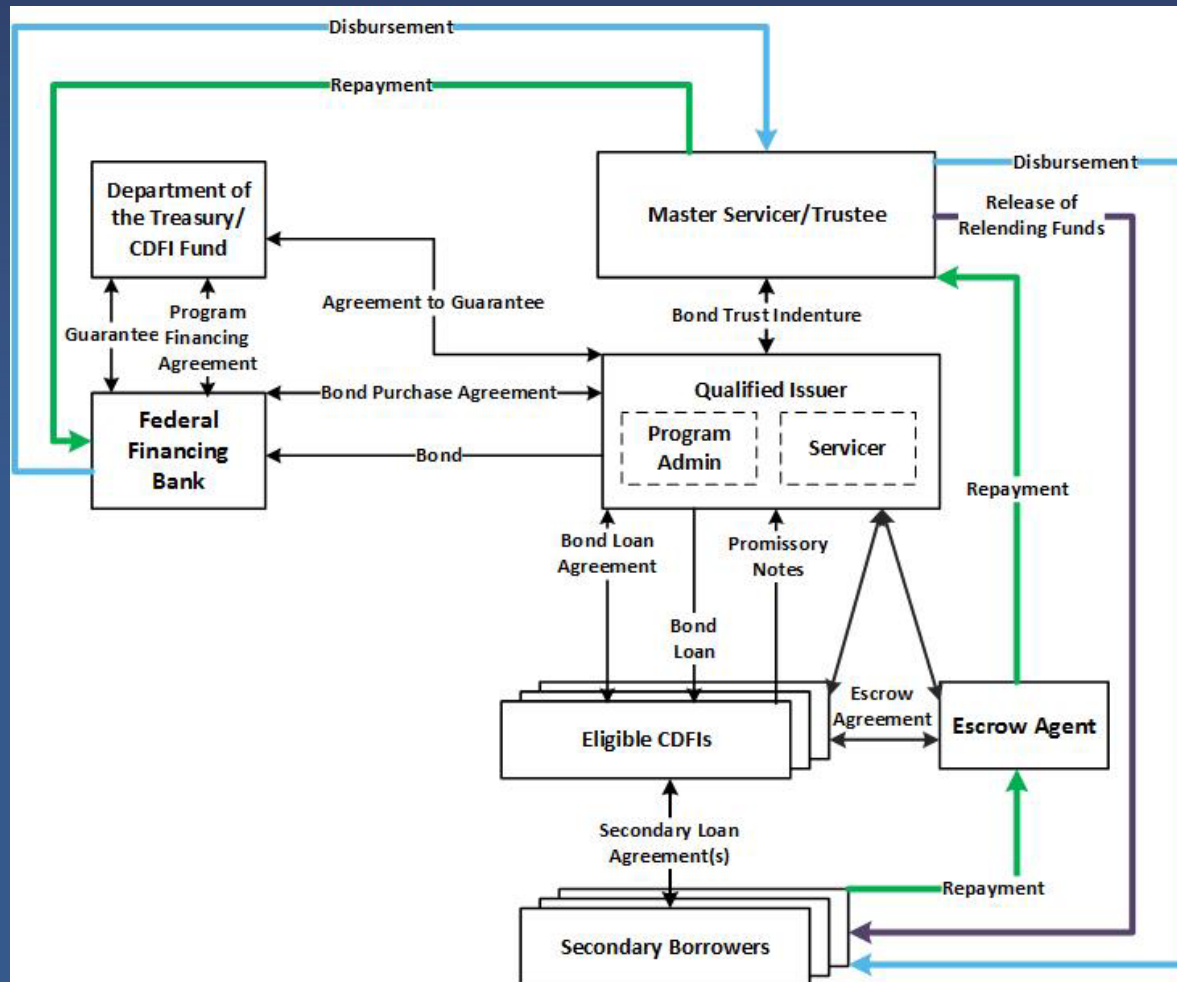
- Bond Loan Proceeds must be used for Eligible Community and Economic Development Purposes.
- Bond Loan Proceeds may be used to Refinance existing loans.
- As a Bond Loan is repaid, Bond Loan proceeds in excess of those required for debt service payments on the Bond may be held in a Relending Account 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;
 - 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; or
 - To pay fees other than Bond Issuance Fees, up to one (1) percent of the Bond Loan.

Flow of Funds



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 FFB and the CDFI Fund.
- Eligible CDFIs will lend Bond Loan Proceeds to Secondary Borrowers in the form of Secondary Loans.
- Principal payments on the Bond Loan by the ECDFI are retired permanently.

Bond Issuance: 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.

Bond Issuance: Interest Rates



- Interest Rates
 - Bond interest rates are set by the FFB with the Liquidity Premium (spread). The underlying Bond interest rate is based upon the equivalent Treasury rate in the market at the time that an Advance is made under the Bond.
 - Liquidity Premium is established during underwriting and contractually set in the Bond Loan Agreement.
 - 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 Secondary Loan amortization schedules. 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 three (3) percent of each 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 one (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 or Alternative Financial Structure.
- Security:
 - Bond Loans are secured by a perfected 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



- 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.
- Basis point calculations are based upon the fund drawn and are paid on a quarterly basis.
- Eligible CDFIs should also consider factoring in organizational costs associated with conforming to ongoing programmatic reporting and compliance requirements.

Bond Issuance: Disbursement Requirements



- Requisitions for Bond proceeds will require certifications by the Eligible CDFI as to the expenditure of proceeds and conformance to program Secondary Loan Requirements.
- Eligible CDFIs may only request Bond Loan proceeds up to the amount approved in the Bond Issue.
- Eligible CDFIs are responsible for paying Bond Issuance Fees. Up to one (1) percent of Bond Loan proceeds may be used for Bond Issuance Fees.

Bond Issuance: Disbursement Timing



** "Dry closing" of 100 percent of Bonds and Bond Loan proceeds.
Bond Loan proceeds are disbursed via a formal Requisition process.*

Bond Issuance: Disbursement Timing, cont.



- Eligible CDFIs must commit 50 percent of Secondary Loans within 12 months of the Bond Issue Date (closing date).
- All remaining commitments, minus forfeitures, must be committed within 24 months of the Bond Issue Date (closing date).
 - For example, if an Eligible CDFI commits only 40 percent of Secondary Loans by month 12, then 10 percent will be forfeited and Secondary Loan commitments at month 24 will not be able to exceed 90% of originally obligated funds under the Bond Loan.
- Uncommitted funds will be de-obligated and cannot be disbursed by the FFB.
- Commitments are tested independently at the 12- and 24-month periods.

** Per 12 CFR Part 1808, commitments refers to the execution of promissory notes.*

Bond Issuance: Commitment Requirements



- Commitment requirements are specific to an Eligible CDFI, not the Bond Issue as a whole.
- Bond Loan proceeds must be drawn down in a period not exceeding 60 months from the date of closing (i.e., 5 years), and the maturity of the Bond Loans cannot exceed 29.5 years.
 - For example, if a Bond Loan is closed but not disbursed with a 29.5 year maturity and the draw down (disbursement) occurs in the 5th year, the remaining maturity on the Bond Loan is 24.5 years versus 29.5 years.
- The 60-month disbursement period is mandated by regulation 12 CFR Part 1808.305 *Community Development Financial Institutions Bond Guarantee Program; Bond Loan terms and conditions*. Per OMB Circular A-11, deviations from the regulation will require legislative approval.

Bond Issuance: Risk-Share Pool Funding



- Eligible CDFIs are responsible for capitalizing a three (3) percent Risk-Share Pool.
- Bond Proceeds may not be used to fund the Risk-Share Pool.
- The Risk-Share Pool for a Bond Issue will be funded on a pro-rata basis at disbursement of funds (i.e., draw down basis) from the FFB.
- The Risk-Share Pool must remain in place throughout the term of the Guarantee.
- The Risk-Share Pool will be refunded when the entire Bond Issue is repaid.
- Interest earned on Risk-Share Pool will be released at Bond Issue maturity.
- Risk-Share Pool Funds may be invested at the MS/T in 13- to 26-week Treasuries at the direction of the Eligible CDFI.

Bond Issuance: Risk-Share Pool Funding, cont.

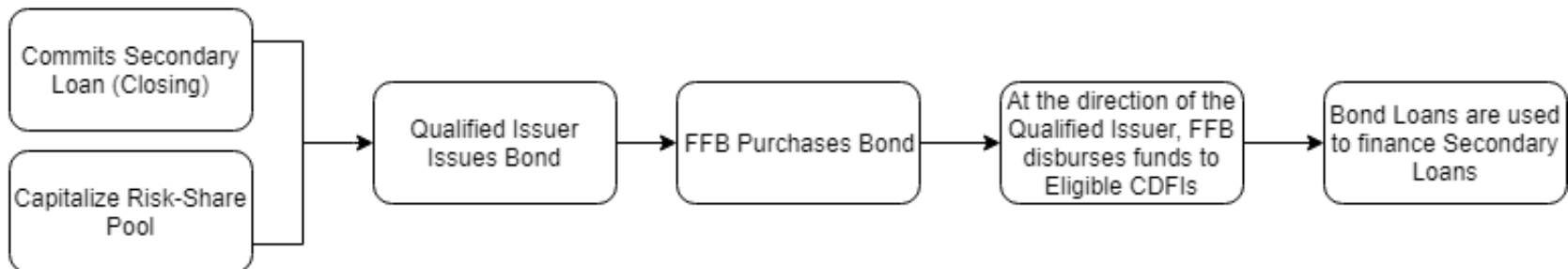


- Risk-Share Pool funds are retained in an account held by the Master Servicer/Trustee.
- Funds in a Risk-Share Pool are specific to a Bond Issue and do not cross-collateralize across different Bond Issues within the CDFI Bond Guarantee Program.
- Use of Risk-Share Pool funds on behalf of an Eligible CDFI is tracked and replenished, if possible.
- The Risk-Share Pool will be used to cover any short payments of Bond Loans from any of the Eligible CDFIs within the Bond Issue.
- Funds in the Risk-Share Pool are the only funds that may be accessed by all participants in a single Bond Issue.

Bond Issuance: Disbursement Process



Eligible CDFI

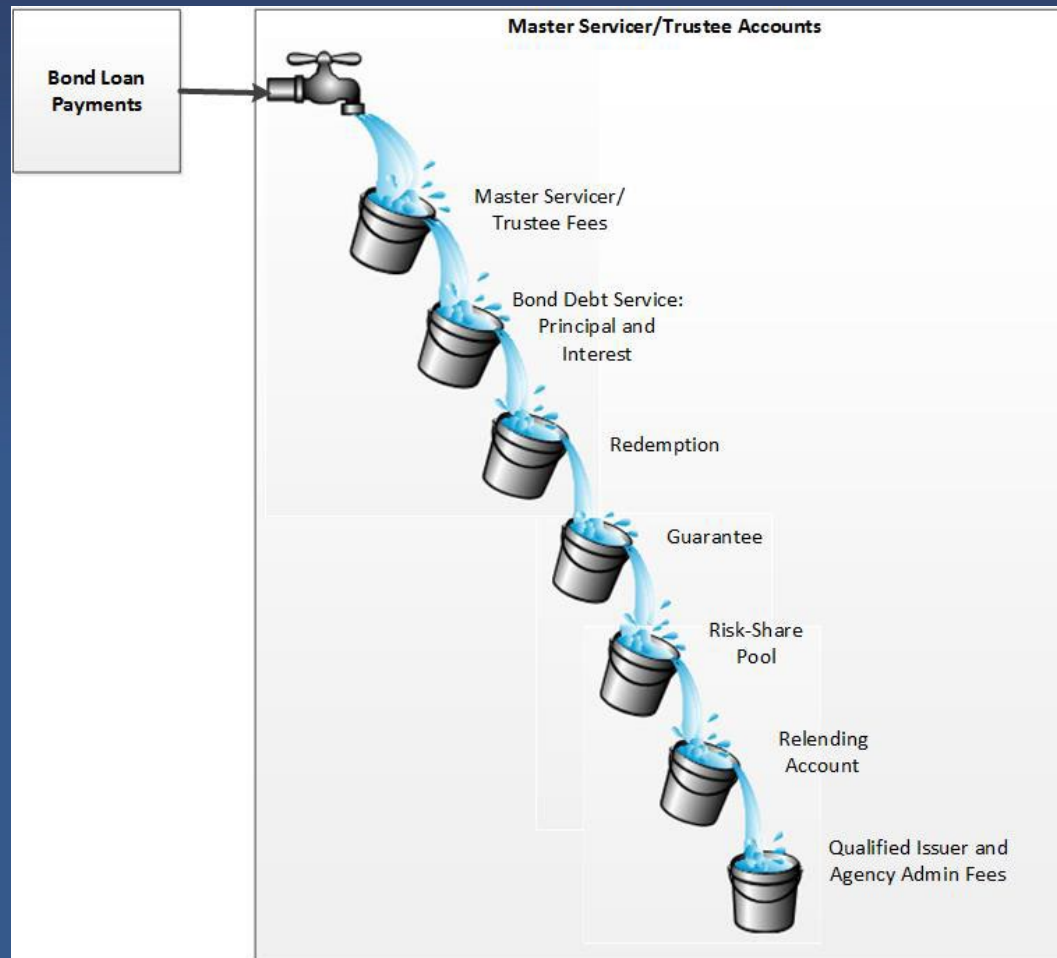


Bond Issuance: Disbursement Process, cont.



- The Qualified Issuer will lend Bond Proceeds to Eligible CDFIs in the form of Bond Loans.
- At the direction of the Qualified Issuer, Bond Proceeds will flow to accounts associated to each Eligible CDFI.
- Eligible CDFIs will lend Bond Loan Proceeds to Secondary Borrowers in the form of Secondary Loans.
- Security and collateral associated with the Secondary Loan will be held in the Trust Estate.

Cash Flow Waterfall



Cash Flow Waterfall, cont.



- Regardless of the amortization selected by the Eligible CDFI, (Quarterly or Semi-Annual Bond Loan Payments) Bond Loan repayments will be deposited on a monthly basis (Bond Loan Deposits) into accounts held in trust by the Master Servicer/Trustee.
- 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 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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Closing Requirements



- Approved transactions in the FY2022 application round must be committed by September 30, and closed by December 31, 2022.
 - FY2022 applicants must identify legal counsel that will be available during the application closing time frame.
 - Disbursements may occur at a later time and may be subject to conditions precedent for Initial and Subsequent Advances.
- Execution of the following documents:
 - Agreement to Guarantee and Term Sheet(s);
 - Bond Loan Agreement(s), Bond Purchase Agreement(s), Bond Trust Indenture Agreement, Escrow Agreement(s); and
 - Other Bond Documents and Bond Loan Documents.

Closing



- Due to the CDFI Bond Guarantee Program's statutory requirements, the Agreement to Guarantee, Designation Notice, and Term Sheets must be signed prior to September 30, 2022, so as to obligate funds and close transactions.
- If a significant amount of time passes 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 by December 31, 2022.
- The Guarantee is not effective until closing.

Application and Closing Timeline



- The CDFI Fund must complete underwriting of applications and obtain required approvals before the commencement of 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 clarifying communication.
 - AFS Certification Applications are due on **3/28/2022**.
 - Qualified Issuer Applications are due on **4/20/2022**.
 - Guarantee Applications are due on **4/26/2022**.

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 C.F.R. 1808.619 - Data Collection and Reporting;
 - Bond Loan Agreement Section 5 - Information Reporting; and
 - Agreement to Guarantee Section 8.4 - Reports
 - 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 the Credit and Risk Management unit to assess Eligible CDFI credit risk accurately, and provide a record of accomplishment on which to base future lending and investment.

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Reporting Requirements



- Pledged Loan Monitoring Report
 - Completed monthly by each Eligible CDFI borrower (i.e. those with outstanding Bond Loans), and reviewed by the relevant QI.
 - Describes the term, risk, and collateral profiles of all Pledged Loans.
 - Provides “real-time” monitoring, as report must be filed no later than five (5) calendar days after each Bond Loan Deposit Date (i.e., 15th of the month or next Business Day).

Reporting Requirements



- Tertiary Loan Monitoring Report
 - Completed by each Eligible CDFI that uses the CDFI-to-Financing entity asset class, and reviewed by the QI.
 - Provides end of previous month data and report must be filed based on the designated due date according to each Eligible CDFI Bond Loan Agreement.
 - Similar to the data reporting from the Pledge Loan Monitoring report. However, data is based on tertiary loans from owner-occupied home mortgage or other asset classes.
 - Reporting frequency is designated in each Eligible CDFI borrower's Bond Loan Agreement.

Reporting Requirements, cont.



- Financial Condition Monitoring Report
 - Completed quarterly by each Eligible CDFI, and reviewed by the relevant QI (regardless of funding status).
 - Evaluates the financial condition of each Eligible CDFI by extracting, on a quarterly basis, information from an institution's balance sheet or statement of financial position and income statement or statement of activities (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 Eligible CDFI's final fiscal year quarter.

Reporting Requirements, cont.



- Program Activities Monitoring (PAM) Report (*Pending OMB Approval*)
 - Completed annually by each Eligible CDFI, and reviewed by the relevant QI.
 - Provides information on each 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 is proposed to be filed no more than 60 calendar days after the calendar year end.

Reporting Requirements, cont.



- Annual Assessment Report
 - Completed annually by each Eligible CDFI, and reviewed by the relevant QI.
 - Provides a third party assessment of each Eligible CDFI's and QI's financial strength, internal controls, systems and information technology, and portfolio management and servicing capabilities.
 - Report must be filed no more than 180 days after the Eligible CDFI or QI's fiscal year end date.

Reporting Submission Process



Eligible CDFI prepares reports (Submits electronically to Qualified Issuer)

Qualified Issuer reviews reports (Submits electronically to MS/T)

MS/T receives and processes reports

MS/T notifies CDFI Fund of report availability

CDFI Fund processes and analyzes report data

MS/T uploads reports into secure data repository

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

Agenda



- Introduction and Overview
- Financing Structure, Secondary Loan Requirements
- Qualified Issuer Application & Evaluation Process
- Guarantee Application & Evaluation Process
- Break
- Credit Enhancements
- Flow of Funds
- Application and Closing Timeline
- Reporting Requirements
- **Questions and Answers & Closing Remarks**

Closing Remarks: Final Questions?

