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## **CDFI BOND GUARANTEE PROGRAM**

### **CDFI TO APPROVED FINANCING ENTITY TERM SHEET**

[NAME OF ELIGIBLE CDFI]

[Address]

Re: Term Sheet for the Bond Loan related to the [QUALIFIED ISSUER] Future Advance Promissory Bond, [YEAR-NUMBER] ([ELIGIBLE CDFI])

Ladies and Gentlemen:

This Term Sheet constitutes the commitment of [QUALIFIED ISSUER], as Qualified Issuer and 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 (as the same may be amended from time to time, 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 [DATE], 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, the Secondary Loan Requirements (including the General Requirements and the Underwriting Review Checklist) and/or the Regulations.

By executing this Term Sheet, the Eligible CDFI agrees to the terms herein set forth and agrees 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 the Bond Loan is ultimately consummated.

This Term Sheet is a legal commitment of the Qualified Issuer only as 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**

<b><u>BOND LOAN TERMS AND CONDITIONS</u></b>	
<b>QUALIFIED ISSUER</b>	[QUALIFIED ISSUER], acting as lender [Insert contact information]
<b>ELIGIBLE CDFI</b>	[ELIGIBLE CDFI], acting as borrower. [Insert contact information]
<b>APPROVED FINANCING ENTITY</b>	A wholly owned, managed, and controlled subsidiary of the Eligible CDFI, duly formed exclusively for the purposes of financing, refinancing, acquiring, and pledging Tertiary Loans, and existing in good standing. The initial Approved Financing Entity will be [insert name of AFE], duly formed and existing in good standing prior to the Bond Issue Date.
<b>BOND COUNSEL</b>	[Insert name and contact information]
<b>ELIGIBLE CDFI'S COUNSEL</b>	[Insert name and contact information]
<b>ELIGIBLE PURPOSE</b>	To finance and Refinance Secondary Loans from among the following Secondary Loan asset classes: CDFI to Financing Entity.  Proceeds of Secondary Loans will be used by the Approved Financing Entity to finance and Refinance Tertiary Loans from among the following Secondary Loan asset classes: [insert approved asset classes].
<b>ORIGINAL AMOUNT OF BOND LOAN SUBJECT TO GUARANTEE</b>	[\$[AMOUNT]] million
<b>FIRST PRINCIPAL PAYMENT DATE</b>	The principal amount of each Advance shall be payable in installments, which payments shall be due beginning on [DATE] (such date being the "First Principal Payment Date").
<b>LAST DAY FOR AN ADVANCE</b>	Five years from the Bond Issue Date.
<b>FINAL MATURITY DATE</b>	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.
<b>BOND LOAN RATE</b>	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

	<p>current average market yield on outstanding marketable U.S. Treasury obligations of comparable duration, as determined by the U.S. Treasury Department at the time of such advance plus a liquidity premium of [_____ basis points (%)] as determined by the Bond Purchaser. Bond payments will be made on a [semiannual] [quarterly] basis.</p>
<b>DEBT SERVICE</b>	<p>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 on 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 Bond Purchaser after the last day for an advance.</p>
<b>PAYMENT DATES</b>	<p>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.</p>
<b>BOND LOAN COLLATERAL</b>	<p>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 the Bond Loan Agreement.</p> <p>“Bond Loan Collateral” is the payment receivables from the Secondary Loans plus Secondary Loan Collateral, payment receivables from Other Pledged Loans, cash, and credit enhancements, as applicable.</p> <p>“Other Pledged Loans” are other loans pledged 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.</p> <p>“Secondary Loan Collateral” is the payment receivables from the Tertiary Loans plus cash, and credit enhancements, as applicable, and any and all such collateral as may be assigned to the Lender or the Master Servicer/Trustee by the Eligible CDFI or the Approved Financing Entity pursuant to any collateral</p>

assignment, including the Collateral Assignment, the AFE Collateral Assignment, or any Principal Loss Collateral Provision (as each term is defined in the Bond Loan Agreement) to secure payment in full of all amounts due under the Bond Loan Documents.

“Tertiary Loans” means loans (1) originated or acquired by the Eligible CDFI or the Approved Financing Entity, (2) pledged by the Approved Financing Entity to the Borrower as Secondary Loan Collateral and (3) the terms of which comply with the requirements for Secondary Loans such that they would be classified as Secondary Loans if they were made by the Eligible CDFI directly from Bond Loan Proceeds; [provided, however, that the loan-to-value and maturity requirements under the Secondary Loan Requirements will not be applicable to Tertiary Loans].

Tertiary Loans shall be no more than thirty (30) days past due at the time such loan is assigned to the Approved Financing Entity.

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 not less than one hundred [one percent (101%)] (the equivalent of [one percent (1%)] overcollateralization (the “Required Bond Loan Overcollateralization”).

The Eligible CDFI will further covenant and agree that the Secondary Loans will be collateralized by Secondary Loan Collateral under the [insert approved asset classes] asset class in accordance with the Secondary Loan Requirements and that all Tertiary Loans comply with Secondary Loan Requirements as if they were Secondary Loans; [provided, however, that the loan-to-value and maturity requirements under the Secondary Loan Requirements will not be applicable to Tertiary Loans.]

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 or is not in compliance with the applicable Secondary Loan Requirements and such noncompliance with the Secondary Loan Requirements has not been waived by the CDFI Fund (the “Non-Performing Collateral”), the Eligible CDFI will substitute such Non-Performing Collateral with Secondary Loans or Other Pledged Loans of equal or greater outstanding principal balances which demonstrate no more than two (2) delinquencies in payment of debt service of greater than thirty (30) days, but less than sixty (60) days, during the immediately prior twenty-four (24) months;

provided, however, that if the Eligible CDFI is unable to provide substitute loans, or alternatively cash, in accordance with this paragraph within sixty (60) days following the date any Bond Loan Collateral becomes Non-Performing Collateral, the Eligible CDFI shall provide funds other than proceeds of the Bond Loan to effectuate a prepayment of the Bond Loan such that the overcollateralization is again in compliance with the Required Bond Loan Overcollateralization covenant set forth in this section.

**[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].**

The Eligible CDFI will further covenant and agree to require the Approved Financing Entity to maintain, at all times, the value of Secondary Loan Collateral to outstanding principal amount of the Secondary Loan ratio of not less than one hundred twenty- five percent (125%) (the equivalent of twenty-five percent (25%) overcollateralization (the “Required Secondary Loan Overcollateralization”). The Eligible CDFI shall calculate the Required Secondary Loan Overcollateralization ratio as the sum of outstanding balance of Tertiary Loans, less any Tertiary Loan comprising the Secondary Loan Collateral that is delinquent in payment of debt service for greater than ninety (90) consecutive calendar days or is not in compliance with the applicable Secondary Loan Requirements, [other than the loan-to-value and maturity requirements] and such noncompliance with the Secondary Loan Requirements has not been waived by the CDFI Fund (the “Non-Performing Secondary Loan Collateral”) , plus cash held in the Restricted Cash Account over outstanding balance of the Secondary Loan and shall provide such calculation on a monthly basis and provide a report of the same to the Lender, together with an Excel spreadsheet demonstrating the inputs for calculation of the ratio and a certification of the accuracy of the same.

The Eligible CDFI will require the Approved Financing Entity, to further covenant and agree that the balance of the Non-Performing Secondary Loan Collateral will not be included in the value of Secondary Loan Collateral for the purpose of calculating the Required Secondary Loan Overcollateralization.

The Eligible CDFI will require the Approved Financing Entity to pledge additional Tertiary Loans of equal or greater outstanding principal balances which are less than thirty (30) days past due when pledged; provided that, in lieu of pledging additional Tertiary Loans, the Approved Financing Entity may provide cash equal to or exceeding the outstanding balances of such Non-Performing Secondary Loan Collateral for deposit with the Escrow Agent as a part of the Trust Estate; and provided, further, that if the Approved Financing Entity is unable to provide additional loans, or alternatively cash, in accordance with this paragraph within sixty (60) days following the date any Secondary Loan Collateral becomes Non-Performing Secondary Loan Collateral, the Eligible CDFI shall provide funds other than proceeds of the Bond Loan or any Secondary Loan to the Approved Financing Entity to effectuate a prepayment of the Secondary Loans such that the overcollateralization is again in compliance with the Required Secondary Loan Overcollateralization covenant set forth in this section.

Additionally, without the prior written consent of the Guarantor, in the Guarantor's sole discretion, the Eligible CDFI, or as applicable the Approved Financing Entity, will covenant and agree not to pledge, sell, mortgage, encumber, lease, transfer or otherwise dispose of the Bond Loan Collateral and the Secondary 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 or the Secondary Loan Collateral, as applicable, then owned or thereafter acquired by the Eligible CDFI or the Approved Financing Entity, as applicable, other than Permitted Liens.

Further, in the sole discretion of the Guarantor, the Eligible CDFI and the Approved Financing Entity, as applicable, will pledge the Secondary Loan Collateral, which includes the Tertiary Loans, and Tertiary Loan collateral to secure the repayment of the Bond Loan. The Approved Financing Entity will execute an assignment of any and all of the Approved Financing Entity's right, title, and interest in and to the Secondary Loan Collateral and the Tertiary Loan collateral to the Eligible CDFI and the Eligible CDFI will in turn execute an assignment of any and all of the Eligible CDFI's right, title and interest in and to the Secondary Loan Collateral and the Tertiary Loan collateral to the Qualified Issuer to be simultaneously pledged and further assigned to the Master Servicer/Trustee for the benefit of the Bond Purchaser.

	<p>The Eligible CDFI shall have a transferable ownership interest in all Bond Loan Collateral, including Other Pledged Loans, and a transferable collateral interest in the Tertiary Loans.</p>
<p><b>CONDITIONS PRECEDENT</b></p>	<p>(A) The obligation of the Qualified Issuer to close the Bond Loan is subject to the satisfaction of the following conditions precedent:</p> <ol style="list-style-type: none"> <li>(1) All conditions precedent pursuant to the Agreement to Guarantee shall have been satisfied to the satisfaction of the CDFI Fund.</li> <li>(2) The Qualified Issuer and the CDFI Fund have received the following, in form and substance satisfactory to the CDFI Fund: <ol style="list-style-type: none"> <li>(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 <u>Exhibit A</u> 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 <u>Exhibit B</u> attached to the Bond Loan Agreement and dated the Bond Issue Date, and (iii) the Collateral Assignment and the Reimbursement Note each duly executed by the Eligible CDFI and dated as of the Bond Issue Date;</li> <li>(b) UCC Financing Statements which, when filed, will secure the Qualified Issuer's interest in the Bond Loan Collateral;</li> <li>(c) Financial statements of the Eligible CDFI for the prior three (3) most recent fiscal years certified by a firm of independent certified public accountants, pro forma financial statements for the subsequent three (3) fiscal years, and unaudited financial statements, for the immediately prior quarter end of the fiscal year (provided that in the event such quarter end is the end of the fiscal year, then unaudited financial statements for such fiscal year end);</li> <li>(d) The Eligible CDFI's organizational documents (articles of incorporation; bylaws; good</li> </ol> </li> </ol>

	<p>standing certificate; IRS tax-exemption letter, and management agreements, if applicable);</p> <ul style="list-style-type: none"> <li>(e) Proof of insurance, as required under the Bond Loan Agreement.</li> <li>(f) The Approved Financing Entity’s initial organizational documents (certificate of formation; bylaws; and good standing certificate).</li> <li>(g) The AFE Collateral Assignment, duly executed by the Approved Financing Entity, as of the Closing Date.</li> <li>(h) 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;</li> <li>(i) 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</li> <li>(j) Such other documents and certificates as the Qualified Issuer, the CDFI Fund, the Guarantor, the Bond Purchaser or Bond Counsel shall require.</li> </ul> <p>(3) No event has occurred and is continuing, or will occur upon 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.</p> <p>Any Bond Loan Document deemed necessary by the Qualified Issuer to be executed, recorded or</p>
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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.

(B) The obligation of the Qualified Issuer to make the Initial Advance under the Bond Loan is subject to the satisfaction of the following conditions precedent:

(1) The Qualified Issuer and the CDFI Fund have received the following, in form and substance, satisfactory to the Qualified Issuer and/or the CDFI Fund, as applicable:

(a) The Escrow Agreement and Custody Agreement, both duly executed by the Eligible CDFI.

(b) A certificate of the Eligible CDFI, in which the Eligible CDFI shall represent and warrant that, as of the date of requisition for an Initial Advance, (i) No event has occurred and is continuing, or will occur upon the Initial Advance, that will 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; and (ii) No event has occurred and is continuing, or will occur upon the borrowing of the Loan or the disbursement of the Initial Advance which constitutes an Event of Default or which, upon the giving of notice, the lapse of time, or both, would constitute an Event of Default.

(c) The favorable written opinion of legal counsel to the Eligible CDFI substantially in the form of Exhibit B attached to the Bond Loan Agreement, as related to those documents executed after the Closing Date but prior to the Initial Advance.

	<ul style="list-style-type: none"> <li>(d) Proof of insurance, as required under the Bond Loan Agreement.</li> <li>(e) Policies and procedures, including underwriting checklist, for loans originated by the Eligible CDFI to the Approved Financing Entity in compliance with the Secondary Loan Requirements, delivered as soon as practicable, but in any event not later than one hundred twenty (120) days after the Closing Date.</li> <li>(f) Policies and procedures for loans originated by the Approved Financing Entity, which may mirror the policies and procedures of the Eligible CDFI, delivered as soon as practicable, but in any event not later than one hundred twenty (120) days after the Closing Date.</li> <li>(g) Management/administrative agreement between the Eligible CDFI and the Approved Financing Entity, duly executed and approved by [Eligible CDFI] board, delivered within one hundred twenty (120) days of the Closing Date.</li> <li>(h) The Approved Financing Entity's final organizational documents (e.g., certificate of organization; bylaws; good standing certificate; bylaws, shareholder or operating agreement, and resolution authorizing the pledge of Tertiary Loans as collateral), delivered within one hundred twenty (120) days of the Closing Date.</li> <li>(i) [Evidence of the Eligible CDFI's applicable residential licensure, including, as applicable, maintenance and certification to service Fannie Mae, Freddie Mac, or Ginnie Mae residential mortgage loans in each state in which the Eligible CDFI then currently originates or is planning to originate loans];</li> <li>(j) [Evidence of all necessary and applicable licensures in each state in which the Eligible CDFI then currently originates or is planning to originate loans];</li> <li>(k) The Pledge Agreement for Membership interest of the Approved Financing Entity</li> </ul>
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	<p>executed by the Eligible CDFI for the benefit of the Qualified Issuer or Master Servicer/Trustee;</p> <p>(l) The Secondary Loan Agreement, duly executed by the Eligible CDFI and the Approved Financing Entity; and Such other documents and certificates as the Lender, the Guarantor, the CDFI Fund, the Bond Purchaser or Bond Counsel shall require.</p> <p>(m) (2) Any additional Loan Document deemed necessary by the Lender to be executed, recorded or filed to create or perfect the liens and security interests intended to be created for the benefit of the Lender pursuant to the Loan Documents has been delivered to the Lender in recordable form or filed; and all taxes and other charges in connection with the execution of any of the Loan Documents or the recording or filing thereof have been duly paid in full by the Eligible CDFI.</p>
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**MANDATORY  
PREPAYMENT  
PROVISIONS**

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 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) Upon the failure of the Eligible CDFI to maintain the Required Bond Loan Overcollateralization subject to any applicable cure periods;
- (2) Upon the failure of the Approved Financing Entity to maintain the Required Secondary Loan Overcollateralization subject to any applicable cure periods; and
- (3) Upon the liquidation of any collateral in connection with the exercise by the Guarantor, the Qualified Issuer or the Bond Purchaser 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.

<p><b>OPTIONAL PREPAYMENT PROVISIONS</b></p>	<p>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:</p> <ol style="list-style-type: none"> <li>(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 before 3:30 p.m. (Washington, D.C. time) two (2) Business Days before the date of the intended prepayment;</li> <li>(2) any prepayment must be in an amount of at least \$100,000; and</li> <li>(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.</li> </ol>
<p><b>FINANCIAL AND ADDITIONAL DEBT COVENANTS</b></p>	<p>[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 always maintain the following Financial and Additional Debt Covenants (the “Financial Covenants”) and, unless otherwise stipulated, test and report compliance with the covenants quarterly and at fiscal year-end in accordance with the reporting requirements in the Bond Loan Agreement:</p> <p><b>(1) Leverage Ratio:</b></p> <p>Total Indebtedness divided by Net Assets without Donor Restrictions is less than or equal to [five hundred percent] ([500%]) ((Total Indebtedness / Net Assets without Donor Restrictions) &lt;= [500] %). The following definitions shall apply to this subparagraph:</p> <p>“Total Indebtedness” means, for any fiscal quarter end, all outstanding indebtedness of the Eligible CDFI, including but not limited to, outstanding obligations under lines of credit, interest-bearing deposits, non-interest-bearing deposits, and notes payable.</p> <p>“Net Assets without Donor Restrictions” has the meaning set forth in the Eligible CDFI's audited [consolidated] financial statements, determined in accordance with GAAP.</p>

**(2) Non-Performing Loans Ratio:**

Non-Performing Loans divided by Gross Loans Receivable Outstanding is less than or equal to [ten] percent ([10%]) ((Non-Performing Loans/Gross Loans Receivable Outstanding) <= [10 %]), as measured by the weighted average for the immediately preceding four (4) fiscal quarters on a rolling basis (calculated as the sum of Non-Performing Loans as of the last day of the preceding four (4) fiscal quarters, divided by the sum of the Gross Loan Receivables Outstanding as of the preceding four (4) quarter ends). The following definitions shall apply to this subparagraph:

“Gross Loans Receivable Outstanding” means all outstanding amounts of principal and interest due with respect to any Loans Receivable. For the purposes of this subparagraph, Gross Loans Receivable Outstanding will include OREO (as hereafter defined).

Loans Receivable” means any loans or extension of credit made by the Eligible CDFI to its borrowers, without regard to the source of funds to make such loans.

“Non-Performing Loans” means any Loans Receivable (i) which, on the date for which the ratio is tested, payment owing thereunder (or portion thereof) remains unpaid for more than ninety (90) days following the due date for such payment, or (ii) that has been placed on non-accrual status, or (iii) for which the collateral securing such Loan Receivable is real estate and such collateral is now owned by the Eligible CDFI or an affiliate of the Eligible CDFI (“OREO”) and is reflected as such on the Eligible CDFI’s balance sheet.

**(3) Minimum Liquidity Requirement:**

Maintain \$[AMOUNT] in fixed Unrestricted Cash at the Approved Financing Entity from the time of the first disbursement until the exit from the CDFI Bond Guarantee Program.

“Unrestricted Cash”, has the meaning set forth in the Eligible CDFI’s audited [consolidated] financial statements, determined in accordance with GAAP.

**(4) Change in Net Assets without Donor Restrictions:** In at least two (2) out of the three (3) consecutive fiscal year periods, as measured on an annual fiscal year basis, have a positive year over year

change in Net Assets without Donor Restrictions, exclusive of Non-Controlling Interests and changes in fair value of Investments. Change in Net Assets without Donor Restrictions for purposes of this section is defined as such term is used or amount is derived in the Eligible CDFI's audited [consolidated] statement of activities. The following definitions shall apply to this subparagraph:

“Non-Controlling Interests” has the meaning set forth in the Eligible CDFI’s audited [consolidated] financial statements, determined in accordance with GAAP.

“Investments” are defined as dollar denominated marketable securities actively traded on a registered exchange.

**(5) Unrestricted Net Asset Ratio:** Net Assets without Donor Restrictions divided by Total Assets is greater than or equal to twenty-five percent ([25%]) (Net Assets without Donor Restrictions/Total Assets  $\geq$  [25%]).

Net Assets without Donor Restrictions and Total Assets each have the meaning set forth in the Eligible CDFI's audited [consolidated] financial statements, each determined in accordance with GAAP.

**(6) Other Financial Covenants Appropriate for the Particular Eligible CDFI, AFE, or Credit Structure: [To be determined].**

The Eligible CDFI will deliver or cause the Approved Financing Entity to deliver an aging and portfolio performance report for Tertiary Loans, in such form as is required by the CDFI Fund, to the Lender monthly.

The Bond Loan shall be subject to cross default and cross acceleration with the financial covenants contained in other financial agreements evidencing debt or contingent obligations of the Eligible CDFI in excess of \$100,000. Any event of default with respect to payment or financial covenants pursuant to any such 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 the Bond Loan remains 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.

The Eligible CDFI will further covenant and agree that any intercompany payment obligations of the Eligible CDFI or any affiliate of the Eligible CDFI with respect to any intercompany debt or other obligations must be subordinate to repayment of the Bond Loan, and any other obligations of the Eligible CDFI under the Bond Loan documents, such that any intercompany payment obligations will not be paid, to the extent that such payment will cause an event of default under the Bond Loan, or during any event of default under the Bond Loan.

The Approved Financing Entity will further covenant and agree that any third-party or intercompany payment obligations of the Approved Financing Entity with respect to third-party or intercompany debt or other obligations must be subordinate to repayment of all Secondary Loans, and any other obligations of the Approved Financing Entity under the Secondary Loan Documents, such that any third-party or intercompany payment obligations will not be paid, to the extent that such payment will cause an event of default under any Secondary Bond Loan, or during any event of default under any Secondary Bond Loan.

Further, the Eligible CDFI will covenant and agree not to pay any distributions or dividends to any person, to the extent the Eligible CDFI is not in compliance with the Financial Covenants herein set forth or in the event such distribution or dividend would violate the Financial Covenants set forth herein.

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 Guarantee 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 or permit any proceeds of any Secondary 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;

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 Bond Loan Overcollateralization, the Eligible CDFI shall not be subject to the covenants and requirements related to the Relending Account otherwise required by the Program; provided, however, that the Relending Account shall be established by the Master Servicer/Trustee pursuant to the Bond Trust Indenture, in any event.

Secondary Loans will be made to each Approved Financing Entity as Secondary Borrower with advances to the Approved Financing Entity disbursed at the same time as Advances are made under the Bond and Bond Loan. Each Secondary Loan will conform to the terms and conditions set forth herein.

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

- (1) The Eligible CDFI or the Approved Financing Entity will own the servicing rights and obligations to all Tertiary Loans.
- (2) Execute Secondary Loan documents (in the form of loan agreements and promissory notes) with Approved Financing Entity 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. If 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.
- (3) 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.

	<p>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 Approved Financing Entity with respect to the Approved Financing Entity, 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. Each proposed Tertiary Loan securing the Secondary Loan shall be approved by the credit committee of the Approved Financing Entity or its equivalent, in accordance with applicable Secondary Loan Requirements and the Approved Financing Entity's underwriting requirements.</p>
<p><b>OTHER COVENANTS</b></p>	<p>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), which may be the Qualified Issuer, has/have demonstrated experience in similar assessments, and which form of assessment has been approved by the Qualified Issuer or the CDFI Fund. 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, and the Eligible CDFI 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.</p>

	<p>The Eligible CDFI agrees to such covenants and negative covenants including but not limited to, those related to Information Reporting; Books and Records; a negative pledge of all assets of the Approved Financing Entity (other than pledge of the Secondary Loan Collateral to the Eligible CDFI or the Qualified Issuer/Master Servicer Trustee; a pledge of the membership or other organizational interest of the Approved Financing Entity to the Qualified Issuer/Master Servicer Trustee; Eligible CDFI's and Approved Financing Entity'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 and the Approved Financing Entity as set forth in the Regulation and form of Bond Loan Agreement that have been submitted to the Eligible CDFI.</p>
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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 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 closing will occur.

Sincerely,

**[QUALIFIED ISSUER]**, as lender

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

Name \_\_\_\_\_

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

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

**ACKNOWLEDGED AND AGREED TO:**

**[ELIGIBLE CDFI], as borrower**

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

Name \_\_\_\_\_

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

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