

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

www.cdfifund.gov



CDFI Bond Guarantee Program Information Session

U.S. Treasury Department Headquarters
Washington, D.C.
February 26, 2013

Today's Schedule



Topic	Time	Duration
Introduction and Overview	9:00 am – 9:45 am	45 min
Overview of CDFI Bond Guarantee Program Regulations and Financial Structure	9:45 am – 11:15 am	90 min
Break	11:15 am – 11:30 am	15 min
CDFI Bond Guarantee Program: Bond Issuance	11:30 am – 12:30 pm	60 min
Lunch	12:30 pm – 1:45 pm	75 min
CDFI Bond Guarantee Program: Repayment and Relending	1:45 pm – 2:45 pm	60 min
Break	2:45 pm – 3:00 pm	15 min
CDFI Bond Guarantee Program: Eligible CDFI Lending	3:00 pm – 3:30 pm	30 min
Questions and Answers	3:30pm – 4:45 pm	75 min
Closing Remarks	4:45pm – 5:00 pm	15 min

Agenda



- Introduction and Overview
- Overview of the CDFI Bond Guarantee Program Regulations and Financial Structure
- CDFI Bond Guarantee Program: Bond Issuance
- CDFI Bond Guarantee Program: Repayment and Relending
- CDFI Bond Guarantee Program: Eligible CDFI Lending
- Questions and Answers
- Closing Remarks

Introduction and Overview



- The CDFI Bond Guarantee Program Regulations have been published. See Federal Register at <http://www.regulations.gov> and the CDFI Fund's website at www.cdfifund.gov.
- The meeting is a part of a series of outreach efforts that will:
 - Foster a greater understanding of the requirements and financial structure of the CDFI Bond Guarantee Program;
 - Clarify the purpose and goals of the CDFI Bond Guarantee Program; and
 - Pave the way for successful applications to the CDFI Bond Guarantee Program.
- Outreach Efforts will also include live sessions, online webisodes, and a Call Response Center.

Outreach Sessions



- CDFI Fund will hold outreach sessions in various locations within the continental United States in the coming months.
- Outreach sessions will take a tiered approach such that information from each tier will build upon previous sessions to present a comprehensive view of the CDFI Bond Guarantee Program.
- Information on upcoming outreach sessions will be made available on the CDFI Fund's website <http://www.cdfifund.gov>.

Outreach Sessions – Program Overview



- Objective: To provide a high-level overview on key aspects of the CDFI Bond Guarantee Program
 - Federal Credit landscape;
 - CDFI Bond Guarantee Program Regulations;
 - Participants and their roles and relationships;
 - Financial structure and flow of funds; and
 - An opportunity to answer clarifying questions.
- 4 one-day sessions
 - February 12, 2013: Dallas, TX
 - February 14, 2013: San Francisco, CA
 - February 22 and 26, 2013: Washington, DC

Outreach Sessions – Application Overview



- Objective: To provide a detailed description of the requirements of the CDFI Bond Guarantee Application process.
- Plans for these outreach sessions are in progress.

Webisodes and Call Response Center



- Webisodes will cover similar material to the live outreach sessions:
 - Webisodes are video presentations, a single webisode will generally be an hour long.
 - Webisodes will be made available on the CDFI Fund website.
- The Call Response Center will provide responses to clarifying questions regarding the CDFI Bond Guarantee Program.
- Specific inquiries on how to complete an application should be directed in the future workshops.

Opportunity for Questions



- The CDFI Fund welcomes clarifying questions regarding the CDFI Bond Guarantee Program and information presented today.
- Today's outreach sessions will include an opportunity to pose clarifying questions. Please keep a record of questions and be ready to pose them at 3:00pm 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 or the Regulations must be submitted to the CDFI Fund in writing.

Agenda



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- Overview of the CDFI Bond Guarantee Program Regulations and Financial Structure
- CDFI Bond Guarantee Program: Bond Issuance
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- Closing Remarks

Overview: Policy Goals and Objectives

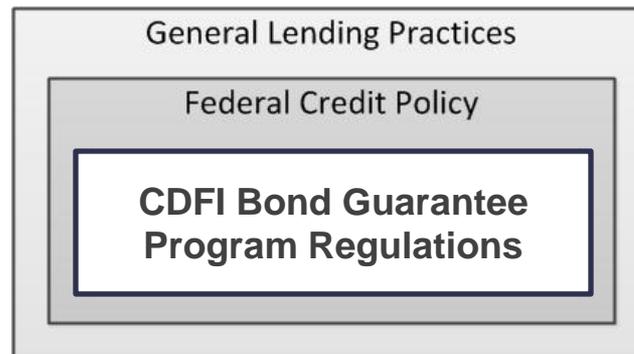


- While mitigating risks and cost to taxpayers, policy goals and programmatic objectives include:
 - Promoting community and economic development in Low-Income or Underserved Rural Areas including:
 - Origination of loans for small business start-ups and expansion;
 - Financing businesses that provide jobs;
 - CDFI to CDFI lending; and
 - Financing housing and community facilities.
 - Supporting Eligible CDFIs' lending activities by providing access to long-term capital.

Overview: Federal Credit Landscape



- The CDFI Bond Guarantee program is a Federal Credit program within the U.S. Department of the Treasury.
- CDFI Bond Guarantee Program Regulations are informed by overarching Federal Credit policies which apply to all Federal Credit programs.
- Federal Credit policy standardizes the lending policies for all Federal Credit programs.



Overview: Federal Credit Landscape



- As a Federal Credit program, the CDFI Bond Guarantee Program must adhere to the following:
 - Federal Credit Reform Act (FCRA) of 1990, as amended;
 - OMB Circular A-129;
 - OMB Circular A-11;
 - OMB Circular A-136 and U.S. Standard General Ledger;
 - FASAB No. 2 Accounting for Federal Credit Programs; and
 - FASAB Technical Release 6 – Preparing Estimates for Direct Loan and Loan Guarantee Subsidies.

Overview: Federal Credit Landscape



- Due to the 100 percent Guarantee on Bonds issued under the CDFI Bond Guarantee Program, the Federal Financing Bank (FFB) will be the sole purchaser of issued Bonds.*

*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 (FFB) or another Federal agency.”

Overview: Federal Credit Impacts



- Congress did not appropriate funding for any credit losses under the CDFI Bond Guarantee Program.
- Any estimated credit losses must be offset by estimated effect of the Risk-Share Pool.
- This requires applicants to demonstrate high credit quality and strong recovery rates in the event of default.
- Definitions under Federal Credit policy are specific and may differ from usage outside of Federal Credit. Precise definitions of terms under Federal Credit policy are vital to acknowledge in conversations regarding the CDFI Bond Guarantee Program.

Overview: Regulatory Requirements



- 100 percent Guarantee by the Secretary of the Treasury for bonds or notes, including principal, interest, and call premiums.
- Minimum Bond Issue of \$100 million.
- Annual program-wide limit of \$1 billion.
- Maximum of 10 Guarantees issued annually.
- Bond maturity not to exceed 30 years.
- Guarantee authority for FY2013 and FY2014 contingent upon Congressional appropriation.

Overview: Regulatory Requirements



- The CDFI Bond Guarantee Program will receive an annual 10 basis point administrative fee from the Qualified Issuer(s).
- Eligible CDFIs will be required to capitalize a Risk-Share Pool equal to 3 percent of the guaranteed amount of the Bond from sources other than Bond Proceeds.
- Capital Distribution Plan must indicate proposed Sources and Uses of Bond proceeds.
- A Relending Fund will be made available for relending purposes.

Overview: Regulatory Requirements



- **Qualified Issuer:**

- A Certified CDFI or an entity that has been designated by a Certified CDFI to issue Bonds on its behalf under the CDFI Bond Guarantee Program and that has been approved by the CDFI Fund.

- **Eligible CDFI:**

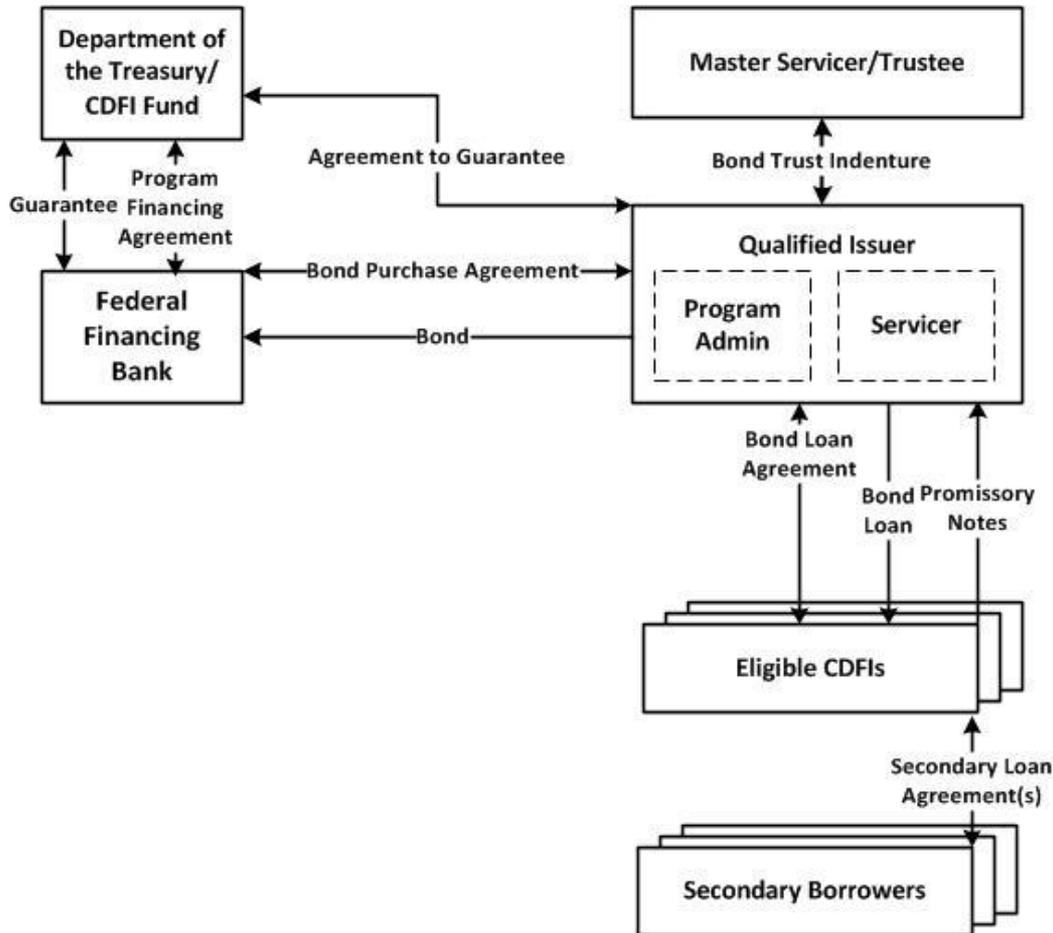
- A Certified CDFI that submits an application to a Qualified Issuer for a Bond Loan, Treasury deems creditworthy based on the Bond Loan Requirements, and receives a Bond Loan.

Overview: Regulatory Requirements



- Bond Proceeds must be used by the Qualified Issuer to finance or Refinance Bond Loans to Eligible CDFIs for Eligible Purposes.
- Bond proceeds may not be used for:
 - Political activities;
 - Lobbying;
 - Outreach;
 - Counseling services;
 - Travel expenses;
 - Salaries or administrative costs of the Qualified Issuer unrelated to the Bond Issue;
 - Risk-Share Pool funding; or
 - To pay fees other than Bond Issuance Fees up to 1 percent of the Bond Loan.

Regulations Overview: Financial Structure



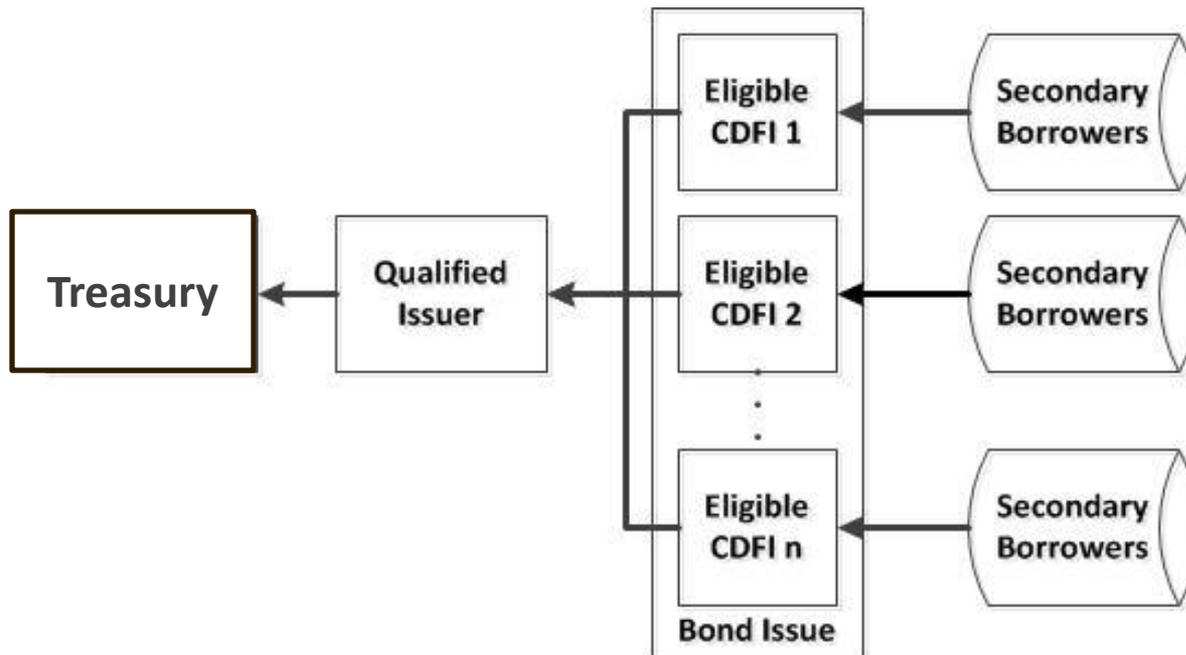
Key Roles and Responsibilities:

1. **Treasury** provides Guarantee on Bonds issued by the Qualified Issuer. **CDFI Fund** administers the CDFI Bond Guarantee Program, which includes monitoring Eligible CDFIs and Secondary Borrowers to ensure compliance with program requirements.
2. **Federal Financing Bank (FFB)** purchases Bonds from the Qualified Issuer and disburses funds to Eligible CDFIs.
3. **Master Servicer/Trustee** at the direction of the Qualified Issuer, the Master Servicer/Trustee collects repayments, disburses funds to the Eligible CDFIs, and manages all Eligible CDFI accounts
4. **Qualified Issuer** pools Eligible CDFIs and performs the roles of Program Administrator and Servicer, such as receiving and approving loan commitments from Eligible CDFIs.
5. **Eligible CDFIs** make Secondary Loans for Eligible Community and Economic Development Purposes.
6. **Secondary Borrowers** may include CDFIs, senior facilities, small businesses, daycare centers, among others.



Pooled Lending Structure

- A Qualified Issuer will pool one or more Eligible CDFIs to form a single Bond Issue under the CDFI Bond Guarantee Program.

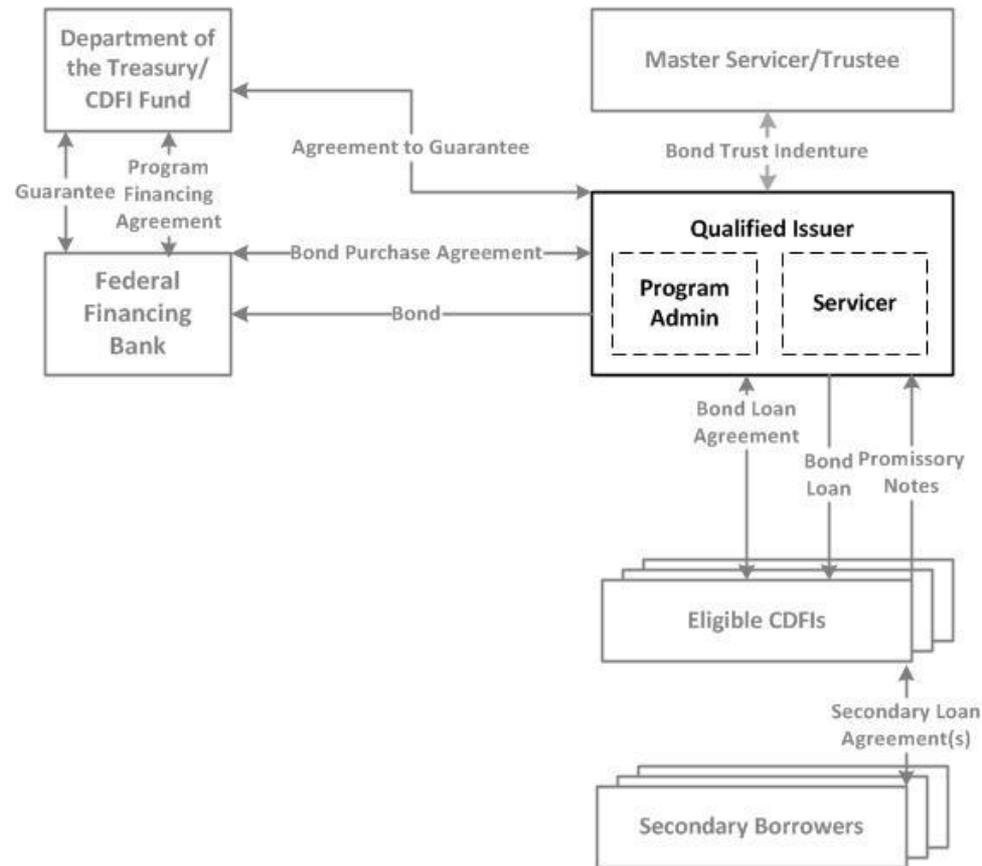




Key Financial Structure Terms

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

Pooled Lending Structure: Qualified Issuer



Pooled Lending Structure: Qualified Issuer



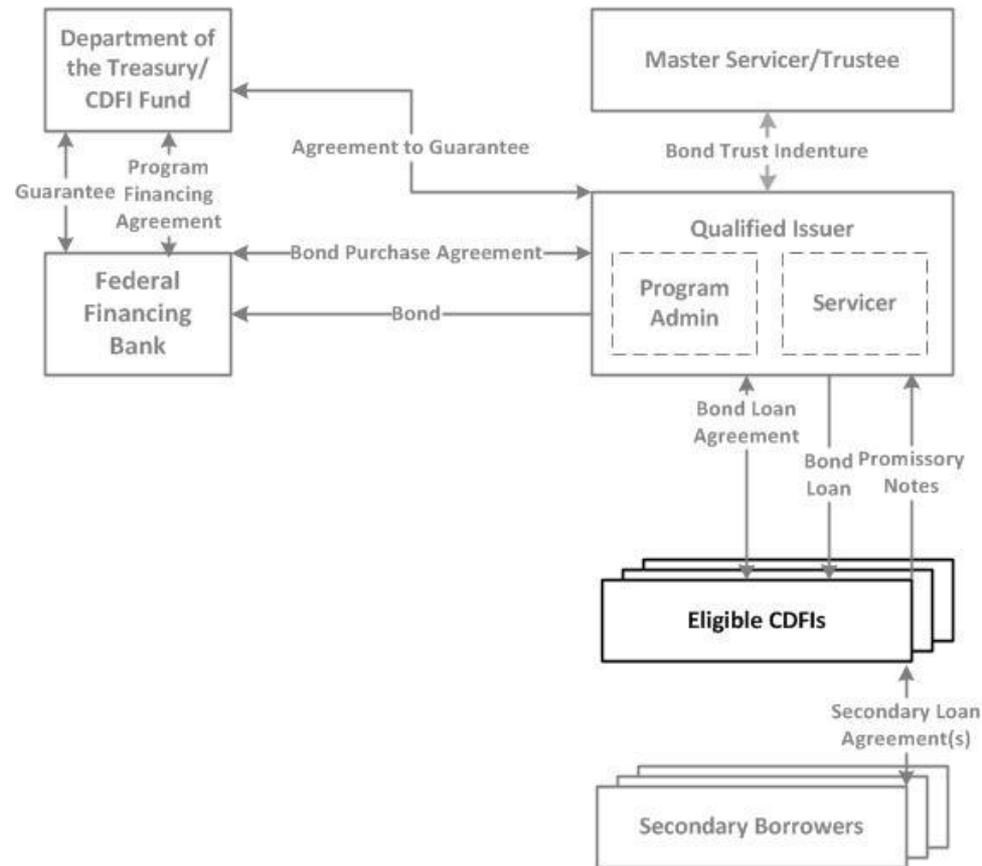
- Submits a Qualified Issuer Application to be approved as a Qualified Issuer.
- Assembles and packages Certified CDFIs into a Bond Issue pool.
- Serves as a point of contact between the pooled Certified CDFIs and the CDFI Fund.
- Submits a Guarantee Application for a Bond Guarantee.
- Issues Bonds for purchase by the FFB.

Pooled Lending Structure: Qualified Issuer



- Lends Bond Proceeds to Eligible CDFIs to fund Eligible Purposes.
- Assesses and approves Secondary Loan commitment requests from Eligible CDFIs consistent with Secondary Loan Requirements.
- Performs the duties of the Program Administrator and Servicer with respect to Bond Loans.

Pooled Lending Structure: Eligible CDFI



Pooled Lending Structure: Eligible CDFI



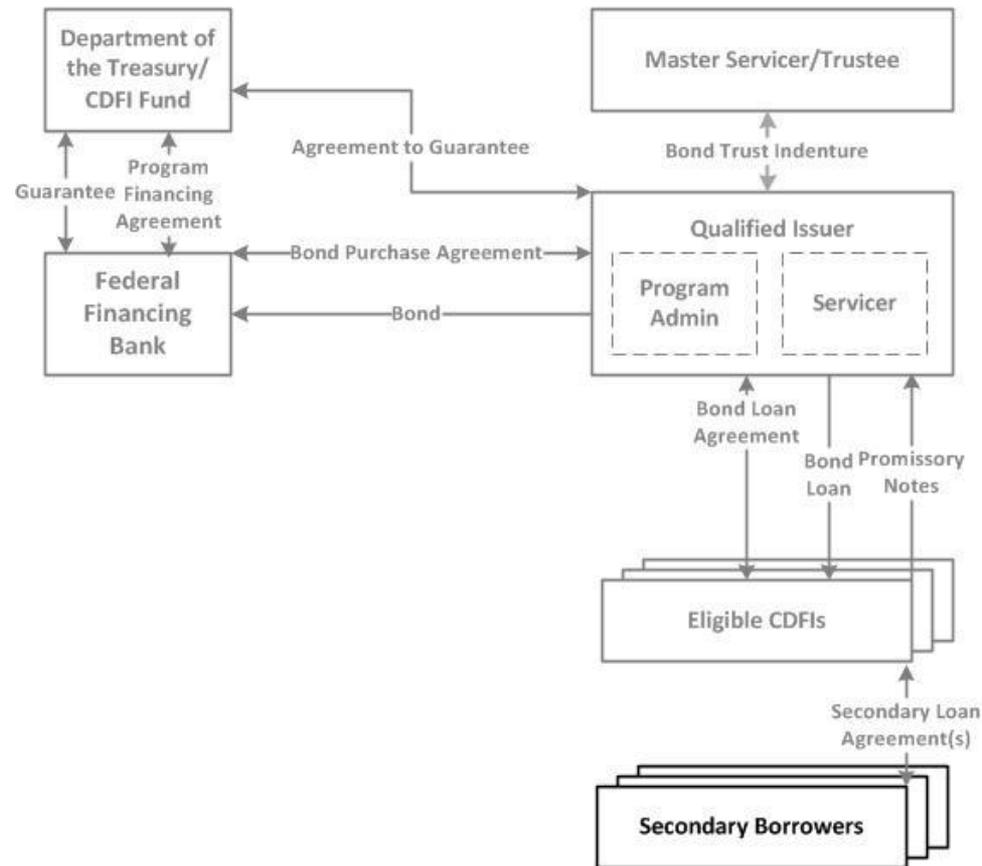
- Must be certified as a CDFI by the CDFI Fund and possess financial strength and sound credit attributes.
- Borrows funds from a Qualified Issuer in a Bond Loan as a general recourse obligation.
- Eligible CDFI's must use Bond Loan proceeds to:
 - Finance or Refinance loans for Community and Economic Development Purposes;
 - Prefund one monthly installment of Bond Loan payments;
 - Pay Bond Issuance Fees (up to 1 percent of Bond Loan proceeds); or
 - Capitalize Loan Loss Reserves (up to 5 percent of Bond Loan proceeds).

Pooled Lending Structure: Eligible CDFI



- Disburses Bond Loan funds only after Secondary Loan Commitments are executed (dry closing).
- Lend to Secondary Borrowers through Secondary Loans consistent with Secondary Loan Requirements.
- Performs necessary loan underwriting, administration, and servicing for Secondary Loans.
- Funds a pro-rata portion of the Risk-Share Pool.

Pooled Lending Structure: Secondary Borrower

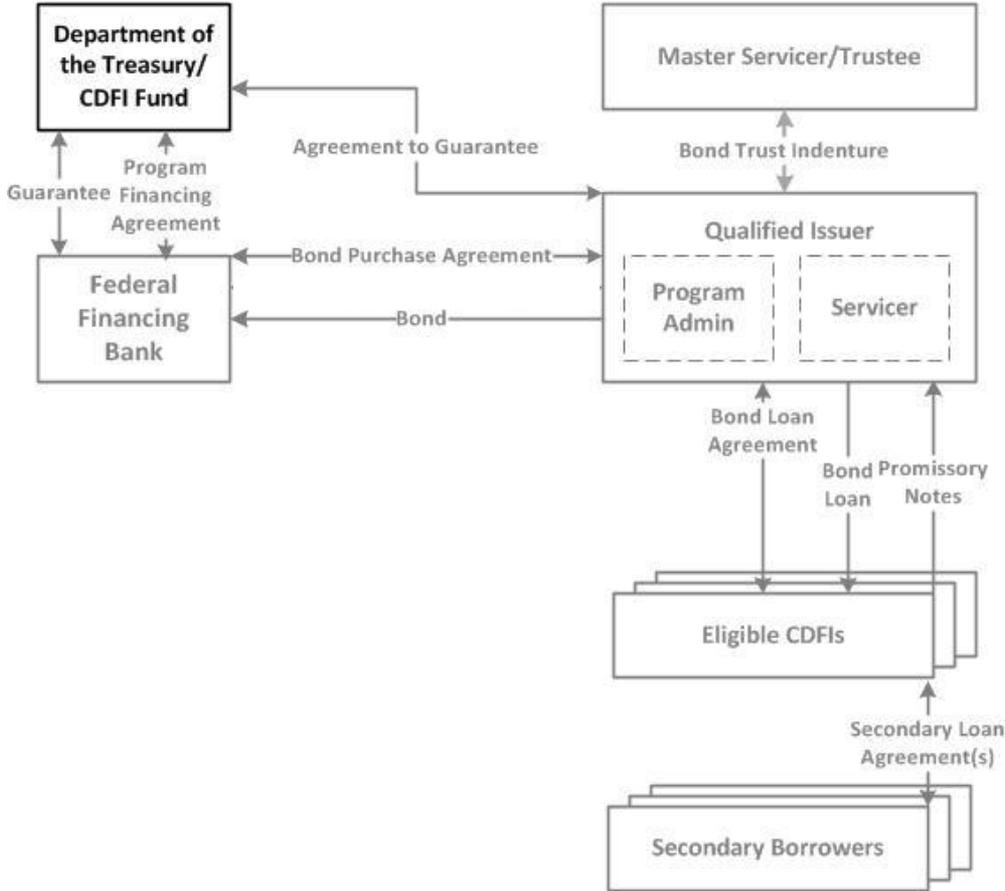


Pooled Lending Structure: Secondary Borrower



- A Secondary Borrower will borrow Bond Loan proceeds from Eligible CDFIs for Eligible Community and Economic Development Purposes.
- These purposes include, but are not limited to, financing businesses that provide jobs, CDFI to CDFI lending, origination of loans for small business start-ups and expansion, and financing housing and community facilities to enhance opportunities in urban and rural areas.
- All Secondary Loans must meet Secondary Loan Requirements.
- Secondary Borrowers are underwritten and evaluated by Eligible CDFIs.
- Eligible CDFIs must use Bond Proceeds to lend to Secondary Borrowers consistent with the Secondary Loan Requirements.

Program Oversight: Treasury/CDFI Fund



Program Oversight: Treasury Department



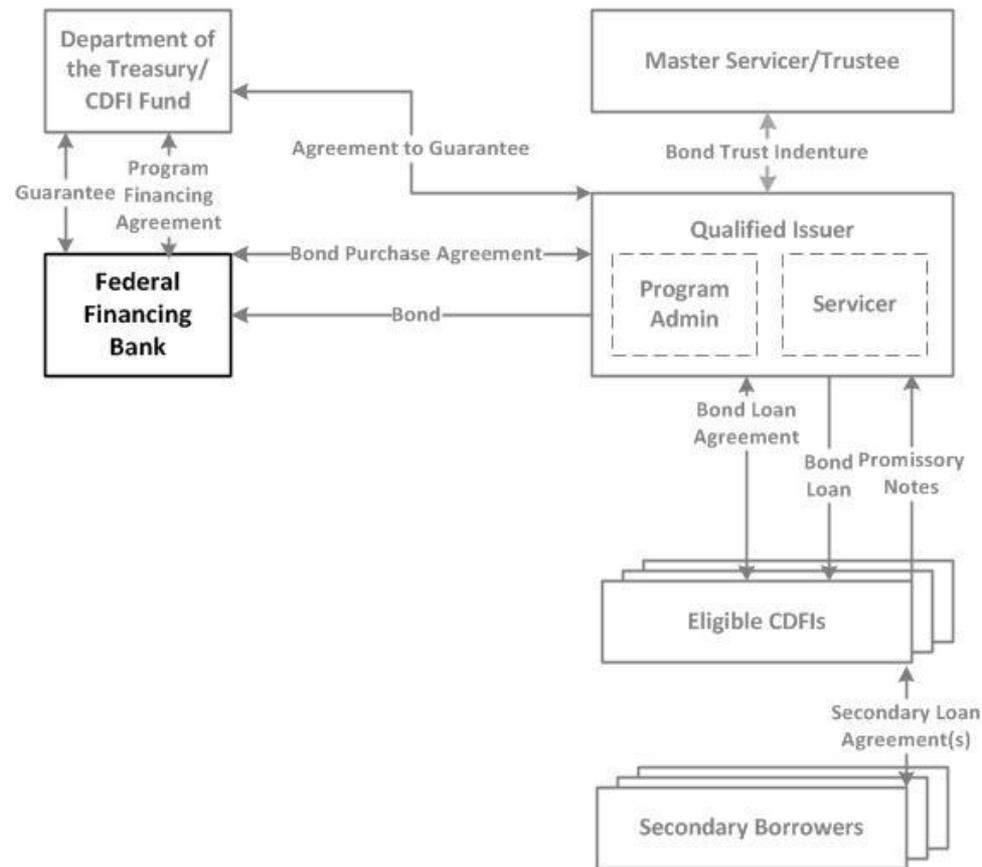
- Treasury will provide a 100 percent Guarantee of Bonds issued under the CDFI Bond Guarantee Program.
- This Guarantee protects the lender/purchaser, which is the Federal Financing Bank (FFB), from default and prepayment risk.
- Treasury will also approve both Qualified Issuer and Guarantee Applications.

Program Oversight: CDFI Fund



- Administers the CDFI Bond Guarantee Program.
- Raises program awareness and maintains communications with the public.
- Reviews and evaluates Guarantee Applications based on eligibility criteria.
- Conducts monitoring of Qualified Issuers and Eligible CDFIs to ensure compliance with the CDFI Bond Guarantee Program requirements.
- Calculates credit subsidy estimates, as approved by OMB.
- Reviews performance of the CDFI Bond Guarantee Program.

Program Oversight: Federal Financing Bank

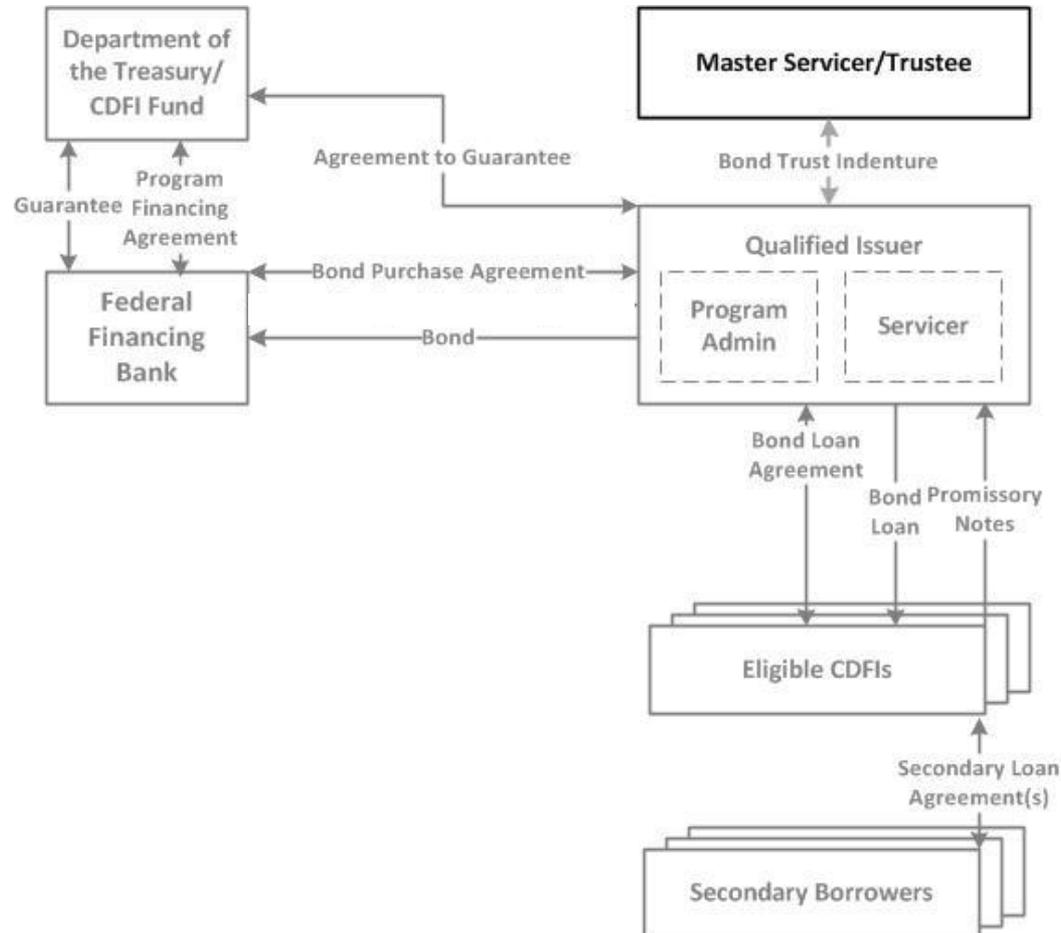


Program Oversight: Federal Financing Bank



- Due to the 100 percent Guarantee, all Bonds issued under the CDFI Bond Guarantee Program must be issued to the FFB.
- The FFB will disburse funds on a draw down basis.
- Repayments of Bond Proceeds will be paid to the FFB.

Program Oversight: Master Servicer/Trustee



Program Oversight: Master Servicer/Trustee



- The CDFI Bond Guarantee Program will have a single Master Servicer/Trustee. The Master Servicer/Trustee holds and maintains trust accounts related to the CDFI Bond Guarantee Program, including accounts for the Risk-Share Pool, relending, and repayment.
- At the direction of the Qualified Issuer, the Master Servicer/Trustee collects repayments from and disburses funds to the Eligible CDFIs.
- The Master Servicer/Trustee will make repayments to the FFB for each Bond Issue according to an established schedule.

Program Oversight: Office of Management and Budget



- OMB will approve credit subsidy for the CDFI Bond Guarantee Program.
- The CDFI Fund will work closely with OMB to verify a credit subsidy of zero or less as part of application review process as well as annual re-estimates of subsidy for each issue.
- OMB annually reports credit subsidy rates for all Federal Credit programs in the *Federal Credit Supplement to the President's Budget*.

Agreements between Entities



- The Secretary of the Treasury or the Secretary's designee will enter into:
 - Agreement to Guarantee with a Qualified Issuer; and
 - Program Financing Agreement with the FFB.
- A Qualified Issuer will enter into:
 - Bond Purchase Agreement(s) with the FFB;
 - Bond Trust Indenture with the Master Servicer/Trustee; and
 - Bond Loan Agreement(s) with Eligible CDFIs.

Agreements between Entities



- Eligible CDFIs will:
 - Designate a Qualified Issuer as an issuer of Bonds under the CDFI Bond Guarantee Program;
 - Certify that Secondary Loans are in compliance with Eligible Purposes and Secondary Loan Requirements; and
 - Enter into Secondary Loan Agreement(s) with Secondary Borrowers.

Break



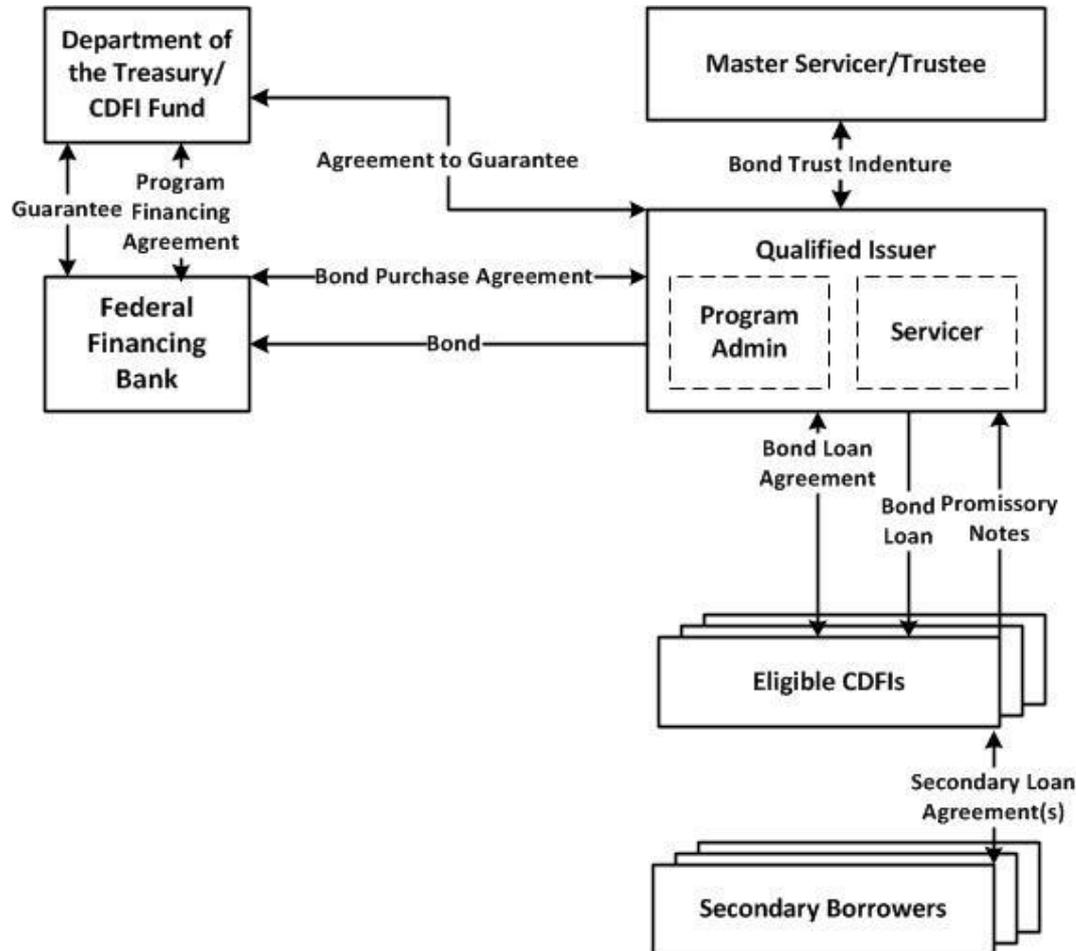
15 minute break

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- CDFI Bond Guarantee Program: Repayment and Relending
- CDFI Bond Guarantee Program: Eligible CDFI Lending
- Questions and Answers
- Closing Remarks

CDFI Bond Guarantee Program: Bond Issuance





Key Financial Structure Terms

- **Bond Issue:** Aggregate principal amount of Bonds covered by a single Guarantee. Guarantee provided by Treasury to FFB. Minimum amount of \$100 million and maximum amount of \$1 billion.
- **Bond:** Issued by a Qualified Issuer and sold to the FFB.
- **Bond Loan:** On Bond Issue Date, the Qualified Issuer will use 100 percent of Bond Proceeds to make Bond Loans to Eligible CDFIs. Minimum amount of \$10 million.
- **Secondary Loan:** Made by the Eligible CDFI to a Secondary Borrower.

Bond Issuance: Assessment of Risks



- Qualified Issuers will submit Guarantee Applications.
- The CDFI Fund will conduct origination, underwriting, and credit review as a part of the CDFI Bond Guarantee Program application process.
- A credit review board will review and provide recommendations to Treasury on the approval of Guarantee Applications.
- OMB will also review the credit subsidy of Guarantee Applications.
- Each Eligible CDFI and its associated risk will influence the risk of the entire Bond Issue.
- Qualified Issuers will be evaluated separately as a part of the Qualified Issuer Application.

Bond Issuance: Assessment of Risks



- Qualified Issuers and Eligible CDFIs will be evaluated on:
 - Experience;
 - Procedures and capabilities;
 - Demonstration of knowledge;
 - Management and staffing;
 - Capital Distribution Plan;
 - Estimated projected results; and
 - Risk mitigation strategies.

Bond Issuance: Assessment of Risks



- Eligible CDFIs will be further evaluated on:
 - Capital adequacy;
 - Asset composition;
 - Management strength and experience;
 - Performance and earnings;
 - Liquidity; and
 - Established financial ratios.

Bond Issuance: Assessment of Risks



- Individual project risk of Secondary Loans will not be individually evaluated, but will instead be assessed as to conformance to Eligible Purpose requirements and Secondary Loan Requirements.
- A single Master Servicer/Trustee will oversee the activities of the Qualified Issuer and facilitate the Bond principal and interest payments to the FFB.

Bond Issuance: Key Terms



- Each Bond Issue must be a minimum amount of \$100 million.
- Bond Loans from Qualified Issuers must be a minimum amount of \$10 million.
- A Qualified Issuer will issue Bonds to the FFB on behalf of its pool of Eligible CDFIs.
- The closing of the Bond Issue and Bond Loans will occur simultaneously.
- Disbursement of Bond Loan Proceeds will be on a draw-down basis after Eligible CDFIs execute Secondary Loan Agreements (dry closing).
- Qualified Issuer will lend Bond Proceeds to Eligible CDFIs for Eligible Uses in the form of Bond Loans.
- Eligible CDFIs will lend Bond Proceeds to Secondary Borrowers in the form of Secondary Loans.
- Secondary Loans will be draw down loans. Disbursement of Secondary Loans to Secondary Borrowers will be made by a requisition process approved by the CDFI Fund.

Bond Issuance: Key Terms



- **Maturity:**
 - Bonds and Bond Loans will be for a maximum of 30 years; and
 - Secondary Loans may not have maturities that exceed the associated Bond and Bond Loan maturities.
- **Interest Rates:**
 - Bond interest rates will be set by the FFB at the time of each disbursement and will be fixed;
 - Bond Loan interest rates will reflect the interest rate of the associated Bond; and
 - Secondary Loan interest rates will be set by Eligible CDFIs.



Bond Issuance: Key Terms

- Repayment Structure:
 - Bonds and Bond Loans will amortize on a level debt service payment basis;
 - Eligible CDFIs will pay Bond Loan principal and interest to the Qualified Issuer on a monthly basis; and
 - Eligible CDFIs will determine amortization of Secondary Loans.
- Fees and Costs
 - The Risk-Share Pool will be funded by Eligible CDFIs at disbursement of funds from the FFB from sources other than Bond Loan proceeds;
 - FFB will only disburse Bond Loan Proceeds to Eligible CDFIs as Eligible CDFIs disburse Secondary Loans;
 - Eligible CDFIs will be responsible for Bond issuance costs; and
 - Up to 1 percent of Bond Loan proceeds can be used to finance Bond issuance costs.

Bond Issuance: Key Terms



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

Bond Issuance: Requirements and Timing



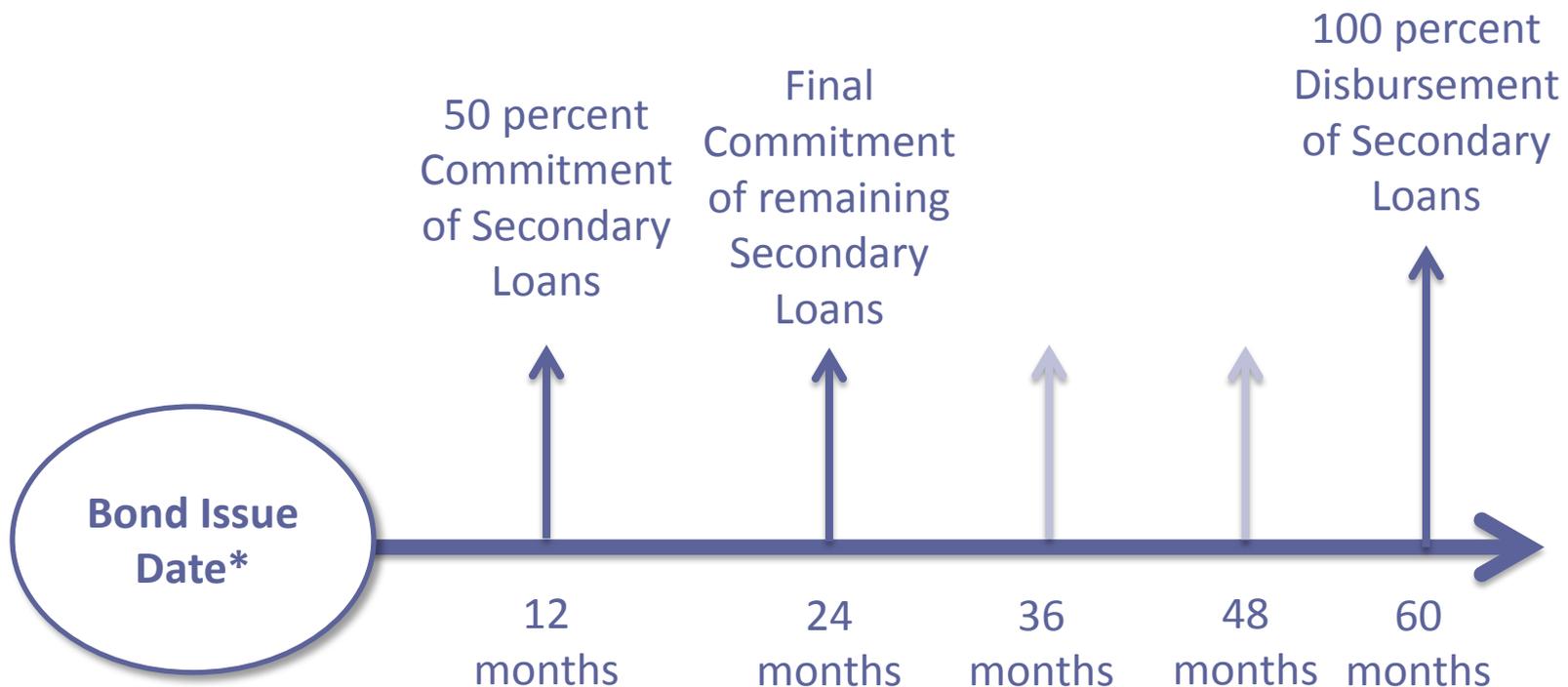
- Requisitions for Bond proceeds will require invoices and certifications by the Eligible CDFI as to the expenditure of proceeds and conformance to program Secondary Loan Requirements.
- Eligible CDFIs may only request Bond Loan proceeds up to the amount specified in the Bond Loan Promissory Note.
- Eligible CDFIs are responsible for paying Bond Issuance Fees to the Qualified Issuer. Up to 1 percent of Bond Loan proceeds may be used for Bond Issuance Fees.

Bond Issuance: Requirements and Timing



- 50 percent of Bond Loan proceeds must be committed as Secondary Loans within one year of the Bond Issue Date (closing date).
- 100 percent of Bond Loan proceeds must be committed as Secondary Loans within two years of Bond Issue Date (closing date).
- Uncommitted funds will be de-obligated and cannot be disbursed by the FFB.
- Commitment requirements are specific to 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 and the maturity of the Bond Loans cannot exceed 30 years.
 - For example if a Bond Loan is closed but not disbursed with a 30 year maturity and the draw down (disbursement) occurs in the 5th year, the remaining maturity on the Bond Loan is 25 years versus 30 years.

Bond Issuance: Requirements and Timing



* "Dry closing" of 100 percent Bonds and Bond Loans

Bond Issuance: Requirements and Timing



- Eligible CDFIs must commit 50 percent of Secondary Loans by the end of the 12th month.
- All remaining commitments, minus forfeitures, must be committed by the end of the 24th month.
 - 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 will not be able to exceed 90% at month 24.
- No Secondary Loan commitments will be allowed after month 24.

Bond Issuance: Risk-Share Pool Funding



- Eligible CDFIs are responsible for capitalizing a 3 percent Risk-Share Pool.
- Bond Proceeds may not be used to fund the Risk-Share Pool.
- The Risk-Share Pool for a Bond Issue will be funded on a pro-rata basis at disbursement of funds (i.e. draw down basis) from the FFB.
- The Risk-Share Pool must remain in place throughout the term of the Guarantee.
- The Risk-Share Pool will be refunded when the entire Bond Issue is repaid.

Bond Issuance: Risk-Share Pool Funding



- Risk-Share Pool funds are held in a trust account 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.

Bond Issuance: Disbursement Process



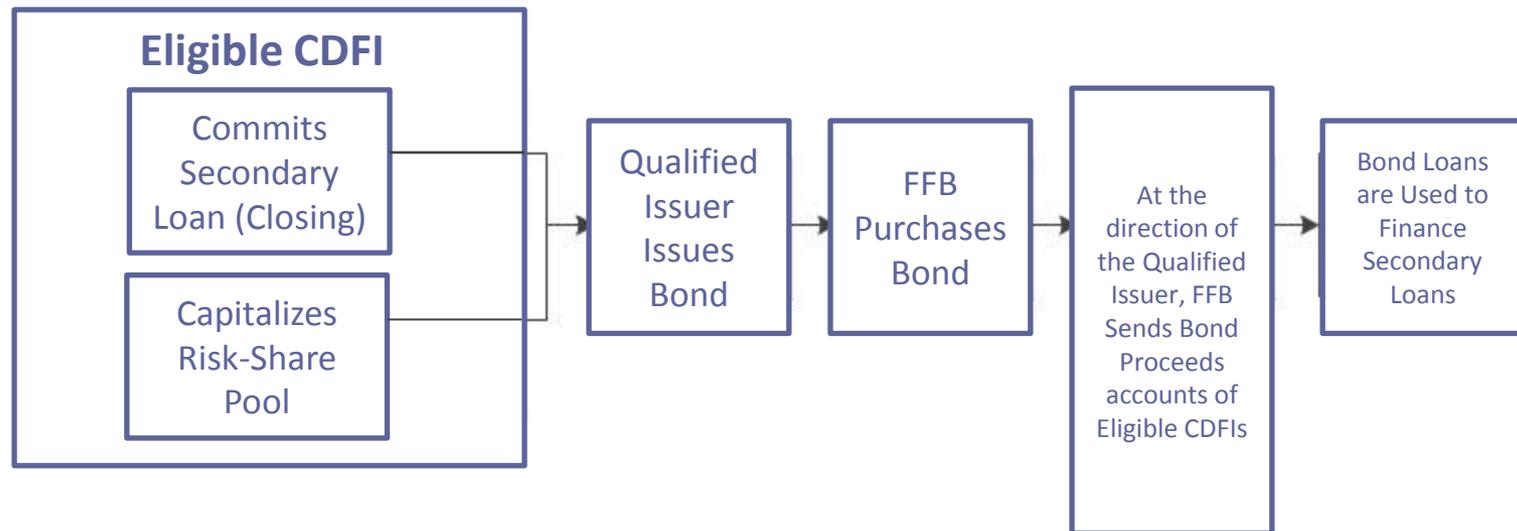
- Eligible CDFIs will provide the Qualified Issuer with Secondary Capital Distribution Plans as part of the Capital Distribution Plan that the Qualified Issuer submits in its Guarantee Application.
- Post Bond Issue Date, Eligible CDFIs will identify potential borrowers for Secondary Loans and commit Secondary Loans within 24 months of the Bond Issue Date.
- FFB will disburse Bond Loan proceeds to Eligible CDFIs after Eligible CDFIs execute Secondary Loans.
- The Qualified Issuer will issue Bonds to the FFB for the appropriate amount of Bond Proceeds.

Bond Issuance: Disbursement Process



- The Qualified Issuer will lend Bond Proceeds to appropriate Eligible CDFIs in the form of Bond Loans.
- At the direction of the Qualified Issuer, Bond Proceeds will flow accounts associated to each Eligible CDFI.
- Eligible CDFIs will lend Bond Proceeds to Secondary Borrowers in the form of Secondary Loans.
- Security and collateral associated with the Secondary Loan will be held in a trust account held by the Master Servicer/Trustee.

Bond Issuance: Disbursement Process



Master/Service Trustee manages all Trust Accounts

Lunch



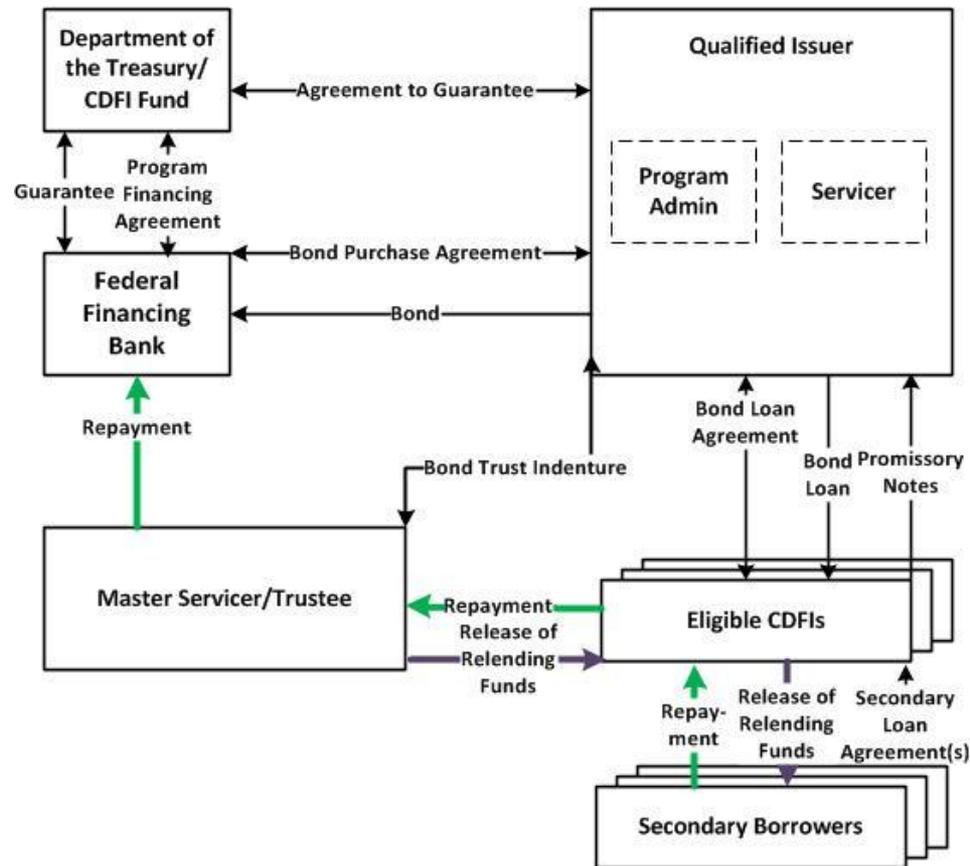
90 minute lunch break

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CDFI Bond Guarantee Program: Repayment and Relending



Repayment Key Terms



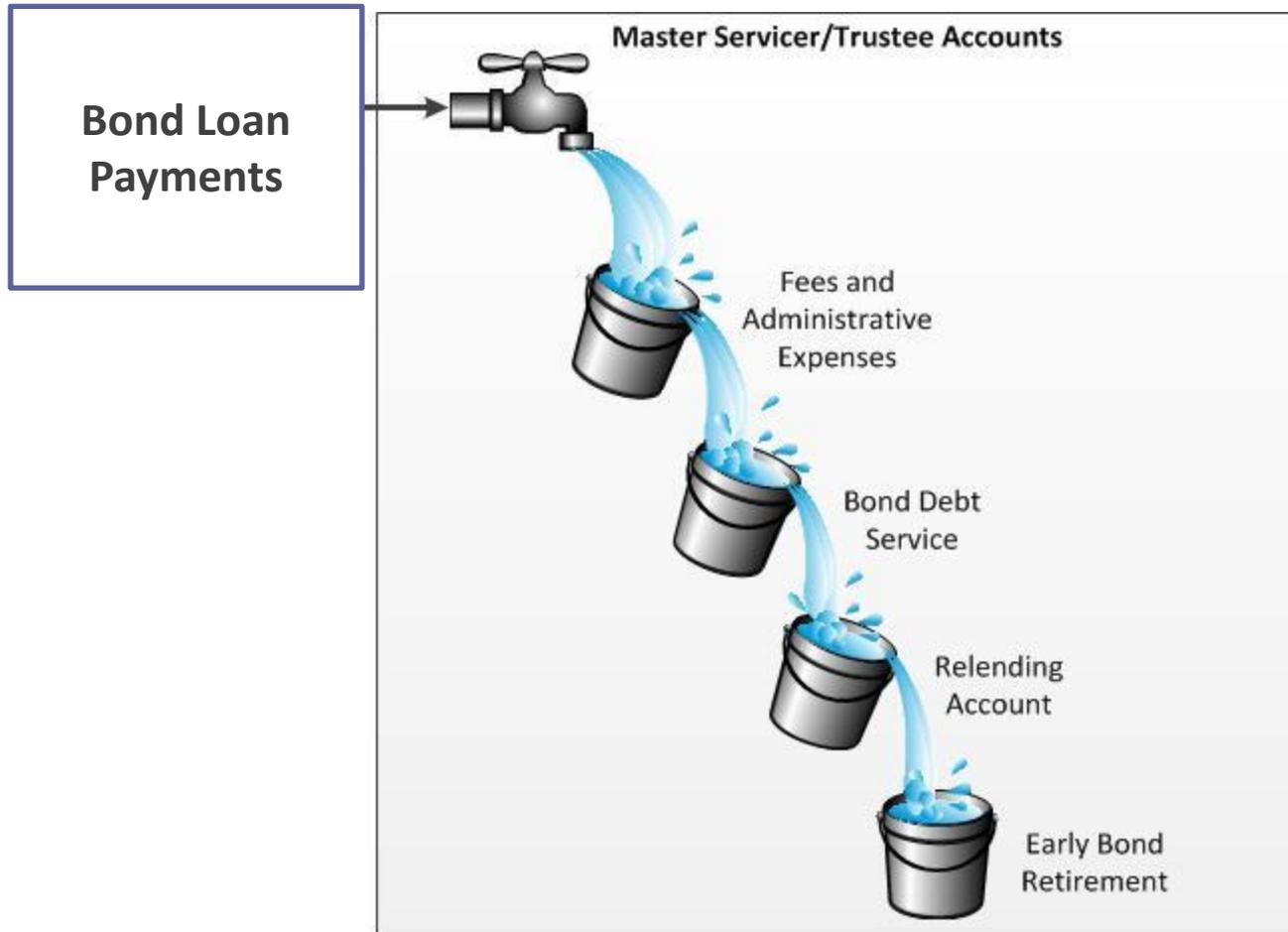
- Each disbursement from the FFB will carry an amortizing repayment schedule for principal and interest.
- Repayments from the Qualified Issuer to the FFB shall include current interest which shall be due and payable in the period following disbursement.
- Repayment to the FFB will be funded by repayments on the Bond Loans by Eligible CDFIs.
- Interest capitalization of Bond Loans is not permitted.

Repayment Process



- Secondary Loans from Eligible CDFIs to Secondary Borrowers will amortize according to the Eligible CDFI's terms and conditions.
- Repayments from the Eligible CDFIs to the Qualified Issuer will reflect the requirements of the Qualified Issuer's repayment obligations to the FFB.
- Bond Loan repayments will be remitted to trust accounts maintained for each Eligible CDFI by the Master Servicer/Trustee.
- Trust account balances will serve as a component of pledged collateral for the loan and be used to service repayments to the FFB.

Cash Flow Waterfall



*Note: Cash Flow Waterfall illustration depicted above is conceptual.

Cash Flow Waterfall



- Bond Loan repayments will be deposited into trust accounts controlled by the Master Servicer/Trustee.
- On Bond Loan payment dates, these accounts will be liquidated and run through the cash flow waterfall.
- Separate accounting will be maintained for each Eligible CDFI.
- Funds will be used to first pay fees and administrative expenses of the Qualified Issuer and Master Servicer/Trustee.
- Funds will then be used to service debt coverage on the Bond.
- Appropriate funds will be deposited in the Relending Account.

Relending: Process



- Secondary Loans made from Relending Account funds are subject to Secondary Loan Requirements.
- To redeploy funds, an Eligible CDFI must submit an associated Secondary Loan Agreement and other criteria as defined in the Secondary Loan Requirements to the Qualified Issuer, which may approve the release of funds from the Relending Account.
- Maturities on relent Secondary Loans may not extend beyond the term of the Bond Issue.
- The Relending Account has a maximum limit of 10 percent of the principal amount outstanding of Bond, less the Risk-Share Pool.

Relending: Requirements

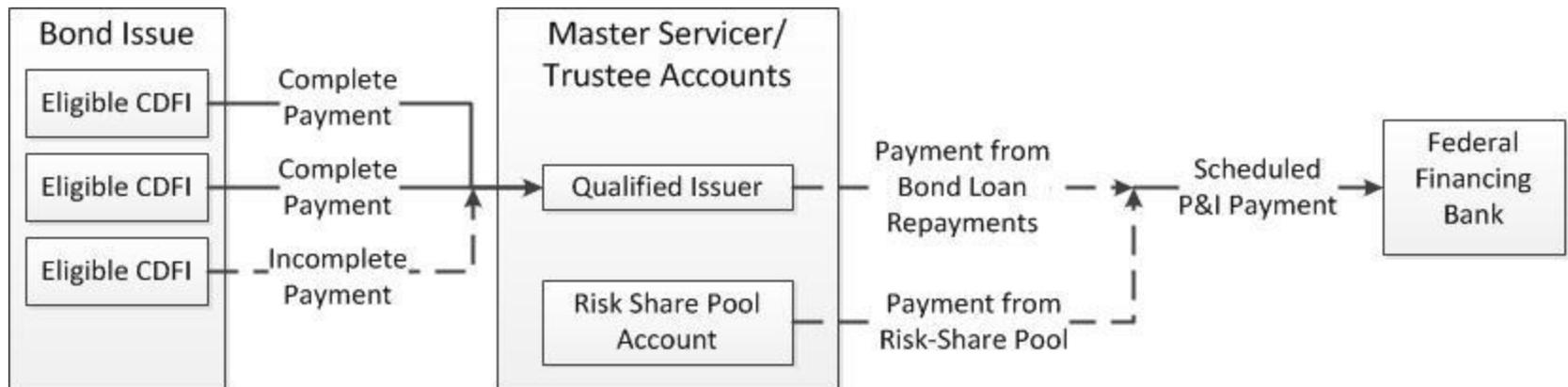


- Funds in excess of the maximum amount of the Relending Account will be subject to prepayment after 6 months.
- Eligible CDFIs have a window of 6 months to commit additional Secondary Loans to reduce Relending Account balances to avoid prepayment of the Bond Loan.
- All or a portion of any advance of funds under a Bond may be prepaid by the Qualified Issuer at any time.
- Bonds will be subject to Mandatory Prepayment if Bond Loans or Secondary Loans are not made in a timely fashion.
- Prepayment penalties or discounts may apply.

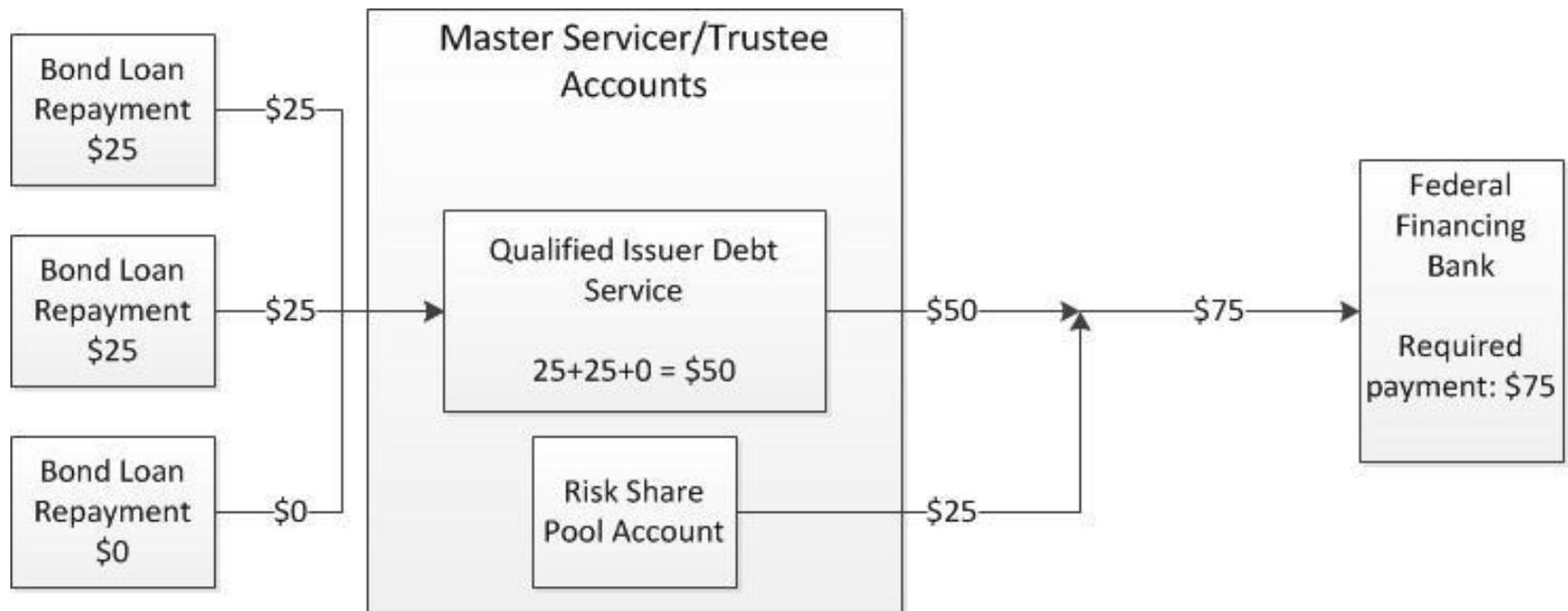
Repayment and Relending: Risk-Share Pool Usage



- The Master Servicer/Trustee will establish a Risk-Share Pool that is funded on a pro-rata basis by each Eligible CDFI at each associated FFB disbursement.
- The Risk-Share Pool Fund will be applied by the Master Servicer/Trustee to complete full payments of debt service on the Bond.



Repayment and Relending: Risk-Share Pool Usage



Break



15 minute break

Agenda



- Introduction and Overview
- Overview of the CDFI Bond Guarantee Program Regulations and Financial Structure
- CDFI Bond Guarantee Program: Bond Issuance
- CDFI Bond Guarantee Program: Repayment and Relending
- CDFI Bond Guarantee Program: Eligible CDFI Lending
- Questions and Answers
- Closing Remarks

Eligible CDFI Lending: Secondary Loan Requirements



- Bond Proceeds must be used for Eligible Community and Economic Development Purposes.
- Refinancing of existing loans is an Eligible Use.
- Eligible CDFIs may lend to other CDFIs, provided that applicable Secondary Loan Requirements are satisfied.

Eligible CDFI Lending: 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
 - Repayment must be secured by specific collateral or acceptable substitute.
- Secondary Loan Requirements will be specific to each asset class, and may be expanded upon as the CDFI Bond Guarantee Program develops.

Eligible CDFI Lending: Secondary Loan Process



- Eligible CDFIs will commit Secondary Loans according to their own origination processes.
- Eligible CDFIs will certify that Secondary Loans committed comply with Secondary Loan Requirements.
- Secondary Loans will be financed by the receipt of Bond Loan proceeds or the release of funds from the Relending Account.

Eligible CDFI Lending: Secondary Loan Process



- Eligible CDFIs will continue to work with Secondary Borrowers regarding non-performing loans, if necessary.
- If a Secondary Borrower fails to make a complete Secondary Loan payment, the Eligible CDFI associated with the Secondary Loan will be responsible for making whole the missing portion of the Secondary Loan payment.

Secondary Loan Requirements



- Secondary Loan Requirements will include:
 - Information regarding the Secondary Loan, including loan documents and pledge of assigned collateral;
 - A signed document certifying compliance with Secondary Loan Requirements and other CDFI Bond Guarantee Program requirements; and
 - Any additional documents.

Program Monitoring and Goals



- The CDFI Bond Guarantee Program collects loan monitoring data in order to:
 - Determine the impact of the CDFI Bond Guarantee Program; and
 - Monitor and protect the interest of taxpayers.

Agenda



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Questions and Answers



Agenda



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Upcoming Informational Webisodes and Outreach



- The CDFI Fund will provide informational webisodes covering CDFI Bond Guarantee Program-related content.
- Webisodes will be periodically uploaded to and announced on the CDFI Fund website (<http://www.cdfifund.gov>) for public consumption.
- Plans for additional outreach sessions are in progress.

Call Response Center



- The CDFI Fund will maintain a Call Response Center to respond to public inquiries regarding the CDFI Bond Guarantee Program.
- Calls made to the Call Response Center will be recorded and periodically assessed to determine focus of future outreach efforts.
- The Call Response Center can be reached by email at bgp@cdfi.treas.gov or by phone at (202) 653-0421.