

CDFI Bond Guarantee Program Webinar 101

Webinar Schedule

Day One	Time	Duration
Introduction & Overview	1:00 pm – 1:15 pm	15 min
Financing Structure, Secondary Loan Requirements	1:15 pm – 1:45 pm	30 min
Qualified Issuer Application & Evaluation Process	1:45 pm – 2:00 pm	15 min
Guarantee Application & Evaluation Process	2:00 pm – 2:30 pm	30 min
Questions & Answers	2:30 pm – 3:00 pm	30 min
Day Two	Time	Duration
Credit Enhancements, PLCP	1:00 pm – 1:15 pm	15 min
Flow of Funds	1:15 pm – 1:45 pm	30 min
Application & Closing Timeline	1:45 pm – 2:00 pm	15 min
Reporting Requirements	2:00 pm – 2:30 pm	30 min
Questions & Answers	2:30 pm – 3:00 pm	30 min

Agenda



Day One

- Introduction & Overview
- Financing Structure, Secondary Loan Requirements
- Qualified Issuer Application & Evaluation Process
- Guarantee Application & Evaluation Process
- Q&A

Day Two

- Credit Enhancements, PLCP
- Flow of Funds
- Application & Closing Timeline
- Reporting Requirements
- Q&A

BG Program Staff Organizational Chart



Susan Suckfiel Program Manager

Credit and Risk Management Unit (CRM)

Brian Jackson (Lead)

Pablo Rieckhof (Analyst)

Paolo Sacca (Analyst)

Compliance
Management and
Monitoring Unit
(CMM)

Wendy Diao (Lead)

Patricia Hesler (Analyst)

Portfolio Management and Loan Monitoring Unit (PMLM)

Brian Donovan (Lead, on detail)

Malton Lightfoot-Taylor (Analyst) Origination Unit

Melanie Yancey (Lead)

Webinar Purpose



- This webinar 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
 - Provide the basis for successful completion of an application submission to the CDFI Bond Guarantee Program.

Webinar Purpose: 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; and
 - Current Qualified Issuer participants.

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@cdfi.treas.gov.

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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 <u>www.cdfifund.gov/bond</u>. Available documents include, but are not limited to, those identified below.
 - FY 2020 Notice of Guarantee Availability (NOGA)
 - Interim Program Regulations
 - Application Materials
 - Secondary Loan Requirements
 - General Requirements
 - Underwriting Checklist
 - Program Legal Documents, including:
 - Bond Loan Agreement;
 - Bond Trust Indenture; and
 - Agreement to Guarantee.

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 has not appropriated 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."

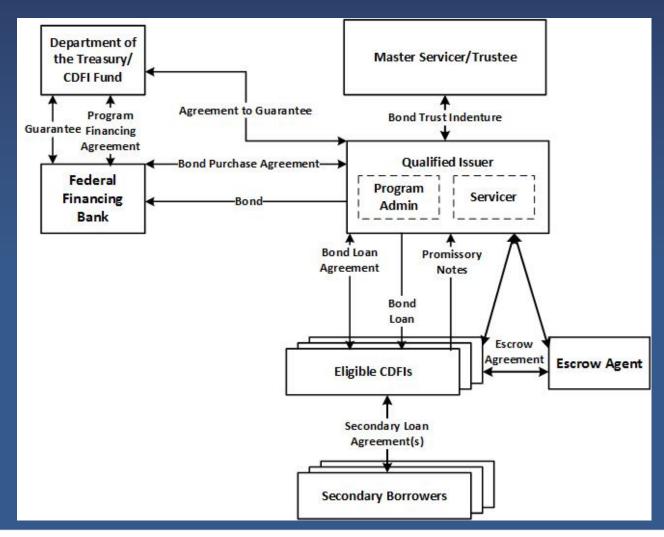
Program Regulatory Requirements



- One hundred percent (100%) Guarantee by the Secretary of the Treasury for bonds or notes, including principal, interest, and call premiums.
- Minimum Bond Issue of \$100 million; minimum Bond Loan of \$10 million.
- Annual program-wide limit of \$1 billion.
 - \$500 million authorized in FY2013, \$325 million guaranteed
 - \$750 million authorized in FY2014, \$200 million guaranteed
 - \$750 million authorized in FY2015, \$327 million guaranteed
 - \$750 million authorized in FY2016; \$265 million guaranteed
 - \$500 million authorized in FY2017; \$245 million guaranteed
 - \$500 million authorized in FY2018; \$150 million guaranteed
 - \$500 million authorized in FY2019; \$100 million guaranteed
 - \$500 million authorized for FY2020
- Bond maturity 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 (100%) of Bond Proceeds to make Bond Loans to Eligible CDFIs. Bond Loan must be for a minimum amount of \$10 million (but are not immediately disbursed).
- Secondary Loan: Financed or Refinanced by the Eligible CDFI to a Secondary Borrower.

^{*}Or lower, depending upon the amount authorized that year by Congress (\$500 million in FY 2020)

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): Collects repayments, disburses funds, 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 over 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.

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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.

Qualified Issuer Evaluation Criteria



- Qualified Issuer Applicants should:
 - Be a certified CDFI or be designated by a certified CDFI to issue bonds on their behalf;
 - Demonstrate strategic interest in promoting community and economic development in Low-Income Areas and Underserved Rural Areas and the capability to do so; and
 - Demonstrate ability to perform Qualified Issuer functions.
- 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		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		PDF (All)
QI-3	A. Organization Capability – Qualified Issuer B. Organization Capability – Program Administrator C. Organization Capability- Servicer D. Strategic Alignment E. Management and Staffing F. Financial Strength		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		PDF (All)
QI-5	Strategic Alignment A. Strategic or Operational Plan B. Conflicts of Interest policies C. Ethics policies		PDF (All)

	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		PDF PDF PDF PDF Excel
QI-7	Financial Strength A. Appropriate Federal Banking Agency or Appropriate State Agency B. Three (3) year history of financing transactions C. Three (3) year history of earned revenues D. Current loan covenants and Three (3) year history of compliance with covenants E. Portfolio Quality Report F. Three (3) year history of Off-Balance Sheet Activities G. Three (3) years of audits and management letters H. Most recent interim financial statements I. Next Year's Budget (Unregulated Institutions) J. Three (3) year projection of financial position (Unregulated Institutions)		Excel Excel Excel Excel Excel PDF PDF Excel Excel
QI-8	Cash Flows and Pricing Structure A. Sample Bond Issue cash flow model B. Sample Proposed Sources and Uses of Funds C. Pricing Structure		Excel (All)

Qualified Issuer Application: Evaluation



- 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, as well as 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 an applicant's capability to perform the required tasks of the Qualified Issuer.
- An applicant should demonstrate either independently, or with the support of contracted affiliates 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
 - Demonstrated track record and commitment to community and economic development.
- The applicant will detail any ethics policies and conflicts of interest which will influence the organization's alignment of interests.
- Descriptions of technical experience should be tailored towards lending to CDFIs or similar institutions.

Qualified Issuer Evaluation Criteria: Management and Staffing



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

Qualified Issuer Evaluation Criteria: Management and Staffing - Servicing



- The Qualified Issuer applicant will be evaluated for its management and staffing capabilities with regard to servicing true debt and directing the Escrow Agent each month. The applicant should be experienced in lending program administration and managing debt payments.
- 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 the following technical competencies:

- Adequate technical capability with regard to systems and technology to be used in Qualified Issuer activities.
- Adequate backup and disaster plans.
- Capacity to service the lending it is sponsoring 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
 the 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, Agency Admin, and Master Servicer/Trustee fees.

Qualified Issuer Application Review Process





Qualified Issuer Application Submission



- The Qualified Issuer submits their 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: 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 the overall factors in the 2020 NOGA.

Qualified Issuer Application Review Process: Review and Approval



- The CDFI Fund will recommend the Qualified Issuer application for "Approval" or for "Withdrawal."
 - Final Approval of a new Qualified Issuer (not its Guarantee Application) lies with the Program Manager of the BG Program.
 - Approval as a Qualified Issuer is a one-time designation. Once approved an Issuer does not need to reapply for future years.
 - Active Qualified Issuers are reviewed annually and/or with the submission of each new Guarantee Application.
- 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 & Evaluation Process



- 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 the same year 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).



- 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.



1.0 Qualified Issuer Capital Distribution Plan

Section	Document	Included	Format
A-1	Checklist		PDF
A-2	Qualified Issuer Information and No Material Change Certification		555
	A. No Material Change Certification B. SF-424 C. Federal assurances and certifications D. EIN/TIN letter		PDF (All)
A-3	Bond Issue narrative		Word
A-4	Statement of Proposed Sources and Uses of Funds		Excel
A-5	Bond Issue Qualified Issuer cash flow model		Excel
A-6	Credit Enhancement		Word
A-7	Draft Term Sheet		Word



- 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.



2.0 Secondary Capital Distribution Plan(s)

Section	Document	Included	Format
B-ID-1	Checklist		PDF
D-10-1	Officerial		101
B-ID-2	Eligible CDFI Organization and Contact Information A. SF-424 B. Federal assurances and certifications C. EIN/TIN letter D. Affiliate/Subsidiary Organizational Structure		PDF (All)
B-ID-3	Secondary Capital Distribution Plan Narrative		Word
B-ID-4	Eligible CDFI Statement of Proposed Sources and Uses of Funds		Excel
B-ID-5	Eligible CDFI Cash Flow Model		Excel
B-ID-6	Eligible CDFI Organizational Capacity A. Employee organizational chart B. Organizational Documents		PDF
	Articles of incorporation By-laws Good standing certificate iv. 501(c)(3) letter C. Management or operating agreement		PDF PDF PDF PDF
	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		PDF Word Excel PDF PDF PDF PDF PDF PDF
B-ID-7	Eligible CDFI Policies and Procedures A. Asset-liability matching policy B. Loan policies and procedures C. Conflicts of Interest/Ethics policies and procedures D. Other Policies		PDF PDF PDF
B-ID-8	Eligible CDFI Financial Statements		

Section	Document	Included	Format
-	A. Most recent four (4) years of audited financial		PDF
	statements		
	 B. Current year-to-date financial statements 		PDF
	C. Current year's approved budget or projected		DDE
	budget if the Board has not yet approved it D. Appropriate Federal Banking Agency or		PDF
	Appropriate State Agency information		PDF
	Appropriate state Agency information		1 01
B-ID-9	Eligible CDFI Loan Portfolio		
	A. Portfolio Quality Report		Excel
	B. Pipeline report		Excel
	C. Portfolio listing		Excel PDF
	 D. Other assets under management (non-owned) 		PDF
	E. Loan products		PDF
	Independent loan review report		PDF
	G. Impact report case studies		PDF
	Loan portfolio by risk rating		Excel
	Cumulative financing transactions		Excel
B-ID-10	Eligible CDFI Funding Sources and Capitalization		
	A. Current grant funding		Excel
	B. Projected grant funding C. Credit Enhancements		Excel
	D. Historical investor renewal rate	ΙΗ	Word
	E. Covenant compliance		Excel
	F. Off balance sheet contingencies		Excel Excel
	G. Earned revenues		Excel
	H. Debt capital statistics		Excel
	Restricted Funds		Excel

Credit Enhancements and Principal Loss Collateral Provisions

- CDFI FUND
- Credit Enhancements and Principal Loss Collateral Provisions
 (PLCPs) 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.
- PLCPs should be offered by providers of substantial financial standing.
- Credit enhancements shall be accompanied by information that details 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.

Principal Loss Collateral Provisions (PLCPs)



- PLCPs may be provided in lieu of, and/or in addition to, pledged collateral.
- PLCPs may be at the Bond Loan level (blanket) or Secondary Loan level (specific); regardless, all terms and conditions of the PLCP must be explicit within the application.
- PLCPs may be a letter of credit, cash, or cash equivalent guarantees in the amounts necessary to secure an Eligible CDFI's obligations under the Bond Loan after exercising other remedies for default.
- PLCPs may include a deficiency guarantee in which another entity assumes liability after other default remedies have been exercised.

Principal Loss Collateral Provisions, cont.



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

Credit Enhancements and Principal Loss Collateral Provisions



- Credit Enhancements and PLCPs both impact the determination of credit subsidy scores of a Bond Issue, but through different methods.
 - Credit Enhancements will influence the determination of an Eligible CDFI's creditworthiness.
 - It is preferred that PLCPs be structured to first reduce the probability of Eligible CDFI default (i.e., payment guarantee). PLCPs structured to provide a source of additional collateral for recovery (i.e. deficiency guarantee) will also be considered.

FY 2020 New Requirements

- CDFI FUND
- New collateral requirements for the General Recourse-Secured
 Financial Structure were added to the Notice of Guarantee
 Authority (NOGA) that will cover the FY 2020 Application Round.
- The new requirements aim to increase tax payer protection and will be applicable for all asset classes <u>except</u> CDFI to Financing Entity.
- Each Bond Loan will be secured, at all times, by Secondary Loans, Other Pledged Loans and/or cash in the amount of 110% of the unpaid principal balance of the Bond Loan. In addition, each Bond Loan must receive Third Party Support in an additional amount ranging from 1% to 10% of the unpaid principal balance of the Bond Loan. Thus, total overcollateralization for each Bond Loan plus Third Party Support will range between 111% and 120%.

New Requirement Details

- Some portion of the Third Party Support must be cash or hard assets and the remaining portion may be in the form of a guarantee, letter of credit, or similar instrument issued by a thirdparty.
- Third Party Support must be provided by an organization with substantial financial capacity, such as a foundation or a highlyrated financial institution with a substantial balance sheet. Approval of third-party supporter is subject to CDFI Fund review in accordance with the Secondary Loan Requirements for any PLCP provider.
- The amount of required Third Party Support will be determined by the CDFI Fund during the Guarantee Application review. All BG Program applicants, however, should be prepared to provide Third Party Support in an amount of up to 10% of the unpaid principal balance of the Bond Loan.

New Requirement Details

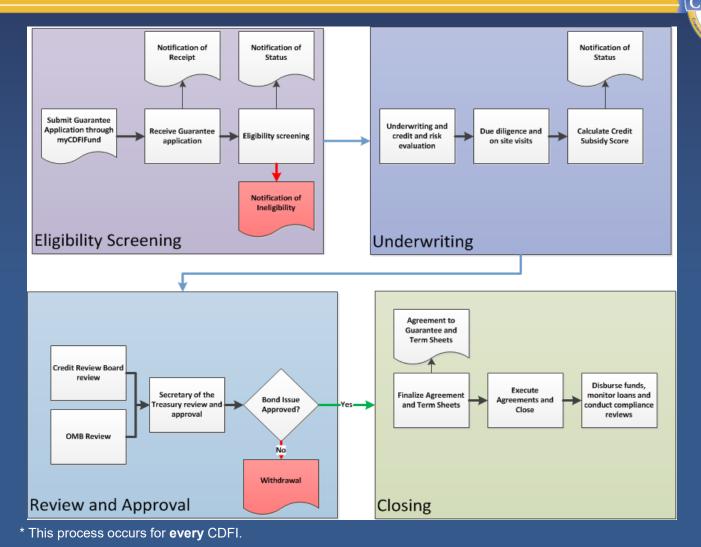
- CDFI FUND
- The Eligible CDFI may also provide additional pledged collateral in the form of Secondary Loans, Other Pledged Loans and/or cash to secure the underlying Bond Loan.
- The collateral and capitalization requirements for the Alternative Financial Structure remain unchanged.

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



COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

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 ##-BGA-######.
- The overall Guarantee Application will receive ##-#-BGA-######.
- 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.

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 and eligibility 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.
- After reviewing the Guarantee Application for 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 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 – Eligible CDFIs



- 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.

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.
- 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 (OMB)



- 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 any 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 Certification regulation provides that the CDFI Fund may certify an AFS using the certification credentials of the AFS' Controlling CDFI(s), solely for participation in the CDFI Bond Guarantee Program.
- An AFS must have applied for Certification by April 6, 2020, to be eligible to apply for the FY2020 CDFI Bond Guarantee Program.

Agenda



Day One

- Introduction & Overview
- Financing Structure, Secondary Loan Requirements
- Qualified Issuer Application & Evaluation Process
- Guarantee Application & Evaluation Process
- Q&A

Day Two

- Credit Enhancements, PLCP
- Flow of Funds
- Application & Closing Timeline
- Reporting Requirements
- Q&A



Credit Enhancements, PLCP

Credit Enhancements



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

Levels of Credit Enhancements



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

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

Credit Enhancement Desired Terms



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

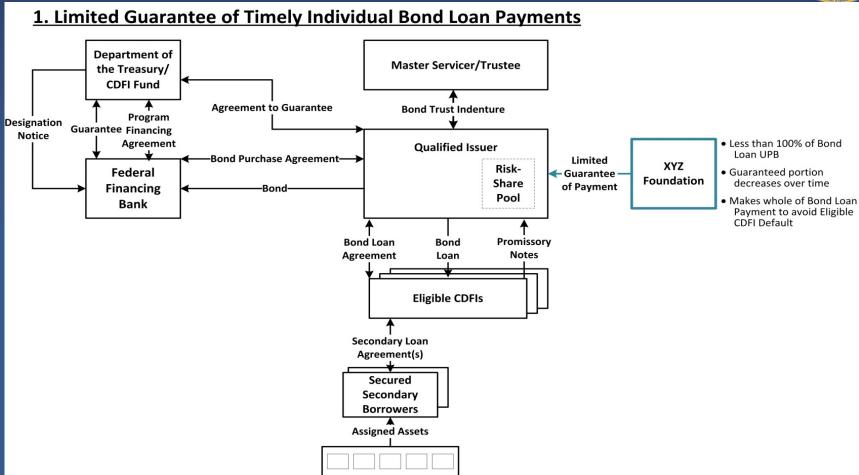
Credit Enhancement Evidence for Application



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

Credit Enhancements: Bond Loan Level





UPB = Unpaid Principal Balance

Credit Enhancements: Bond Loan Level

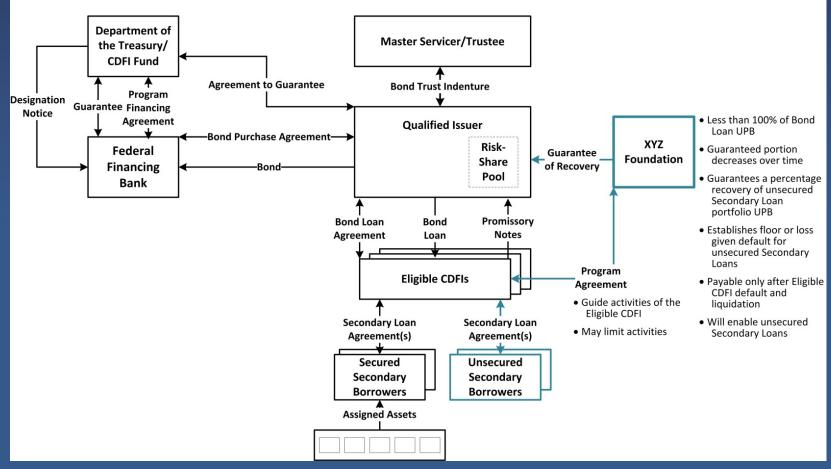


- A third party may provide a limited guarantee on timely Bond Loan payments to the Qualified Issuer for an Eligible CDFI.
- Such a guarantee (e.g., payment guarantee) would serve as backstop in the event of missing monthly Bond Loan payments, and prevent defaults on the Bond Loan by the Eligible CDFI.

Credit Enhancements: Secondary Loan Level



2. Limited Guarantee of Recovery of Individual Bond Loan



UPB = Unpaid Principal Balance

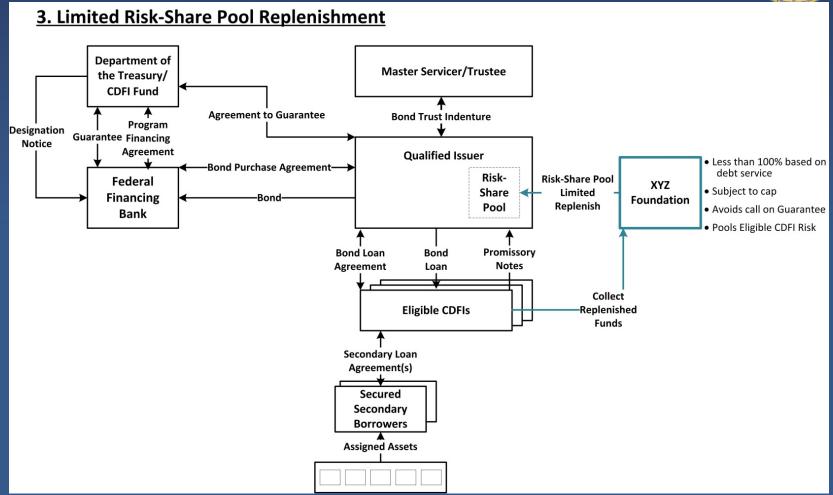
Credit Enhancements: Secondary Loan Level



- 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





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.

Relationship with Other Federal Funding Sources



- Award funds received under any other CDFI Fund program may not be used to pay principal, interest, fees, administrative costs, or issuance costs related to the CDFI Bond Guarantee Program.
- Bond Proceeds may be combined with equity derived from New Markets Tax Credits (NMTC) in order to make a Qualified Equity Investment in a Community Development Entity, or to refinance a Qualified Low-income Community Investment at the beginning of the seven year NMTC compliance period, only if the Eligible CDFI provides additional collateral or a payment guarantee for the entire seven year NMTC compliance period.
- Bond Loans 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.

Secondary Loan Requirements and Construction Lending

- Secondary Loans for expansion or major renovation projects may utilize any eligible form of collateral. However, loans funding new construction will only be accepted as Secondary Loans when fully collateralized by a PLCP under the terms and conditions approved by the CDFI Fund.
- For terms by which an approved bank may issue a letter of credit(L/C)
 as a PLCP for Construction Secondary Loans, please refer to the "BG
 Program Construction Loan Guidance" document posted on the BG
 Program Website Step 5 Compliance Resources and Reporting.
- 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. This will allow the ECDFI to lock in the rate at the time of initial funding for up to the term of the Bond Loan.

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

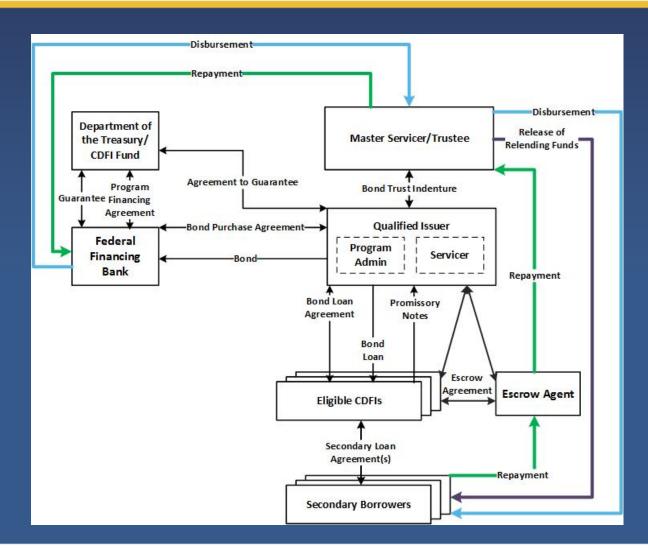


The following asset classes are eligible for Secondary Loans:

- 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

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 post-closing, 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 through a process (Requisition) of review and approval by BG Program staff.
- Eligible CDFIs will lend Bond Loan Proceeds to Secondary Borrowers in the form of Secondary Loans.
- Funding is not revolving. Principal payments on the Bond Loan by the Eligible CDFI are retired permanently.

Bond Issuance: Maturity and Interest Rates



Maturity

Bonds and Bond Loans will have a maximum maturity of 29.5 years.
 Secondary Loans may not have maturities that exceed the associated Bond and Bond Loan maturities.

Interest Rates

- Bond interest rates will be based on the equivalent Treasury Rate plus a
 Liquidity Premium. The Liquidity Premium is determined by the BG Program
 at the time of underwriting and remains unchanged. The underlying rate for
 the Bond is determined by the FFB based upon market rates for equivalent
 Treasuries at the time that the Advance is made.
- 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 along with most fees due as part of the program, through an Escrow Account.
- Eligible CDFIs will determine Secondary Loan amortization schedules. Secondary Loans must be underwritten in good faith of them 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 the disbursement under the Bond.
- The Risk Share Pool is funded from sources other than Bond Loan proceeds.
- FFB will disburse Bond Loan Proceeds when Eligible CDFIs
 pledge eligible collateral, and upon receiving a 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
 via the designated Escrow and Custody agents.

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.

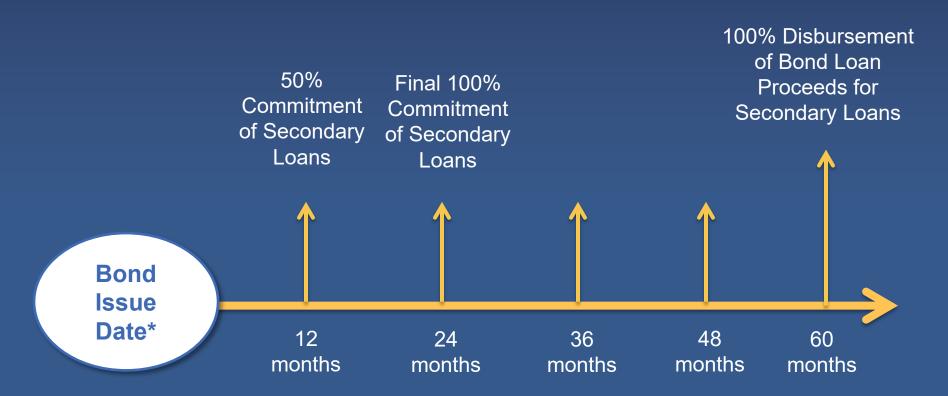
Bond Issuance: Disbursement Requirements



- 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





^{* &}quot;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 with a 29.5 year maturity and a draw down (disbursement) occurs in the 5th year, the remaining maturity on the Bond Loan is 24.5 years (not 29.5 years) and hence that specific advance cannot have a maturity date > 24.5 years.

Bond Issuance: Risk-Share Pool Funding



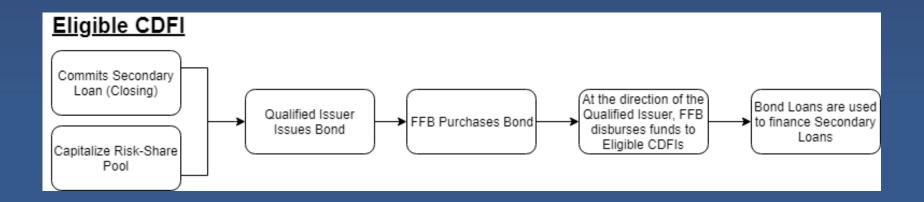
- Eligible CDFIs are responsible for capitalizing a 3% Risk-Share Pool.
- Bond Proceeds may not be used to fund the Risk-Share Pool.
- The Risk-Share Pool for a Bond Issue will be funded on a pro-rata basis at disbursement of funds (i.e., draw down basis) from the FFB.
- The Risk-Share Pool must remain in place throughout the term of the Guarantee and not just through the term of a specific Eligible CDFI's Bond Loan.
- Risk-Share Pool funds may be invested in 13- to 26-week
 Treasuries at the direction of the Eligible CDFI.
- The Risk-Share Pool (including interest) will be released at Bond Issue maturity or when the entire Bond Issue is repaid.

Bond Issuance: Risk-Share Pool Funding, cont.

- CDFI FUND
- 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.
 - Funds belonging to a specific Eligible CDFI are drawn first, and then pro-rata amounts of any other participants in the Bond Issue are then drawn.

Bond Issuance: Disbursement Process





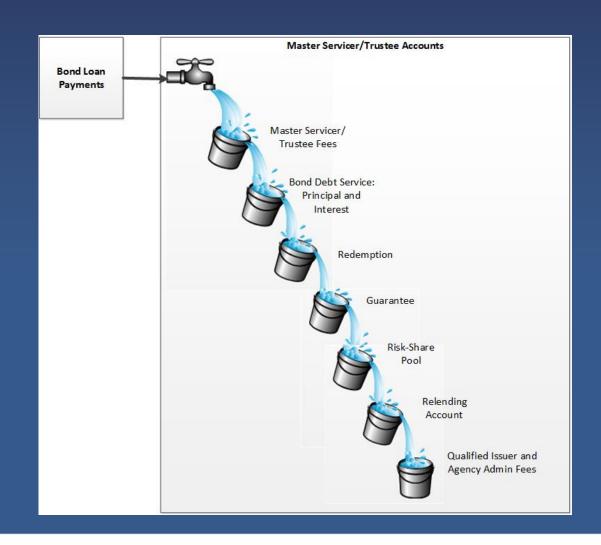
Bond Issuance: Disbursement Process, cont.



- 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 on-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.



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

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- **Application & Closing Timeline**
- Reporting Requirements
- Q&A



Application and Closing Timeline

Closing Requirements



- Approved transactions in the FY2020 application round must be approved by 09/30/20 and closed by 12/31/20.
 - FY2020 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 and Term Sheets must be signed prior to 09/30/20, so as to obligate funds and close transactions.
- If a significant amount of time passes (i.e., three (3) months)
 between the signing of the Agreement to Guarantee and the Bond
 Documents, the proposed Bond Issue will be reviewed for material
 changes (i.e., changes in the Capital Distribution Plan, bring-downs
 of certifications).
- All additional loan documentation (e.g., Bond Trust Indenture, Bond Loan Agreement, Guarantee) must be signed by the appropriate parties at closing, which must be by 12/31/20.
- The Guarantee is not effective until closing.

Application and Closing Timeline



- The CDFI Fund must complete underwriting of applications 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 4/6/2020.
 - Qualified Issuer Applications are due on 5/11/2020.
 - Guarantee Applications are due on 5/18/2020.

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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
 - 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.

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 once the initial disbursement has occurred.
- 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).

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.
- 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 uploads reports into secure data repository MS/T notifies CDFI Fund of report availability CDFI Fund processes and analyzes report data

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



Day One

- Introduction & Overview
- Financing Structure, Secondary Loan Requirements
- Qualified Issuer Application & Evaluation Process
- Guarantee Application & Evaluation Process
- Q&A

Day Two

- **Credit Enhancements, PLCP**
- Flow of Funds
- **Application & Closing Timeline**
- Reporting Requirements
- Q&A

Questions & Answers



