

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

www.cdfifund.gov



CDFI Bond Guarantee Program Alternative Financial Structure

May 1, 2015

Today's Schedule



Topic	Time	Duration
Introduction and Overview	09:00 am – 09:15 am	15 min
Program Requirements, Structure, and Participants	09:15 am – 10:00am	45 min
Break	10:00 am – 10:15 am	15 min
AFS Requirements	10:15 am – 11:30 am	75 min
Lunch	11:30 am – 01:00pm	90 min
AFS Guarantee Application and Evaluation Process	01:00 pm – 02:15 pm	75 min
Application and Closing Timeline	02:15 pm – 02:30 pm	15 min
CDFI to CDFI Lending	02:30 pm - 02:45 pm	15 min
Case Study	02:45 pm – 03:30 pm	45 min
Break	03:30 pm – 03:45 pm	15 min
AFS Term Sheet	03:45 pm – 04:30pm	45 min

Agenda



- Introduction and Overview
- Program Requirements, Structure, and Participants
- AFS Requirements
- AFS Guarantee Application & Evaluation Process
- Application and Closing Timeline
- CDFI to CDFI Lending
- Case Study
- AFS Term Sheet

Outreach Sessions



- This outreach session is intended to:
 - Foster a greater understanding of the requirements and financial structure of the CDFI Bond Guarantee Program;
 - Clarify the purpose and goals of the CDFI Bond Guarantee Program; and
 - Pave the way for successful application submission to the CDFI Bond Guarantee Program.

Outreach Sessions: Alternative Financial Structure



- Objective: To provide an explanation of the new Alternative Financial Structure (AFS) available for FY2015 of the CDFI Bond Guarantee Program. Topics include:
 - The purpose and general structure of an AFS;
 - Requirements to qualify as an AFS; and
 - AFS application and evaluation processes.

Opportunity for Questions



- The CDFI Fund welcomes clarifying questions regarding the CDFI Bond Guarantee Program and information presented today.
- These questions will enable the CDFI Fund to improve future outreach efforts to better address industry concerns.
- Formal comments regarding the CDFI Bond Guarantee Program must be submitted to the CDFI Fund in writing to:
bgp@cdfi.treas.gov.

Agenda



- Introduction and Overview
- Program Requirements, Structure, and Participants
- AFS Requirements
- AFS Guarantee Application & Evaluation Process
- Application and Closing Timeline
- CDFI to CDFI Lending
- Case Study
- AFS Term Sheet

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 Community Development Financial Institutions.
- CDFI Bond Guarantee Program documents are available on the CDFI Fund website at www.cdfifund.gov. Available documents include, but are not limited to:
 - FY 2015 Notice of Guarantee Availability (NOGA)
 - Interim Program Regulations
 - Application Materials
 - Secondary Loan Requirements
 - Program Legal Documents*
 - Bond Loan Agreement
 - Bond Trust Indenture
 - Agreement to Guarantee
 - Term Sheets

*Updated legal documents reflecting the AFS are forthcoming.

Policy Goals and Objectives



- The CDFI Bond Guarantee Program seeks to achieve the following policy goals and programmatic objectives, while simultaneously mitigating risk and minimizing costs for taxpayers:
 - Promoting community and economic development in Low-Income or Underserved Rural Areas, including:
 - Origination of loans for small business start-ups and expansion;
 - Financing businesses that support job creation;
 - CDFI-to-CDFI lending; and
 - Financing housing and community facilities.
 - Supporting Eligible CDFIs' lending activities by providing access to low-cost, long-term capital.

Federal Credit Requirements



- The CDFI Bond Guarantee Program is a Federal Credit program within the U.S. Department of the Treasury.
- Program Regulations are informed by overarching, standardized lending policies that are applicable to all Federal Credit programs.
- The CDFI Bond Guarantee Program must adhere to Federal requirements and lending guidelines, including:
 - Federal Credit Reform Act (FCRA) of 1990, as amended;
 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 1000);
 - OMB Circular A-129;
 - OMB Circular A-11;
 - OMB Circular A-136 and U.S. Standard General Ledger;
 - Federal Accounting Standards Advisory Board (FASAB) No. 2 Accounting for Federal Credit Programs; and
 - FASAB Technical Release 6 – Preparing Estimates for Direct Loan and Loan Guarantee Subsidies.

Federal Credit Requirements, cont.



- The Federal Financing Bank (FFB) is the sole purchaser of Bonds issued under the CDFI Bond Guarantee Program, due to the 100 percent Guarantee by the Secretary of the Treasury.*
- Congress did not appropriate funding for any credit losses under the CDFI Bond Guarantee Program, requiring 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. Understanding the 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



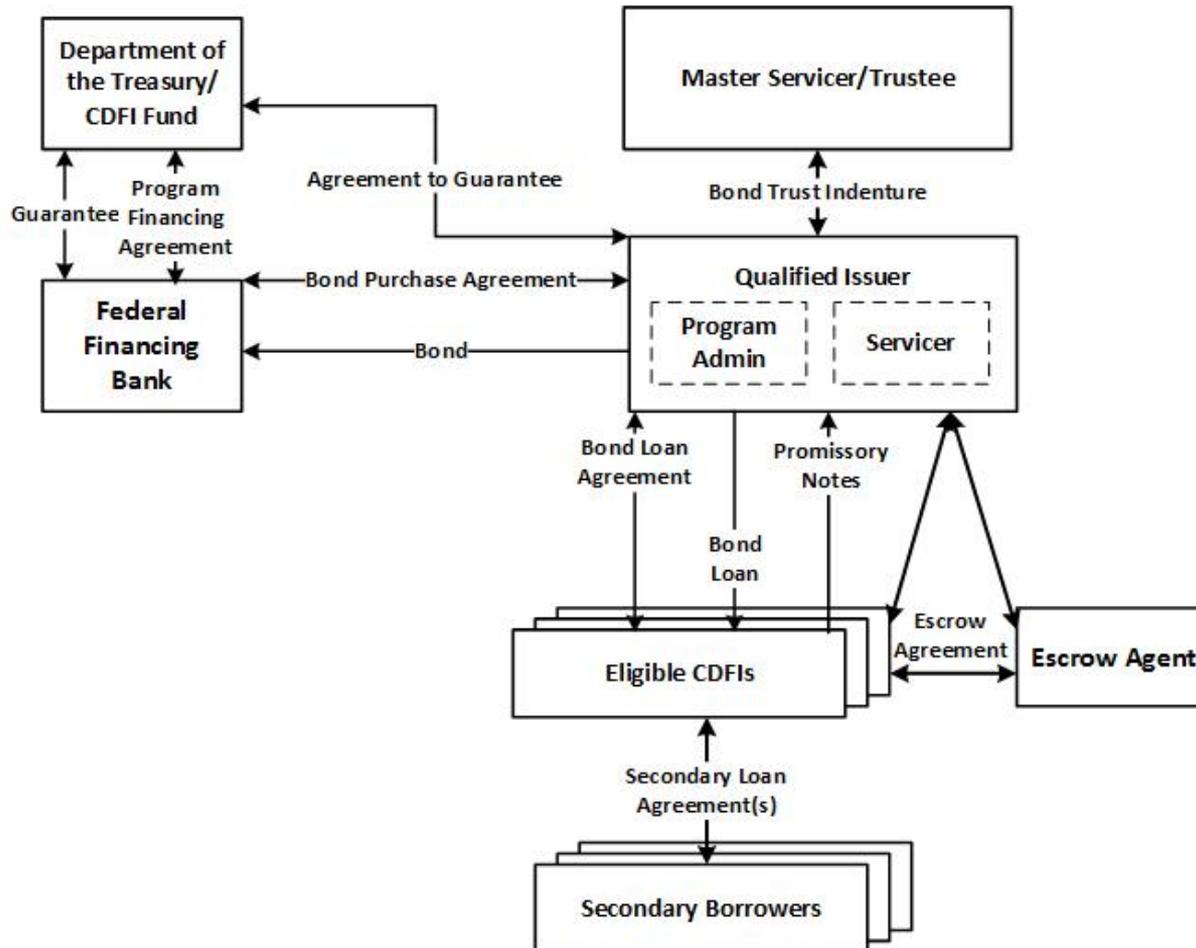
- 100 percent Guarantee by the Secretary of the Treasury for bonds or notes, including principal, interest, and call premiums.
- Minimum Bond Issue of \$100 million; minimum Bond Loan of \$10 million.
- Annual program-wide limit of \$1 billion.
 - \$500 million authorized in FY2013, \$325 million guaranteed
 - \$750 million authorized in FY2014, \$200 million guaranteed
 - **\$750 million authorized in FY2015**
- Maximum of 10 Guarantees issued annually; effectively, a maximum of 7 available in FY2015.
- Bond maturity terms not to exceed 29.5 years.

Purpose of the AFS



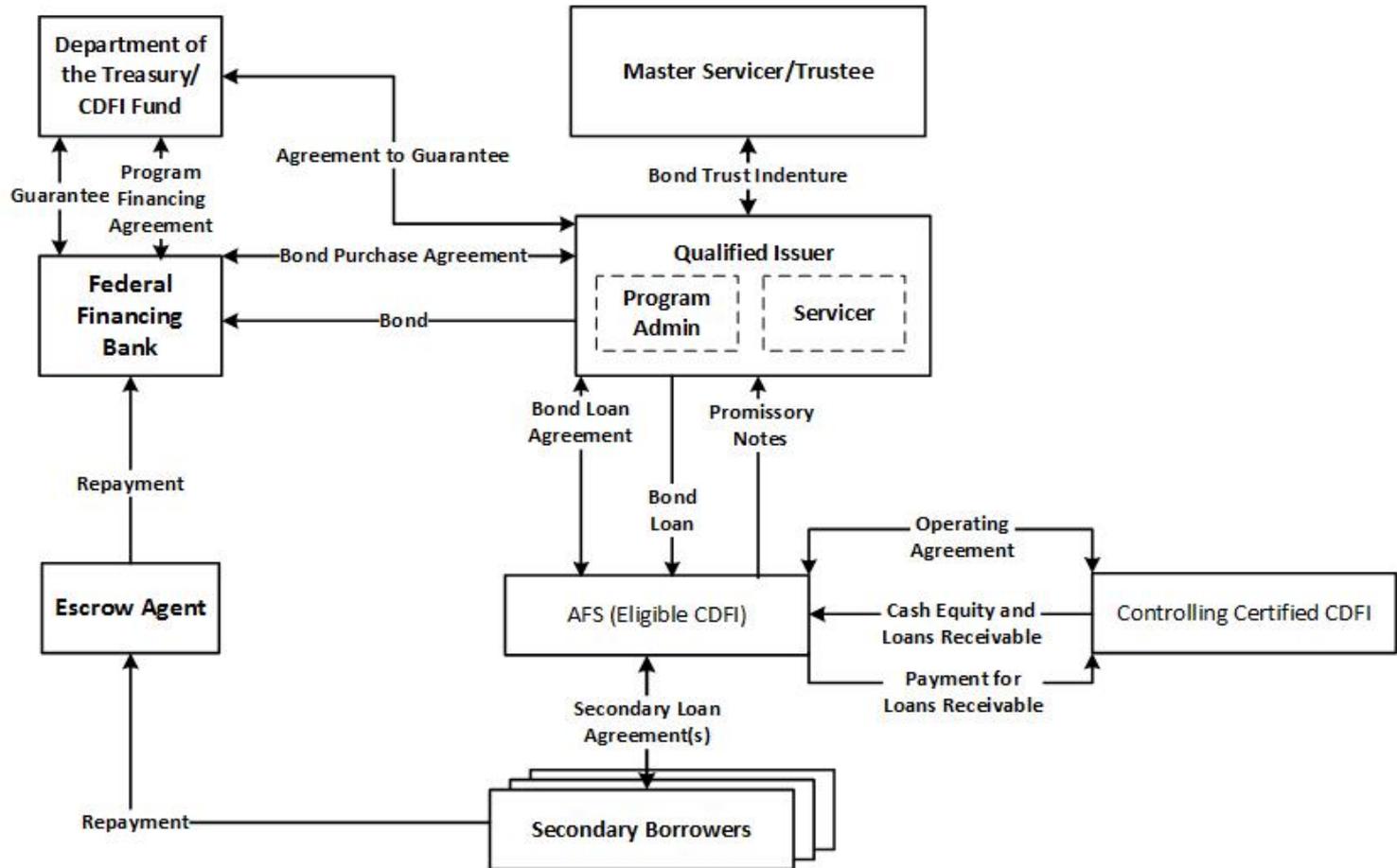
- The AFS is an Affiliate of a Controlling CDFI(s) that is created for the sole purpose of participation as an Eligible CDFI in the CDFI Bond Guarantee Program.
- With the AFS, the Affiliate (as the Eligible CDFI) provides a general full recourse obligation to repay the Bond Loan and the Bond Loan is on its balance sheet.
- The Controlling CDFI(s), under the AFS, will have limited financial recourse to repay the Bond Loan and the Bond Loan is unlikely to be a liability on the balance sheet of the Controlling CDFI(s).
- The AFS is expected to increase demand for the CDFI Bond Guarantee Program by providing the Controlling CDFI(s) with the ability to participate in the CDFI Bond Program without breaching existing covenants with unsecured, short-term, general recourse lenders.

General Financial Structure



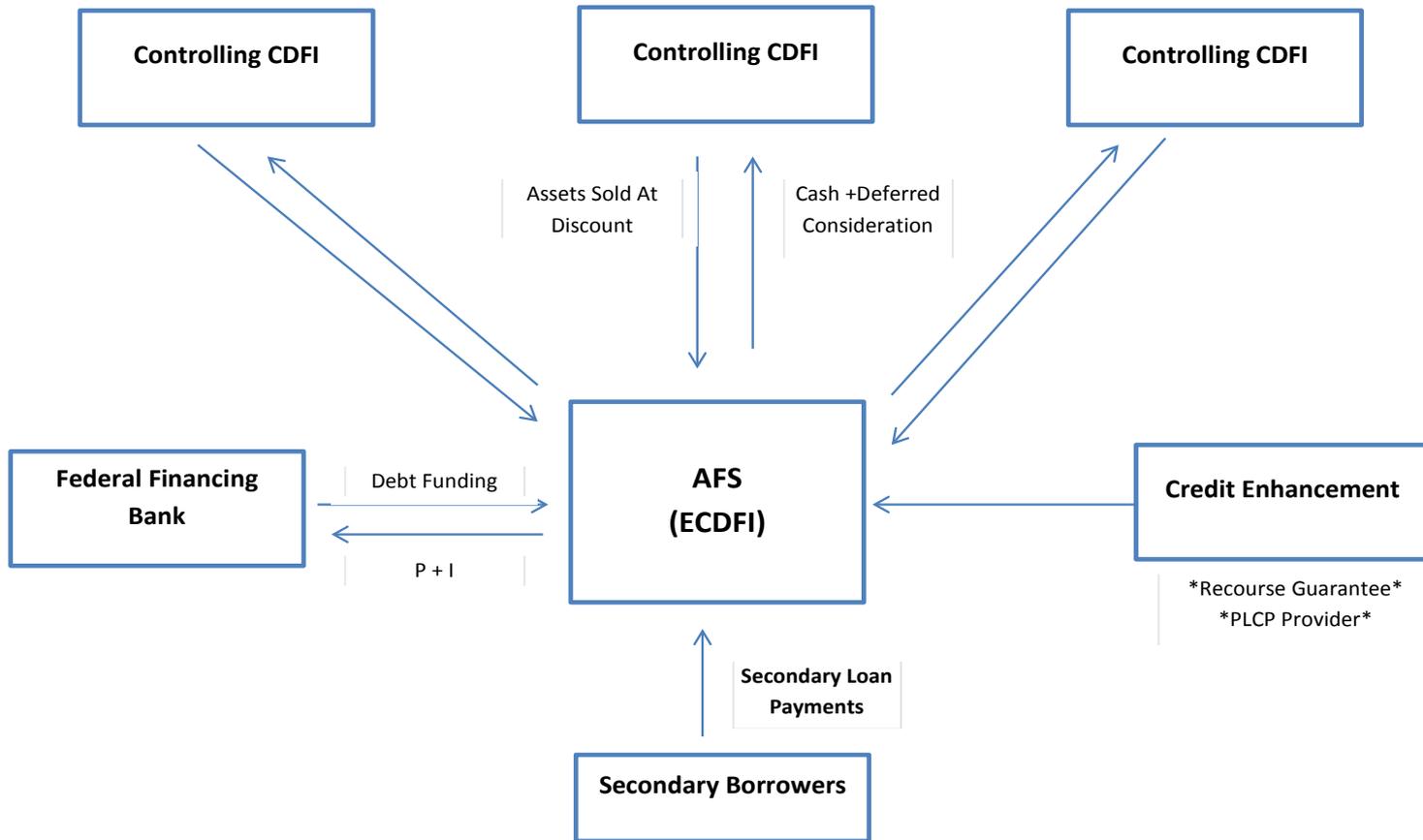


Alternative Financial Structure



The requirement of an Escrow Agent for the AFS is under review.

Alternative Financial Structure



AFS Key Financial Structure Terms



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

AFS 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 the AFS to ensure compliance with program requirements.
- **Federal Financing Bank:** Purchases Bonds from the Qualified Issuer and disburses funds to the AFS through accounts held by the Master Servicer/Trustee.
- **Master Servicer/Trustee:** Collects repayments, disburses funds, and manages trust accounts under the CDFI Bond Guarantee Program.
- **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 the AFS.

AFS Key Players, Roles and Responsibilities, cont.



- **Escrow Agent:** Maintains escrow accounts and remits funds to the Master Servicer/Trustee and AFS, as instructed by the Qualified Issuers. The requirement of the Escrow Agent for the AFS is under review.
- **Controlling CDFI(s):** May operate, own, and manage the AFS under an Operating Agreement. Provides initial cash equity and loan receivables for the AFS. Must be a Certified CDFI and have 10% or more financial interest in the AFS.
- **Alternative Financial Structure (Eligible CDFI):** Borrows Bond Loan proceeds to finance the purchase of seasoned and performing Secondary Loan Receivables from the Controlling CDFI(s).
- **Secondary Borrower:** Receives Secondary Loans from the AFS for Eligible Community and Economic Development Purposes.

AFS Legal Documents in the CDFI Bond Guarantee Program



- Three 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 the AFS);
 - **Bond Loan Agreement:** signed by the Qualified Issuer and the AFS; and
 - **Bond Trust Indenture:** signed by the Qualified Issuer and the Master Servicer/Trustee.
- These documents and other supplemental agreements dictate the necessary structure of the Bond Issue and Bond Loans under the CDFI Bond Guarantee Program, as well as the required duties of each party.
 - The AFS will be required to have an **Operating Agreement** with the Controlling CDFI(s).



15 minute break

Agenda



- Introduction and Overview
- Program Requirements, Structure, and Participants
- AFS Requirements
- AFS Guarantee Application & Evaluation Process
- Application and Closing Timeline
- CDFI to CDFI Lending
- Case Study
- AFS Term Sheet

Additional Requirements for the AFS



- AFS applications for the FY2015 CDFI Bond Guarantee Program will have additional requirements to qualify for the program including:
 - A Certification Requirement;
 - An Operating Agreement;
 - Capital Structure Requirements; and
 - Bond Loan Reserve Requirements.

AFS Certification Requirement



- A requirement of the CDFI Bond Guarantee Program is that Eligible Borrowers must be Certified CDFIs.
- Due to its potentially limited history, the Affiliate in the AFS will have difficulty fulfilling certain CDFI certification tests based on its own track record.
- The CDFI Fund, with a revision to the CDFI certification regulation, may certify an Affiliate under the AFS using certain of the Affiliate's Controlling CDFI track record credentials.
 - Controlling CDFI(s) must have 10% or more financial interest in the Affiliate.
 - If there are multiple CDFIs contributing assets to the Affiliate in the AFS, each of the contributing CDFIs must be a Certified CDFI.
- An Affiliate whose CDFI certification is based on the track record of a Controlling CDFI(s) is not eligible to receive financial or technical assistance awards or tax credit allocation under any other CDFI Fund programs.

AFS Certification: CDFI Certification Requirements



There are seven CDFI certification requirements.

- 1. Legal Entity:** The entity must have properly filed articles of incorporation or other organizing documents. The Affiliate must meet the legal entity requirement on its own merit.
- 2. Primary Mission:** An entity must have a primary mission of promoting community development, demonstrated through incorporating documents or a board approved narrative statement. The Affiliate must meet the primary mission requirement on its own merit.
- 3. Financing Entity:** An entity must demonstrate that its predominant business activity is the provision of Financial Products and Financial Services, Development Services, and/or other similar financing. Under the AFS, the Affiliate can meet the financing entity requirement based on the track record of the Controlling CDFI(s).
- 4. Target Market:** An entity must serve at least one eligible Target Market (either an Investment Area or a Targeted Population) by directing at least 60% of all of its Financial Product activities to one or more eligible Target Market. Under the AFS, the Affiliate can meet the target market requirement by serving an Investment Area or Target Market through loans originated by the Controlling CDFI(s).

AFS Certification: CDFI Certification Requirements, cont.



5. **Development Services:** An entity must provide Development Services in conjunction with its Financial Products. An Affiliate under the AFS may meet the development services requirement if the Controlling CDFI(s) provides the development services.
6. **Accountability:** An entity must maintain accountability to residents of its Investment Area or Targeted Population through representation on its governing board and/or advisory board(s), or through focus groups, community meetings, and/or customer surveys. An Affiliate may be deemed to meet this requirement only if it has a governing board and/or advisory board that has the same composition as the Controlling CDFI(s).
7. **Non-government Entity:** An entity can neither be a government entity nor be controlled by one or more governmental entities. The Affiliate must meet the non-government entity requirement on its own merit.

AFS Certification: CDFI Certification Requirements, cont.



CDFI Fund certification requirements	Relationship with Controlling CDFI	AFS must meet requirement on its own merit
Legal Entity		X
Primary Mission		X
Financing Entity	X	
Target Market ₁	X	
Development Services ₂	X	
Accountability ₃	X	
Non-Governmental Entity		X

₁Target Market requirement is met based on: a) assets sold or transferred to the AFS from the Controlling CDFI(s) or b) indirectly or through borrowers or investees that directly serve or provide significant benefits to members of the Targeted Population, if the Controlling CDFI's financing entity activities served the AFS' Targeted Population.

₂Development services must be provided by the Controlling CDFI(s) in relationship to the likely transferred or sold assets to the AFS.

₃AFS must have an Advisory Board(s) with the same composition (i.e., same members) of the Controlling CDFI(s).

AFS Certification: Application & Timeline



- CDFI Certification applications are available on the CDFI Fund website: <http://www.cdfifund.gov/>.
- Alert the CDFI Bond Guarantee Program of a submission of the AFS Certification application through email, bgp@cdfi.treas.gov.
- CDFI Certification applications for the AFS must be received by May 22, 2015 for participation in the CDFI Bond Guarantee Program and may be submitted concurrently with Guarantee Applications.
- An Affiliate's CDFI Certification will terminate if:
 - The Affiliate does not enter into Bond Loan Documents with its Qualified Issuer within 1 year of the date it signs the term sheet; or
 - The Affiliate ceases to be an affiliate of the Controlling CDFI(s).
- The CDFI Certification application must include an Operating Agreement between the Affiliate and Controlling CDFI(s).

AFS Operating Agreement



- The Affiliate will enter into an Operating Agreement with a Controlling CDFI(s) which is a required term in the Bond Documents.
- The Operating Agreement is critical in the formation of the AFS and will be reviewed as a part of the underwriting and legal due diligence of the entity.
- The Operating Agreement will explain the roles, responsibilities, and activities performed by the Controlling CDFI(s).
- The ownership and management of the AFS should be separated in the Operating Agreement.
 - Separation of duties within the AFS enables the Master Servicer/Trustee, on behalf of the Federal Financing Bank (FFB) as the lender, to require specific performance provisions within the management and operations of the AFS and to enforce specific remedies for non-performance in the Bond Loan Agreement.

AFS Operating Agreement, cont.



- The Controlling CDFI(s) roles, responsibilities, and activities should be outlined in the Operating Agreement. To meet the requirements for the AFS to become a Certified CDFI, the AFS must:
 - Be an existing entity;
 - Possess a Certificate of Good Standing; and
 - Executed Articles of Organization.
- The Operating Agreement included in the AFS application to become a Certified CDFI must include a description of the:
 - Participants;
 - Management and ownership;
 - Purpose; and
 - Ability of the AFS to meet the CDFI Fund Certification Requirements as outlined in the 2015 NOGA.

AFS Operating Agreement, cont.

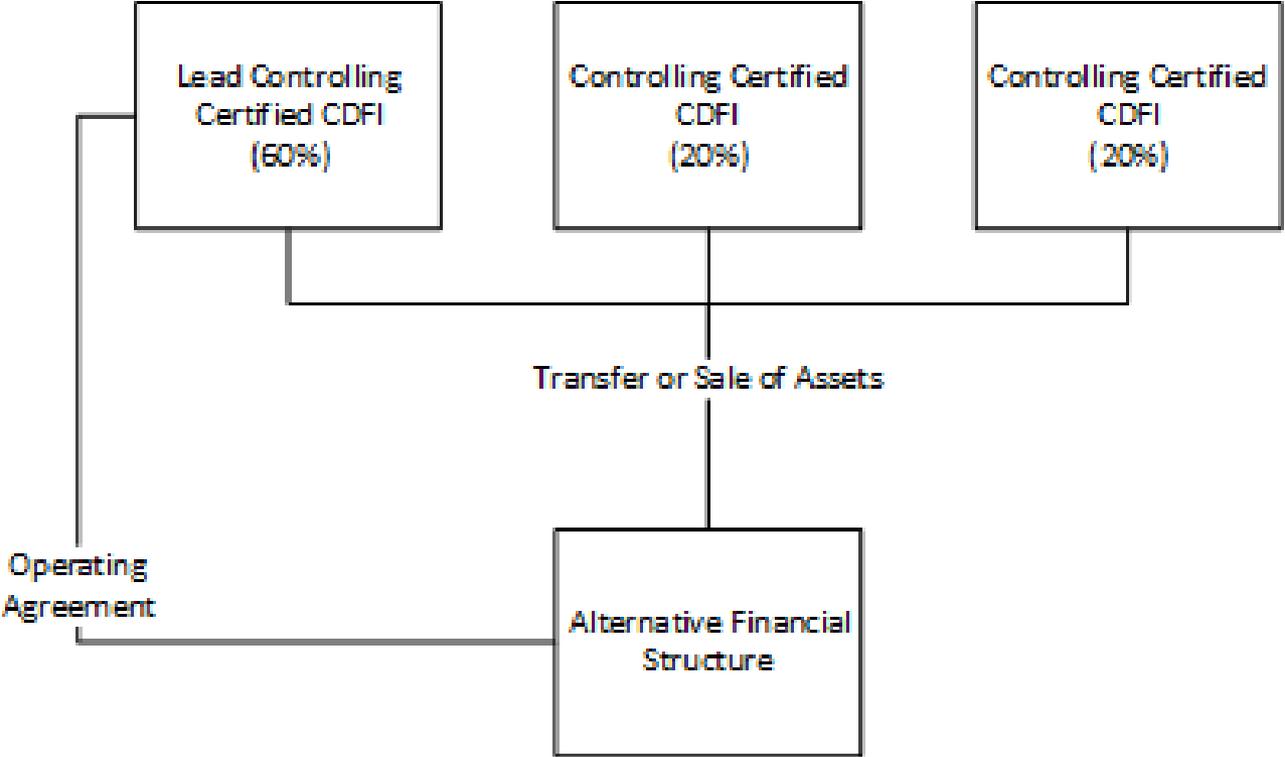


- Upon submission of the Guarantee Application for the AFS, the CDFI Fund will conduct due diligence and credit underwriting. During this phase, the CDFI Fund will require the Operating Agreement to be amended and restated. The amended and restated Operating Agreement requirements may include:
 - Compensation arrangements;
 - Term and termination provisions;
 - Restrictions on transfer provisions;
 - Indemnification provision;
 - Default and recourse requirements;
 - Non-performance and substitution policies;
 - Loan Underwriting and Origination policies;
 - Record Keeping and Accounting procedures;
 - Human Resources and Staffing;
 - Insurance; and
 - General Administration.

AFS Operating Agreement: Multiple Controlling CDFIs Structure



Scenario 1



AFS Operating Agreement: Multiple Controlling CDFIs Structure



Scenario 1

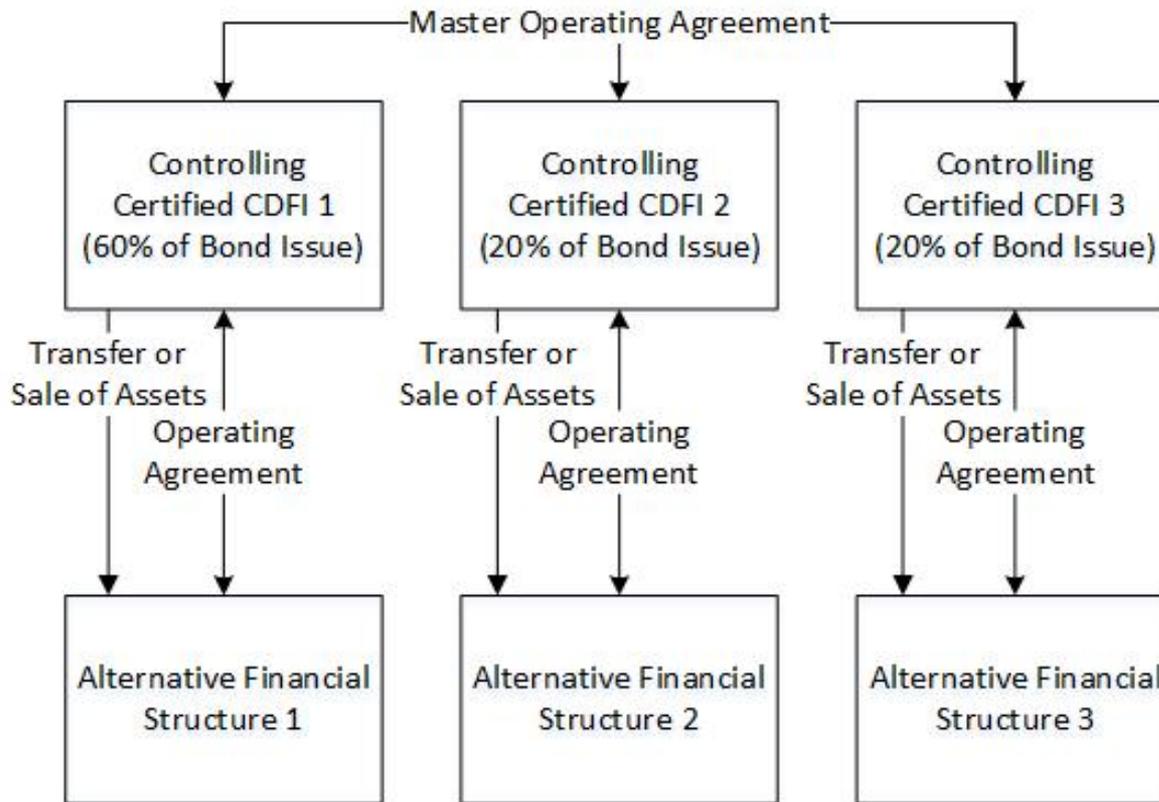
- \$100 million Bond Issue with 1 AFS, 1 Bond Loan* and 3 Controlling CDFIs:
 - 3 Controlling CDFIs create 1 AFS for \$100 million Bond Loan* secured by \$120 million in seasoned loan receivables.
 - Lead Controlling CDFI transfers/sales \$72 million of seasoned loan receivables to the AFS.
 - Controlling CDFI transfers/sales \$24 million of seasoned loan receivables to the AFS.
 - Controlling CDFI transfers/sales \$24 million of seasoned loan receivables to the AFS.

*The \$100 million Bond Loan is a liability of the AFS and the seasoned loan receivables must meet the CDFI Bond Guarantee Program Secondary Loan Requirements. The Operating Agreement governs the AFS.

AFS Operating Agreement: Multiple Controlling CDFIs Structure



Scenario 2



AFS Operating Agreement: Multiple Controlling CDFIs Structure



Scenario 2

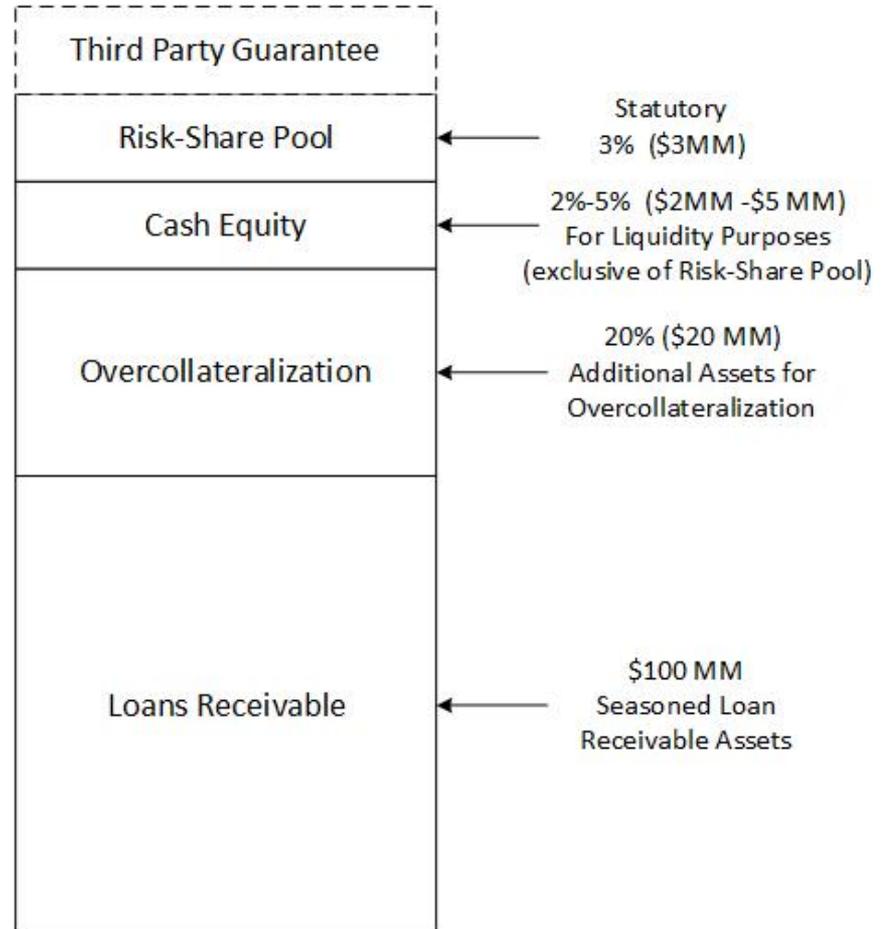
- \$100 million Bond Issue with 3 Bond Loans
 - Controlling CDFI₁ creates AFS₁ and transfers/sales \$72 million of seasoned loan receivables for a \$60 million Bond Loan*.
 - Controlling CDFI₂ creates AFS₂ and transfers/sales \$24 million of seasoned loan receivables for a \$20 million Bond Loan*.
 - Controlling CDFI₃ creates AFS₃ and transfers/sales \$24 million of seasoned loan receivables for a \$20 million Bond Loan*.

* Each Bond Loan is a liability of each AFS and the seasoned loan receivables must meet the CDFI Bond Guarantee Program Secondary Loan Requirements. Each Operating Agreement will govern each AFS and the Master Operating Agreement will govern each AFS within the Bond Issue.

AFS Capital Structure Requirement



- The AFS must meet credit underwriting requirements and be deemed creditworthy by the CDFI Bond Guarantee Program Credit and Risk Management unit.
- The capital structure of the AFS will include loan receivables, cash and other Credit Enhancements or Third Party Guarantees.
- Recourse flows to the AFS.
- The Controlling CDFI(s) have limited recourse subject to the Bond Documents.



AFS Capital Structure



- **Loans Receivable:** The AFS assets will consist of interest income generating loans receivable that are designated as the primary source of repayment for the Bond Loan.
 - Loan receivables will be considered Secondary Loans under the CDFI Bond Guarantee Program and must conform to the Secondary Loan Requirements.
 - Secondary Loans must be seasoned a minimum of 12 months and must be a performing loan. A loan is considered performing if: (i) it has no delinquencies in payment greater than 30 days over the prior 24 months or (ii) if the loan has not been in existence 24 months, it must have no delinquencies in payment greater than 30 days.
- **Overcollateralization:** The AFS will require 120% overcollateralization.
 - For example, a \$100 million Bond Loan will require a minimum of \$120 million in performing Secondary Loans.
 - Other Pledged Loans for overcollateralization must meet the Secondary Loan Requirements.

AFS Capital Structure, cont.



- **Cash Equity:** The AFS will require cash equity to meet near-term liquidity obligations.
 - Initial cash equity of no less than 2% will be funded at disbursement and it will serve as the first installment into the Bond Loan Reserve.
 - The CDFI Fund will require a minimum of 5% for the Bond Loan Reserve. Once the Bond Loan Reserve reaches 5%, it must remain in place throughout the term of the Bond Loan.
 - Cash equity will be in addition to the statutory 3% Risk-Share Pool.
- **Third Party Guarantee:** Third-party guarantees may be required to strengthen the capitalization of the AFS.
 - Due to the time required to negotiate a third-party guarantee, this vehicle is unlikely in the first application round introducing the AFS.

AFS Capital Structure, cont.

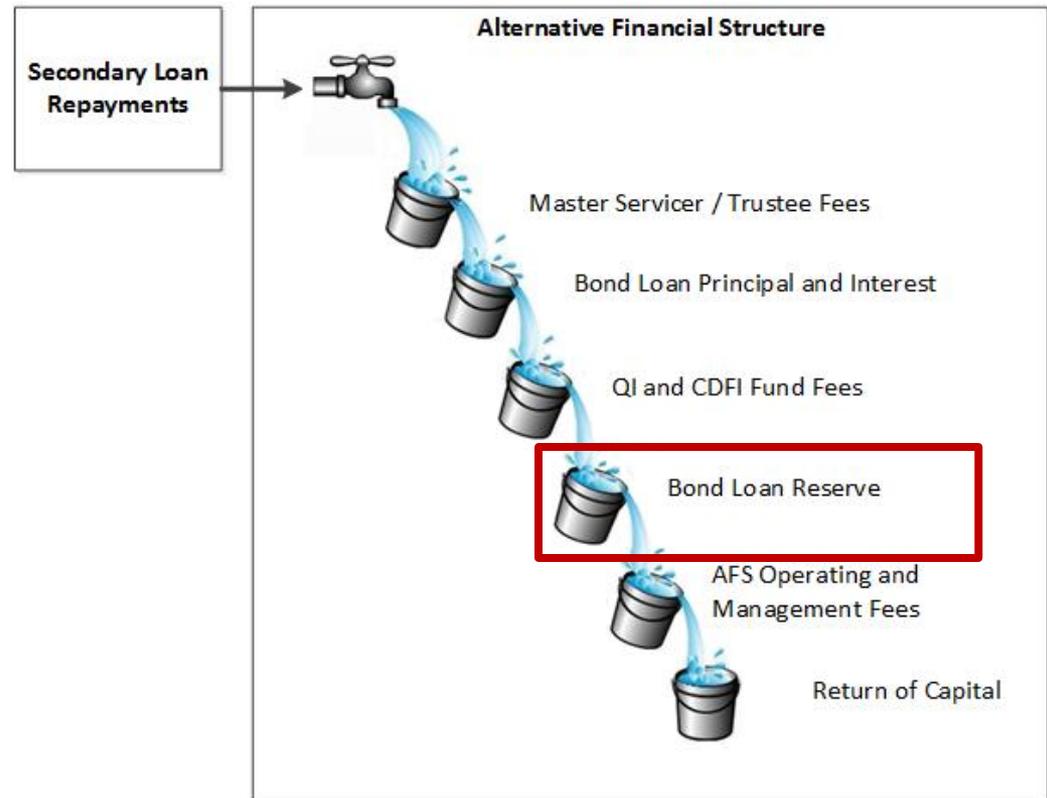


- All assets of the AFS must be pledged to the Master Servicer/Trustee as collateral, including:
 - Cash (i.e. Bond Loan Reserve),
 - Loan Receivables, and
 - Third Party Credit Enhancements or Guarantees.

Bond Loan Reserve Requirement



- Secondary Loan repayments to the AFS will follow a cash flow similar to the cash flow with an Eligible CDFI applicant under the current CDFI Bond Guarantee Program structure, with the addition of a reserve requirement.
- Bond Loan Reserve must be satisfied, and replenished, to a specified level (5%) prior to the return of capital to the Controlling CDFI(s).



Bond Loan Reserve Replenishment

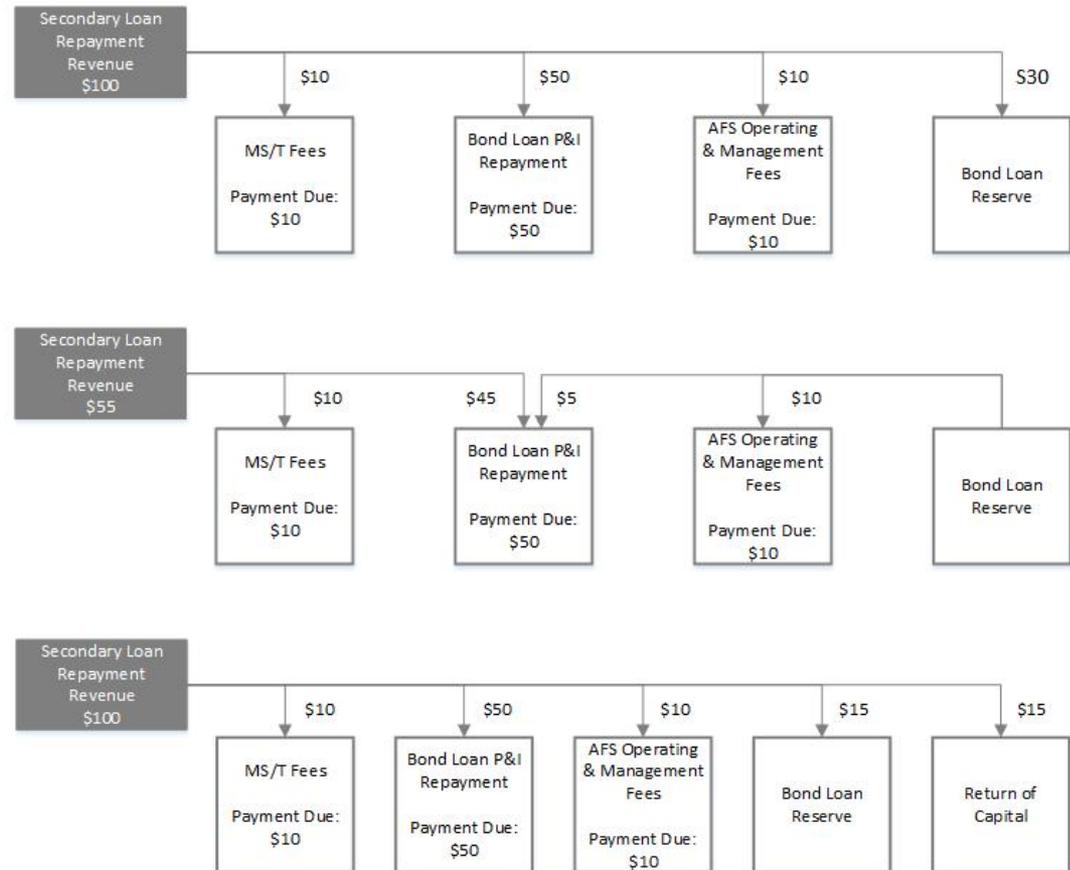


- If the initial cash equity of the AFS is less than the Bond Loan Reserve requirement, the difference between the current Bond Loan Reserve level and the Bond Loan Reserve maximum must be satisfied over time with the AFS revenues.
- Once the Bond Loan Reserve maximum is met, it must be maintained throughout the remaining maturity of the Bond Loan.
 - Upon the adherence to the Bond Loan Reserve requirement and other components of the Cash Flow Waterfall, remaining capital may be returned to the Controlling CDFI(s).
 - There will be an affirmative covenant in the Bond documents that prohibits the return of capital to the Controlling CDFI(s) if the AFS has non-performing Secondary Loan Receivables.
 - In an event of a non-performing Secondary Loan Receivables, the AFS is required to substitute approved and acceptable collateral before the return of capital back to the Controlling CDFI(s).

Bond Loan Reserve Scenarios



- Scenario 1:** Bond Loan Reserve is below the required level of \$30 when repayments are received. After repayments are disbursed, the AFS Reserve is at the required level.
- Scenario 2:** Bond Loan Reserve is at the required level of \$30 but repayments do not cover Bond Loan P&I and AFS Operating and Management Fees. The AFS Reserve is used to pay the remaining balance and it drops \$15 below the required amount.
- Scenario 3:** After the repayments are distributed, the Bond Loan Reserve is replenished by \$15 from the excess revenue. The excess revenue may be returned as capital to Controlling CDFI(s) if the Controlling CDFI(s) is in compliance with the affirmative covenant.





Lunch
(11:30 am – 1:00 pm)

Agenda



- Introduction and Overview
- Program Requirements, Structure, and Participants
- AFS Requirements
- **AFS Guarantee Application & Evaluation Process**
- Application and Closing Timeline
- CDFI to CDFI Lending
- Case Study
- AFS Term Sheet

AFS Guarantee Application



- Consistent with the Eligible CDFIs, the AFS will apply using the Guarantee Application.
- The Guarantee Application consists of two main sections:
 - Capital Distribution Plan; and
 - Secondary Capital Distribution Plan for the AFS.
- For the AFS, additional information will be requested as part of the application.

AFS Guarantee Application: Capital Distribution Plan



- 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; and
 - Meets the requirements set forth in the Regulations and the Notice of Guarantee Availability.

AFS Guarantee Application: Capital Distribution Plan, cont.



1.0 Qualified Issuer Capital Distribution Plan

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

AFS Guarantee Application: Secondary Capital Distribution Plan



- Secondary Capital Distribution Plan:
 - Consists of documentation submitted by the Qualified Issuer for the AFS represented by the Guarantee Application; and
 - Demonstrates the plan for lending, disbursing, servicing and monitoring Secondary Loans.
- The CDFI Bond Guarantee Program will request Controlling CDFI(s) to submit components of the Secondary Capital Distribution Plan in addition to the documents submitted by the AFS.

AFS Guarantee Application: AFS and Controlling CDFI(s) Materials



The table below and on the next slide outlines Secondary Capital Distribution Plan material which will be requested from the AFS and the Controlling CDFI(s).

Section	AFS	Controlling CDFI(s)
B-ID-1: Checklist	<ul style="list-style-type: none"> All materials on Secondary Capital Distribution Plan Checklist. 	<ul style="list-style-type: none"> All materials on Secondary Capital Distribution Plan Checklist.
B-ID-2: Eligible CDFI Organization and Contact Information	<ul style="list-style-type: none"> All materials on Secondary Capital Distribution Plan Checklist. 	<ul style="list-style-type: none"> All materials on Secondary Capital Distribution Plan Checklist.
B-ID-3: Secondary Distribution Plan Narrative	<ul style="list-style-type: none"> All materials on Secondary Capital Distribution Plan Checklist. 	<ul style="list-style-type: none"> No materials required.
B-ID-4: Eligible CDFI Statement of Proposed Sources and Uses of Funds	<ul style="list-style-type: none"> All materials on Secondary Capital Distribution Plan Checklist. 	<ul style="list-style-type: none"> No materials required.
B-ID-5: Eligible CDFI Cash Flow Model	<ul style="list-style-type: none"> All materials on Secondary Capital Distribution Plan Checklist. Cash Flow Model should cover 30 years. 	<ul style="list-style-type: none"> No materials required.
B-ID-6: Organizational Capacity	<ul style="list-style-type: none"> All materials on Secondary Capital Distribution Plan Checklist. 	<ul style="list-style-type: none"> All materials on Secondary Capital Distribution Plan Checklist.

AFS Guarantee Application: AFS and Controlling CDFI(s) Materials



The table below and on the previous slide outlines Secondary Capital Distribution Plan material which will be requested from the AFS and the Controlling CDFI(s).

Section	AFS	Controlling CDFI(s)
B-ID-7: Policies and Procedures	<ul style="list-style-type: none"> All materials on Secondary Capital Distribution Plan Checklist. 	<ul style="list-style-type: none"> All materials on Secondary Capital Distribution Plan Checklist.
B-ID-8: Financial Statements	<ul style="list-style-type: none"> All materials on Secondary Capital Distribution Plan Checklist. Pro-Forma financial statements can be substituted for audited financial statements. 	<ul style="list-style-type: none"> All materials on Secondary Capital Distribution Plan Checklist.
B-ID-9: Loan Portfolio	<ul style="list-style-type: none"> Only two documents: pipeline report and loan products. 	<ul style="list-style-type: none"> All materials on Secondary Capital Distribution Plan Checklist. Non-performing loan data will be requested going back to 2007 by asset class or product type, if necessary.
B-ID-10: Funding Sources and Capitalization	<ul style="list-style-type: none"> Only two documents: funding projections, and Credit Enhancements. 	<ul style="list-style-type: none"> All materials on Secondary Capital Distribution Plan Checklist.

Credit Enhancements



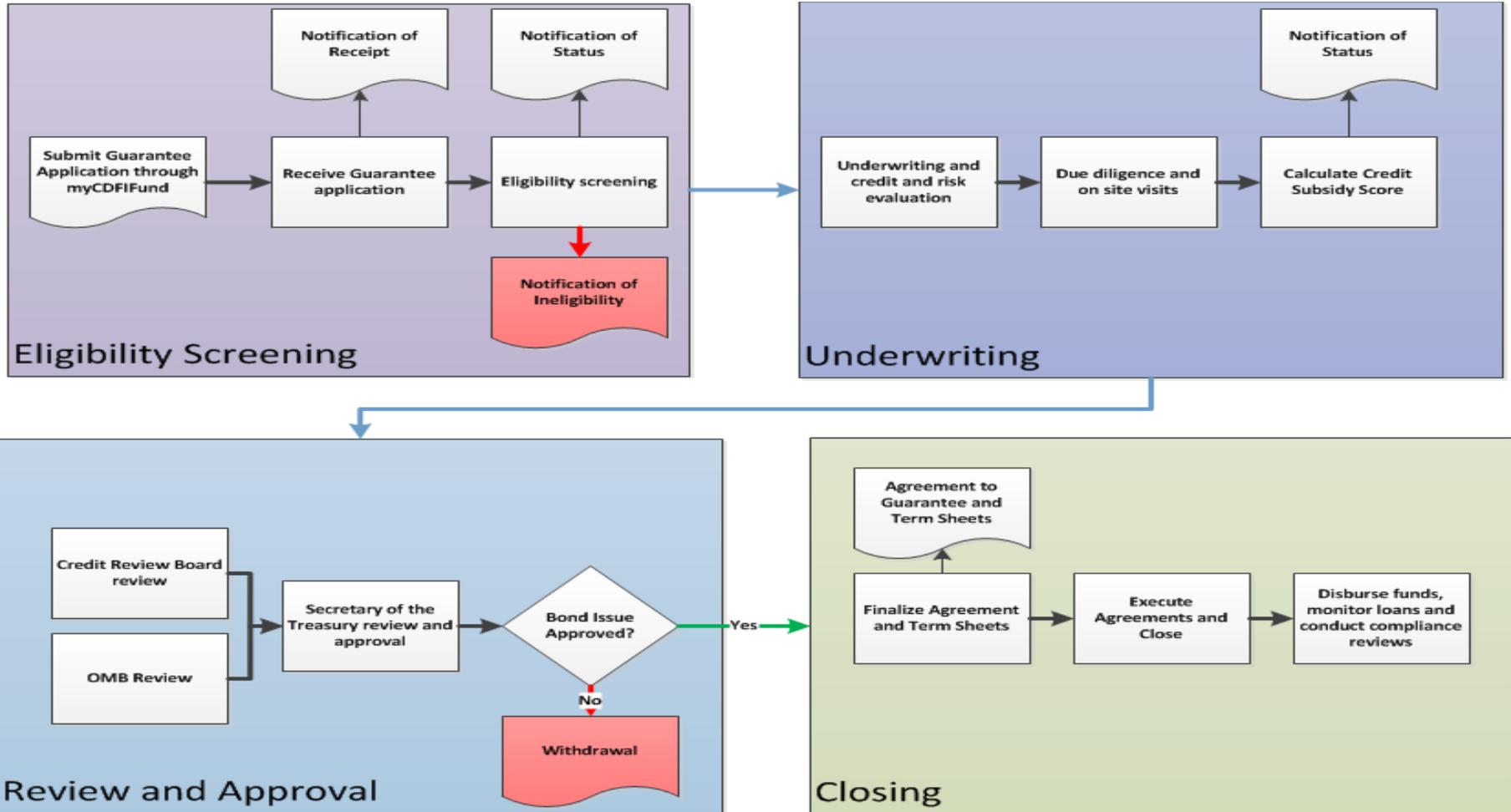
- Credit Enhancements from third parties may also support the credit of the AFS at varying levels of the Bond Issue.
- Credit Enhancements may include, but are not limited to:
 - Payment guarantees from third parties or Affiliates;
 - Lines or letters of credit; and
 - Other pledges of financial resources which enhance the AFS's ability to make timely debt service payments under the Bond Loan.
- The terms of Credit Enhancements to the AFS should address interactions with the Controlling CDFI(s), if any.

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
 - Letters must be presented on Credit Enhancement provider's letterhead and executed by Credit Enhancement Provider.
- Credit Enhancements must be pledged and assigned to the Trust Estate for the benefit of the FFB.

AFS Guarantee Application Review Process Overview



AFS Guarantee Application Review Process Overview, cont.



- The Guarantee Application review process includes three stages:
 - Completeness and Eligibility Screening;
 - Underwriting and Credit Risk Evaluation; and
 - Recommendation and Approval.
- After approval, additional steps are required to close the Bond Issue.

AFS Guarantee Application Submission



- The Qualified Issuer submits the Guarantee Application to the CDFI Fund's myCDFIFund platform at: www.cdfifund.gov/myCDFI/.
- Please read the instructions in the Guarantee Application carefully, as there are multiple sets of Signature Pages for the Guarantee Application.
 - Guarantee Application- AFS Portion and Controlling CDFI(s) Portion
 - Guarantee Application- Qualified Issuer Portion
- The AFS must submit its portion first so that the Qualified Issuer can “link” the Signature Pages together as one comprehensive Guarantee application.
- The AFS will receive control numbers as FY-BGC-#####.
- The overall Guarantee Application will receive FY-#-BG-#####.
- Contact bgp@cdfi.treas.gov or (202)653-0376 for questions.

Tip: Grant the Qualified Issuer “user” access to each Eligible CDFI’s (i.e., AFS’) MyCDFIFund account so that it can monitor the progress of participants.

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 in a timely manner, and contact the AFS as appropriate.
- The Qualified Issuer may request additional time to respond to CDFI Fund inquiries, if necessary.
- The AFS should not contact the CDFI Fund directly regarding applications to the CDFI Bond Guarantee Program, but should instead communicate through the Qualified Issuer.

AFS 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 screening for eligibility after receiving the Guarantee Application.
- After reviewing the Guarantee Application for minimum eligibility, the CDFI Fund will notify the Qualified Issuer of the eligibility status of the Guarantee Application through a Notification of Status.
 - Applications fulfilling minimum eligibility standards will move to the next phase of application review.
 - Qualified Issuers with ineligible applications will be notified by the CDFI Fund.

Underwriting and Credit and Risk Evaluation



- Guarantee Applications passing the eligibility screening will undergo underwriting and credit and risk evaluation by the CDFI Fund.
- The CDFI Fund will review the application according to established underwriting criteria and conduct a substantive review of the AFS and Controlling CDFI(s).
- Guarantee Applications will be evaluated on the proposed Bond Issue feasibility; AFS credit quality and lending policies and procedures; and any applicable Credit Enhancements and Principal Loss Collateral Provisions.
- The CDFI Fund may contact the Qualified Issuer during this process to clarify application material.

Underwriting and Credit and Risk Evaluation – Bond Issue



- The Bond Issue underwriting and credit and risk evaluation begins by identifying the Qualified Issuer and determining if the Qualified Issuer requires approval.
- The Capital Distribution Plan is evaluated as to the proposed Bond Issue structure.
- The CDFI Fund will identify the AFS and Controlling CDFI(s) to be evaluated.
- The CDFI Fund will determine if additional entities will need to be evaluated, such as affiliated or third-party organizations providing Credit Enhancements.

Underwriting and Credit and Risk Evaluation – AFS & Controlling CDFI(s)



- AFS Underwriting
 - A full underwriting will be conducted for the AFS.
 - The terms of the Operating Agreement with the Controlling CDFI(s) will be fully evaluated during the underwriting process.
- Controlling CDFI(s) Underwriting
 - The Controlling CDFI(s) will be underwritten with focus on its management of the AFS.
 - The Controlling CDFI(s) will be underwritten with a particular focus on the specifics of the Operating Agreement and proposed structure in the application.

Underwriting and Credit and Risk Evaluation – AFS



- Secondary Capital Distribution Plan demonstrates the plan for lending, disbursing, servicing and monitoring Secondary Loans for the AFS.
- The Secondary Capital Distribution Plan will be used to evaluate the credit quality of the AFS.
- The AFS 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 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.
- Depending upon the structure of the AFS, the AFS and the Controlling CDFI(s) will require on-site visits.

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, the Controlling CDFI(s) and the AFS.
- The overall credit subsidy estimate of the proposed Bond Issue must comply with statutory requirements and be zero or less.

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;
 - Disapproval; or
 - Remittance back to CDFI Fund for additional information.

Office of Management and Budget Review



- The CDFI Bond Guarantee Program Manager, together with representatives from Origination, Credit and Risk Management, and Compliance will present the proposed Bond Issue to the Office of Management and Budget (OMB).
- This presentation will familiarize OMB with the proposed Bond Issue and associated credit subsidy estimate.
- This presentation may allow the CDFI Fund to determine any necessary adjustments to the credit subsidy estimate, which must be approved by OMB prior to obligation.

Secretary Review and Approval



- Following the presentation to the Credit Review Board, OMB, and other applicable governmental entities, the Guarantee Application and associated recommendations will be presented to the Secretary of the Treasury or his/her designee, the Deputy Assistant Secretary for Small Business, Community Development, and Housing Policy (DAS SBCDH).
- The DAS SBCDH will approve or disapprove a Guarantee.
- After the DAS SBCDH has approved the proposed Bond Issue, the Qualified Issuer will receive the Agreement to Guarantee with a Term Sheet. The Qualified Issuer will sign both the Agreement to Guarantee and Term Sheet. The Eligible CDFI will sign the Term Sheet.

Closing



- Due to the statutory requirements of the CDFI Bond Guarantee Program, the Agreement to Guarantee, Term Sheets, Bond Documents, and Bond Loan Documents for the AFS must be signed prior to **September 30, 2015**, so as to obligate funds and close transactions.
- If a significant amount of time passes (i.e., 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 **September 23, 2015**.
- The Guarantee is not effective until closing.

Agenda



- Introduction and Overview
- Program Requirements, Structure, and Participants
- AFS Requirements
- AFS Guarantee Application & Evaluation Process
- Application and Closing Timeline
- CDFI to CDFI Lending
- Case Study
- AFS Term Sheet

Closing Requirements



- Due to statutory program limitations, approved transactions in the FY2015 application round must be committed and closed by **September 23, 2015**.
 - FY2015 applicants must identify legal counsel that will be available in this time frame.
 - Disbursements may occur at a later time and will be subject to conditions precedent for initial and subsequent advances.
- Closing requires the execution of the following documents:
 - Agreement to Guarantee and Term Sheets;
 - Bond Loan Agreements, Bond Purchase Agreements, Bond Trust Indenture Agreement, Escrow Agreements, and
 - Other Bond Documents and Bond Loan Documents.

Application and Closing Timeline



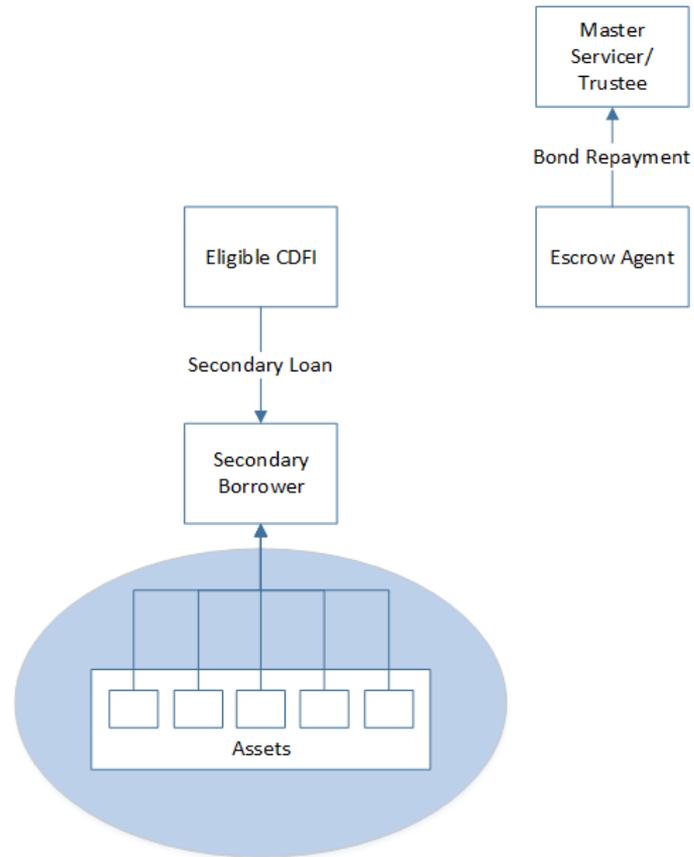
- The CDFI Fund must complete underwriting of applications before the commencement of closing activities.
- Early submission of applications to the CDFI Bond Guarantee Program enables the CDFI Fund to review applications more thoroughly and provides for additional opportunities for communication.
 - Certification Applications for the AFS are due on May 22, 2015
 - Qualified Issuer Applications are due on June 5, 2015
 - Guarantee Applications are due on June 12, 2015

Agenda

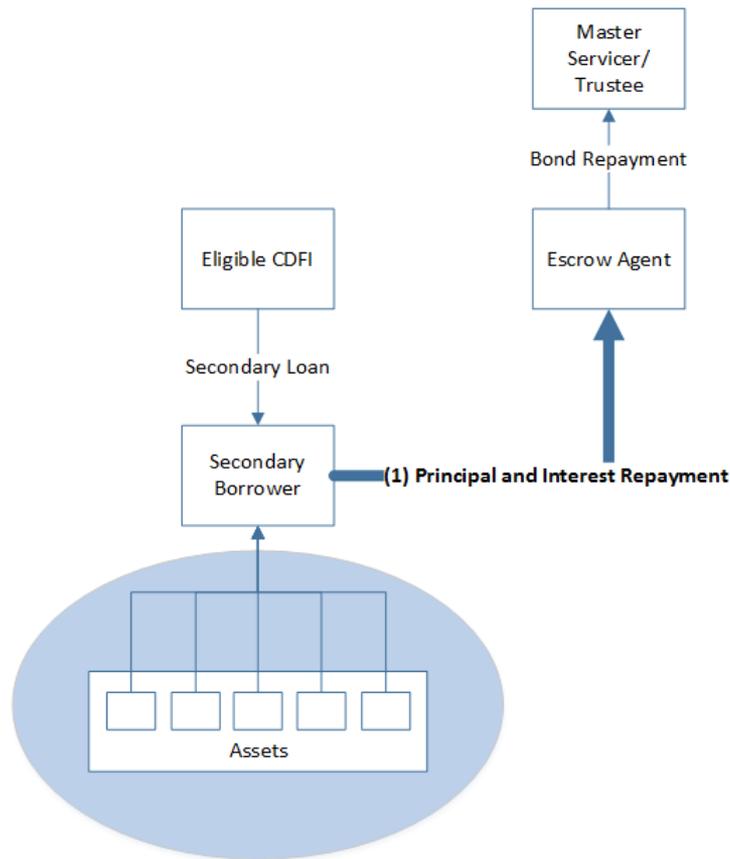


- Introduction and Overview
- Program Requirements, Structure, and Participants
- AFS Requirements
- AFS Guarantee Application & Evaluation Process
- Application and Closing Timeline
- **CDFI to CDFI Lending**
- Case Study
- AFS Term

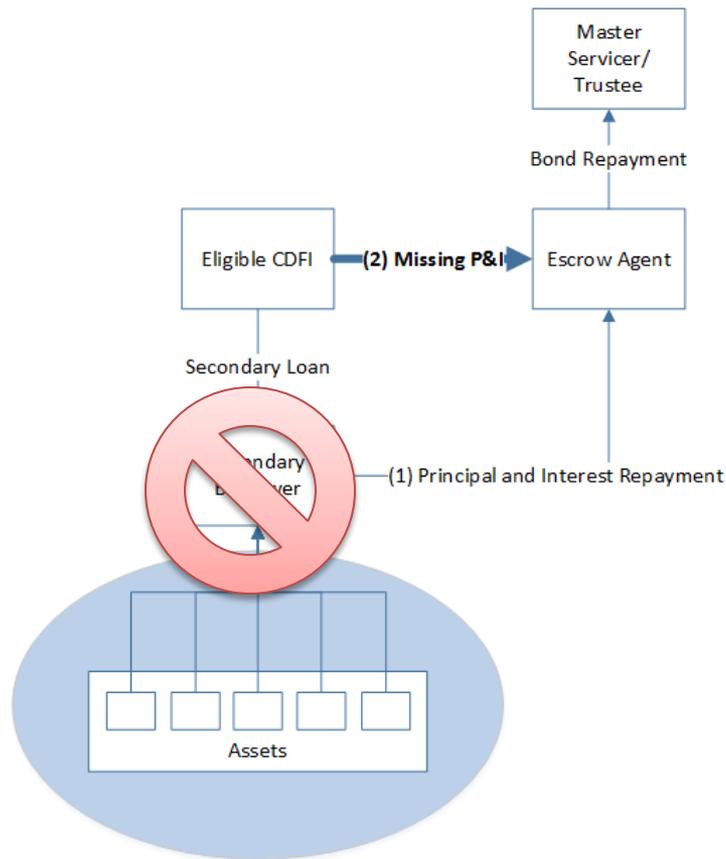
Secondary Loan: Basic Structure



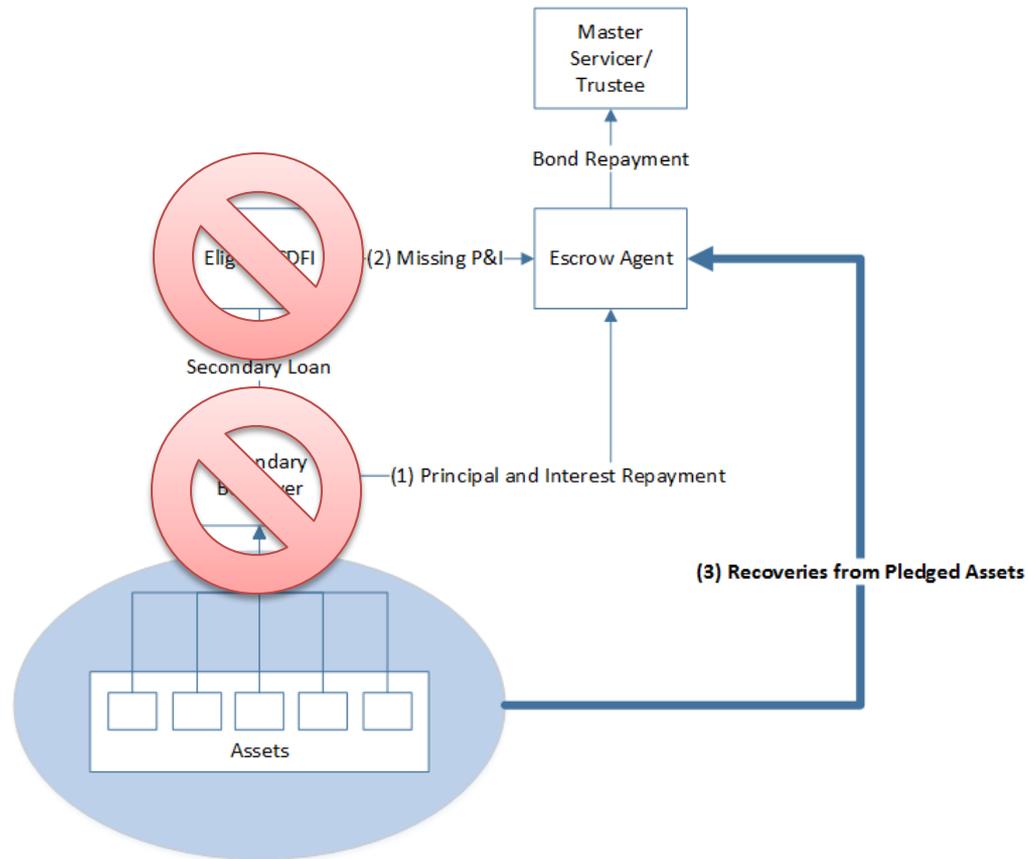
Basic Structure: First Source of Repayment



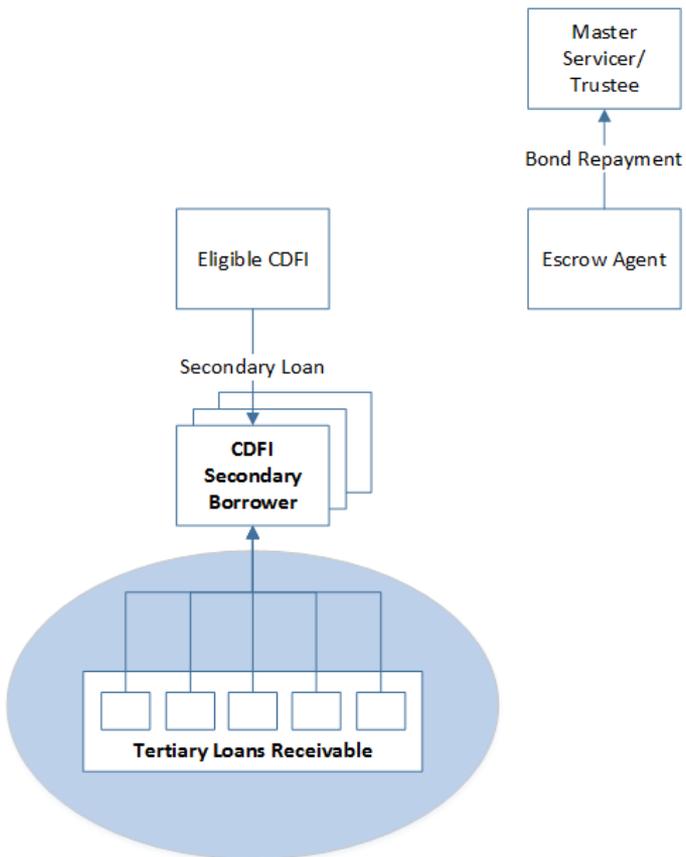
Basic Structure: Second Source of Repayment



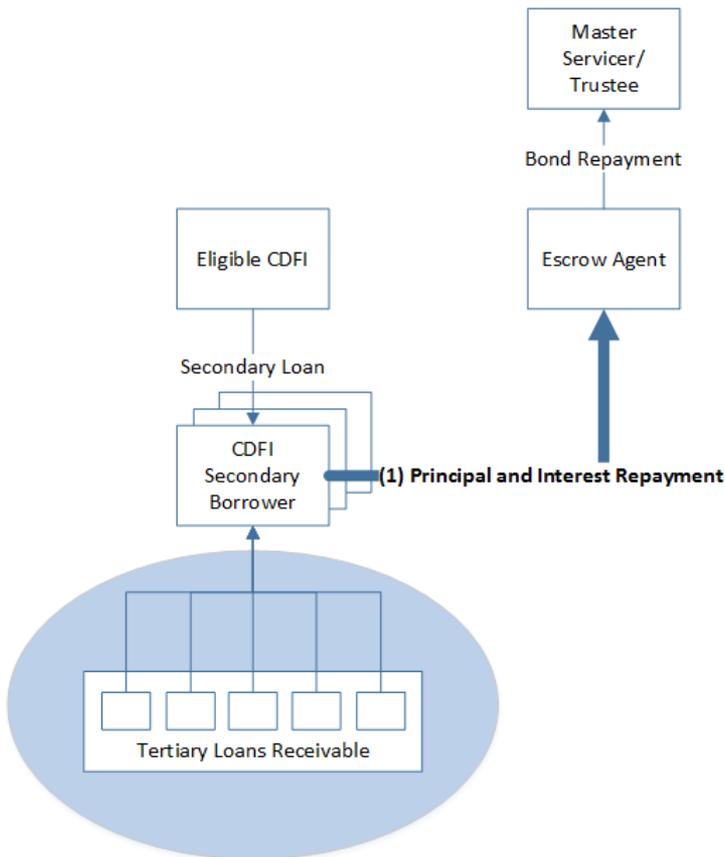
Basic Structure: Third Source of Repayment



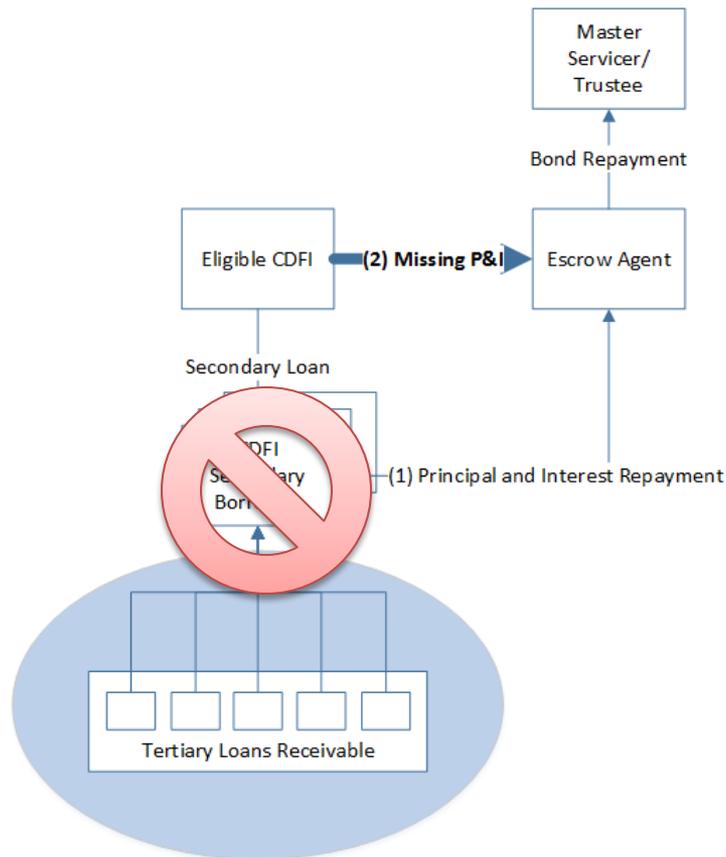
CDFI to CDFI Lending Secondary Loans



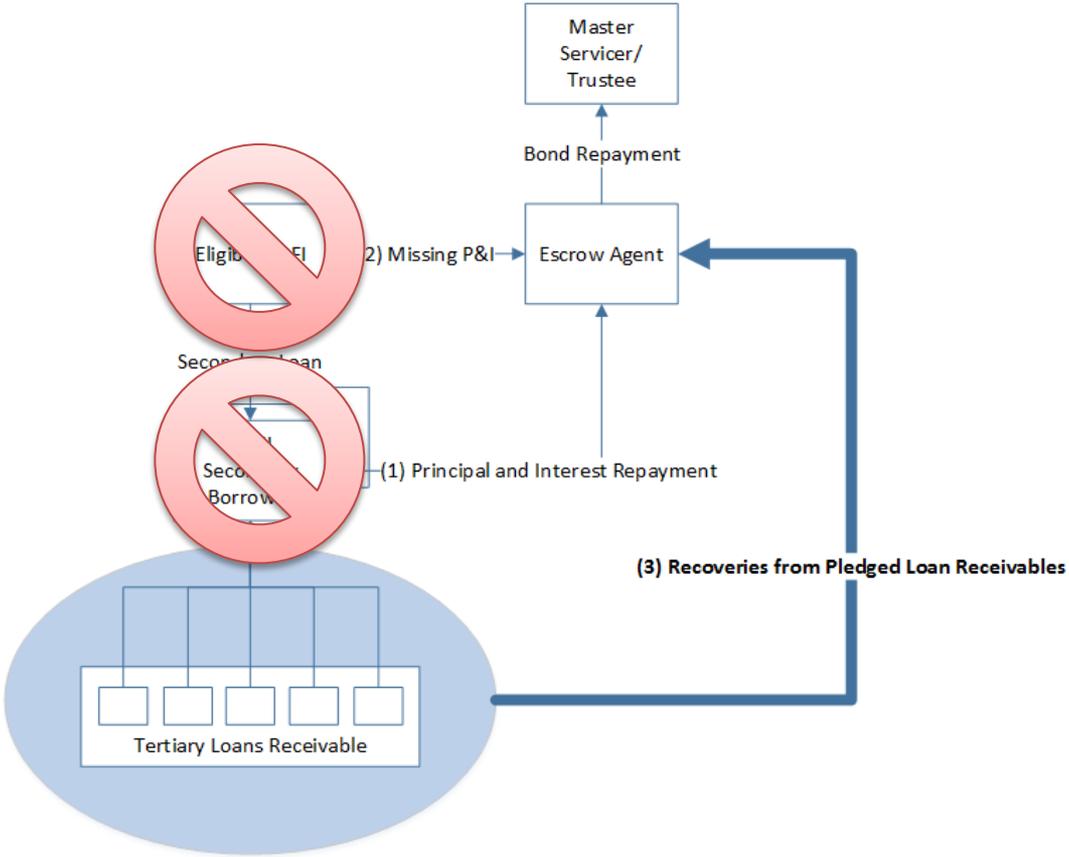
CDFI to CDFI Lending: First Source of Repayment



CDFI to CDFI Lending: Second Source of Repayment



CDFI to CDFI Lending: 3rd Source of Repayment



Secondary Loan Requirements : CDFI to CDFI Lending



Proposed requirements:

- Loan Receivables pledged as collateral for CDFI to CDFI lending (tertiary loans) are subject to 80% LTV requirement.
 - \$125 in tertiary loans must be pledged to meet 80% LTV requirement for a \$100 CDFI to CDFI Lending Secondary Loan.
- Tertiary loans must fulfill the following requirements:
 - Be secured by an acceptable form of collateral as indicated on the Secondary Loan Requirements, but may not be secured by another loan receivable;
 - Be perfected by a senior lien position on underlying collateral
- Tertiary loans are not required to meet the same LTV requirements as Secondary Loans.

CDFI to CDFI Lending: Sample UCC-1



UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional) Attorney for Qualified Issuer
B. E-MAIL CONTACT AT FILER (optional) Email Address of Attorney for Qualified Issuer
C. SEND ACKNOWLEDGMENT TO: (Name and Address) Attorney for Qualified Issuer

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME Eligible CDFI (i.e., the AFS)				
OR	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME THE BANK OF NEW YORK MELLON				
OR	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

4. COLLATERAL: This financing statement covers the following collateral:
See Exhibit A annexed hereto and made a part hereof.

Secondary Loan Requirements : CDFI to CDFI Lending



Sample of Exhibit A (Description of Collateral) for UCC-1:

- Any and all loan documents entered into by and between the Debtor and Secondary Borrower in connection with a Secondary Loan.
- Any and all real property securing a Secondary Loan.
- Any and all personal property and fixtures securing a Secondary Loan.
- Any and all payments, accounts, revenues, funds, receivables (including Secondary Loan Receivables), proceeds and income streams, known and unknown at this time, received by or due and owing to the Debtor from a Secondary Borrower, arising from, related to, or in any way connected, directly or indirectly, with the Debtor's making of a Secondary Loan.
- Aforementioned clauses are also applicable to the Other Pledged Loans.

Agenda



- Introduction and Overview
- Program Requirements, Structure, and Participants
- AFS Requirements
- AFS Guarantee Application & Evaluation Process
- Application and Closing Timeline
- CDFI to CDFI Lending
- **Case Study**
- AFS Term Sheet

AFS Case Study: Community AFS



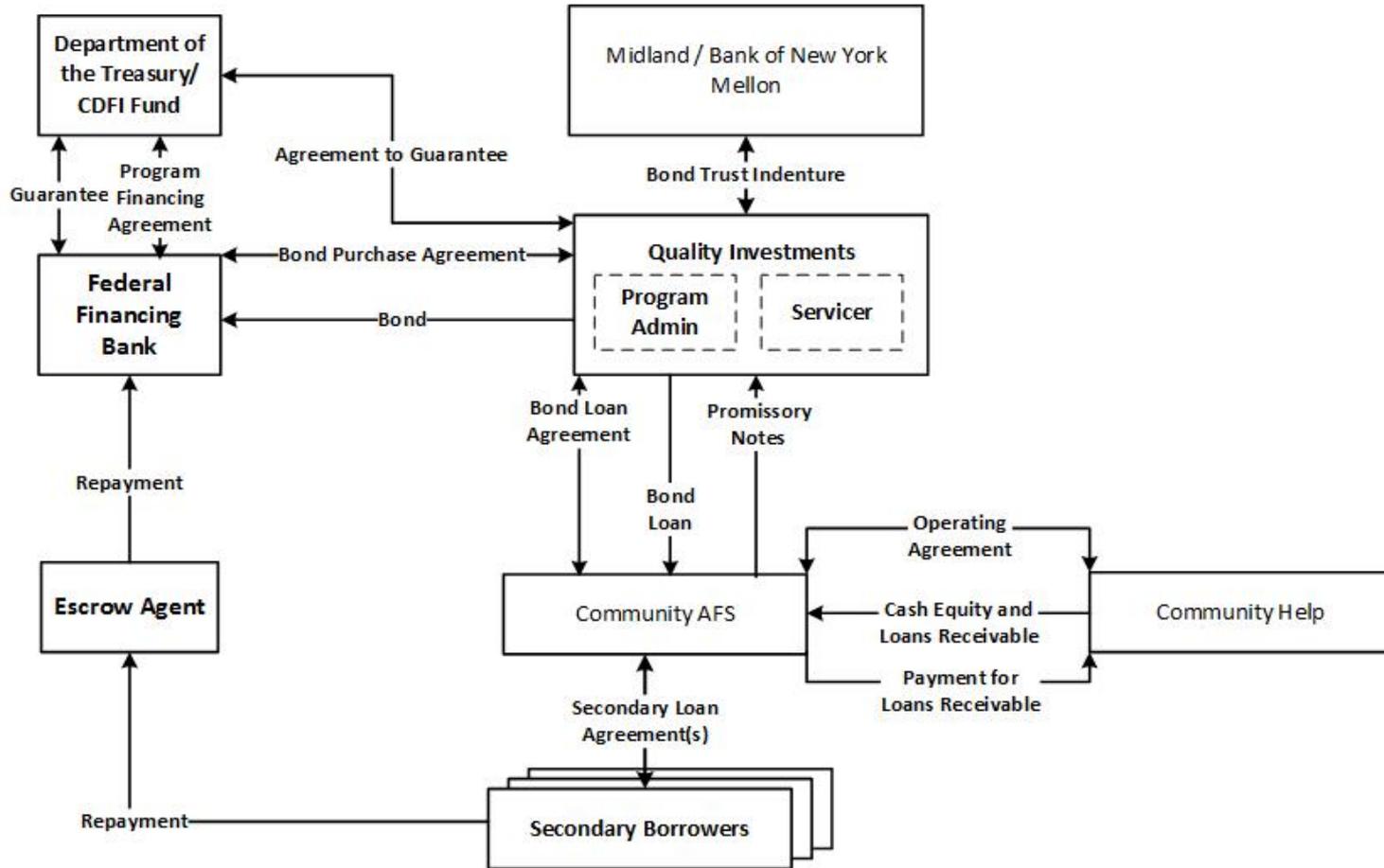
For this case study, a certified CDFI, Community Help, establishes an AFS and applies to the CDFI Bond Guarantee Program. Community Help is the sole Controlling CDFI in the AFS transaction versus Community Help participating under the current CDFI Bond Guarantee Program structure as an Eligible CDFI.

The following parties are involved:

- **Master Servicer/Trustee:** Midland (Servicer) and Bank of New York Mellon (Trustee)
- **Qualified Issuer:** Quality Investments*
- **Controlling CDFI:** Community Help*
- **AFS:** Community AFS*

* Fictitious parties for the purposes of this presentation.

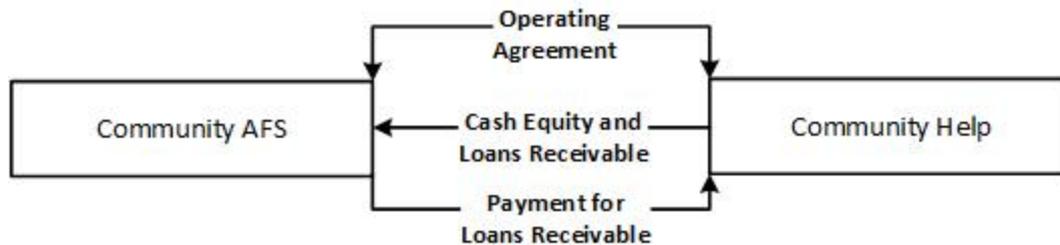
Community AFS Structure



Community AFS Certification



- On May 5, 2015, Community AFS submitted a CDFI Certification application.
- Prior to CDFI certification application, Community Help:
 - Received board approval to establish an affiliate and to capitalize the affiliate based on the CDFI Bond Guarantee Program requirements;
 - Developed and filed incorporation documents; and
 - Established an Operating Agreement between Community Help and Community AFS.



Community AFS Operating Agreement



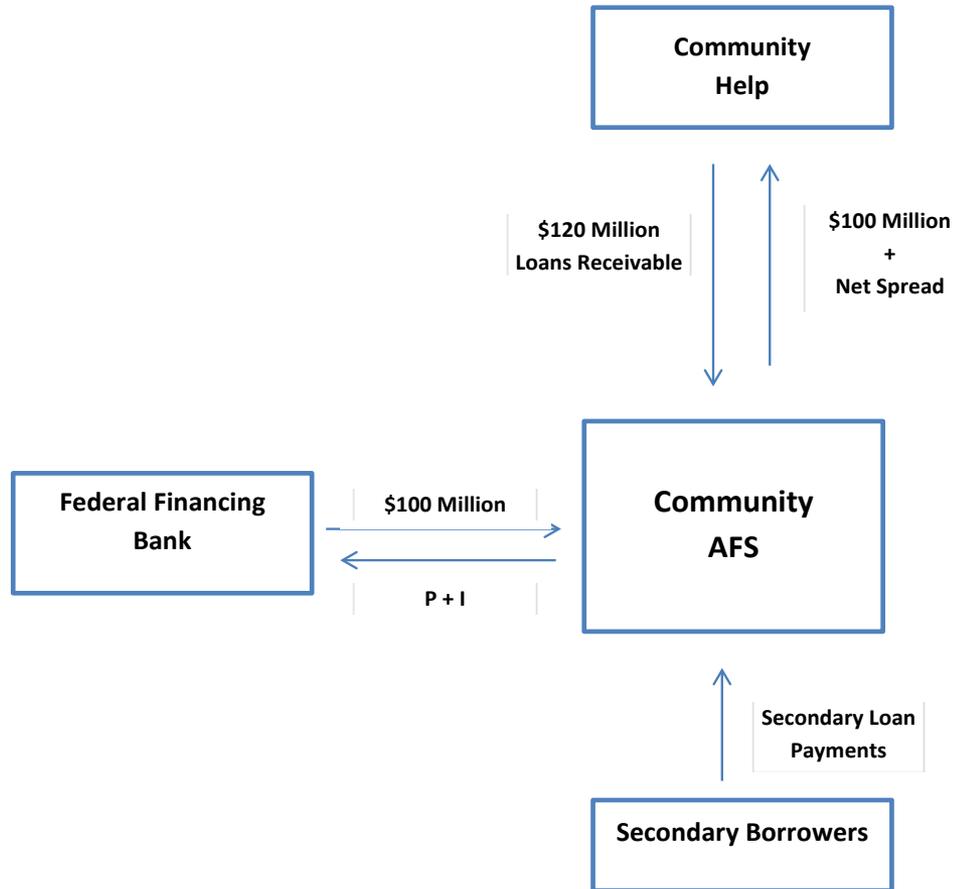
- The Operating Agreement between Community Help and Community AFS detailed the following terms:
 - The Operating Agreement will stay in place for the term, 30 years, of the Bond Issue;
 - Community Help will manage all financial management, governance, record keeping, insurance, treasury services, accounting, human resources and staffing, legal, and marketing activities required for Community AFS.
 - Community Help will receive a 1% Operating and Management Fee of the Outstanding Principal Balance of the Bond Loan.

Community AFS Capitalization



- Community AFS has the following proposed capital stack to support the \$100 million Bond Loan:
 - Pledged Secondary Loan Receivables of \$100 million and additional pledged loan receivables of \$20 million from Community Help for 120% overcollateralization from Community Help.
 - Secondary Loans Receivable will follow four defined asset classes: Commercial Real Estate (25%), Charter Schools (25%), Rental Housing (25%), and Healthcare Facilities(25%).
 - Cash Equity of 2% (\$2 million) contributed by Community Help to fund a Bond Loan Reserve. Cash Equity financed at the disbursement of the Bond Loan proceeds.
- Community Help would also provide the separate statutory Risk-Share Pool of 3% (up to \$3 million) to be financed at the disbursement of Bond Loan proceeds and maintained until the maturity of the Bond Loan.

Community AFS Structure



Community AFS Covenants



- Community AFS will loan no more than [5]% of its assets to any single borrower and no more than [30]% of its assets to any single Asset Class.
- Community AFS will remain 120% overcollateralized for the term of the Bond Issue.
- Substitution of loans may be used to comply with the required overcollateralization. Secondary Loans or Pledged Loans replacing non-performing collateral must be of equal or greater value and demonstrate no more than 2 delinquencies in payment of debt service of greater than 30 days over the 2 immediate prior fiscal years.

Community AFS Application Materials: Pro-forma Financials



- Pro-forma financial statements estimate what the financial statements of Community AFS would look like if it were in operation.
- Historical financial statements from Community Help were used to develop pro-forma financial statements for Community AFS.

Community AFS Pro-forma Financials Formulation



- Community AFS used the following assumptions to build the pro-forma financials:
 - Principal and interest received on pledged loan receivables, with interest rate of 6.5%
 - Interest earned on cash reserves: 25 basis points
 - Revenues from pledged loan receivables are received on a monthly basis
 - To estimate the effect of potential delinquent and nonperforming loans, a 4% haircut is applied to revenues (principal and interest receivable) earned on pledged loan receivables.
 - To estimate the effect of delayed payments, a 45 day lag was applied to revenues earned on pledged loan receivables.

Community AFS Pro-forma Financials Formulation



- To estimate expenses, the following expenses were included:
 - Bond Loan Interest of 3.4%
 - Income Tax of 30%
 - Fees:
 - Upfront Bond Issuance Fees: \$200,000
 - Disbursement Fees: \$2,000 per disbursement
 - Master Servicer/Trustee Fees: 16 basis points (\$6,000 minimum annual)
 - QI fees (Servicing): 11 basis points
 - QI fees (Program Admin): 20 basis points
 - Eligible CDFI (ECDFI) Servicer Fee: 25 basis points
 - CDFI Fund Admin Fee: 10 basis points
 - Escrow Agent and Custodian Fees: \$55,000
 - Operating and Management Fees to Community Help: 1%

Community AFS Pro-Forma Financials



AFS - Balance Sheet 04.24.15 Sample AFS Model	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024	11 2025	12 2026	13 2027	14 2028
<i>\$ in 000s</i>														
ASSETS														
Current Assets														
Cash	\$ -	\$ -	\$ -	\$ -	\$ 688.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Reserve	675.7	1,840.3	2,820.9	3,977.4	4,484.6	4,335.1	4,180.4	4,020.4	3,854.8	3,683.6	3,506.4	3,323.1	3,133.5	2,937.3
Risk-Share Pool Reserve	1,500.7	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Accounts Receivable	95.0	696.7	1,149.8	1,149.8	1,149.8	1,146.6	1,149.8	1,149.8	1,149.8	1,146.6	1,149.8	1,149.8	1,149.8	1,146.6
Prepaid Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	2,271.3	5,537.0	6,970.7	8,127.2	9,322.3	8,481.7	8,330.2	8,170.1	8,004.6	7,830.2	7,656.2	7,472.9	7,283.2	7,083.9
Non-Current Assets														
Closing Costs- Beginning Balance	204.0	197.2	194.3	187.3	180.4	173.5	166.5	159.6	152.7	145.7	138.8	131.9	124.9	118.0
Additions to	-	4.0	-	-	-	-	-	-	-	-	-	-	-	-
Closing Cost Amortization	(6.8)	(6.9)	(6.9)	(6.9)	(6.9)	(6.9)	(6.9)	(6.9)	(6.9)	(6.9)	(6.9)	(6.9)	(6.9)	(6.9)
Closing Costs- Ending Balance	197.2	194.3	187.3	180.4	173.5	166.5	159.6	152.7	145.7	138.8	131.9	124.9	118.0	111.1
Secondary Loan Portfolio- Beginning Balance	-	59,938.8	118,705.4	116,920.3	114,992.6	112,913.0	110,671.4	108,257.3	105,659.2	102,865.3	99,862.5	96,637.3	93,174.9	89,459.8
Additions to (from)	60,026.9	59,973.1	-	-	-	-	-	-	-	-	-	-	-	-
Principal Repayments	(88.1)	(1,206.5)	(1,785.1)	(1,927.7)	(2,079.7)	(2,241.8)	(2,414.1)	(2,598.0)	(2,794.0)	(3,002.8)	(3,225.3)	(3,462.4)	(3,715.1)	(3,984.3)
Secondary Loan Portfolio- Ending Balance	59,938.8	118,705.4	116,920.3	114,992.6	112,913.0	110,671.4	108,257.3	105,659.2	102,865.3	99,862.5	96,637.3	93,174.9	89,459.8	85,475.5
Total Non-Current Assets	60,136.0	118,899.7	117,107.6	115,173.0	113,086.4	110,837.9	108,416.9	105,811.9	103,011.0	100,001.3	96,769.1	93,299.8	89,577.8	85,586.5
TOTAL ASSETS	62,407.3	124,436.7	124,078.3	123,300.2	122,408.8	119,319.6	116,747.0	113,982.1	111,015.6	107,831.5	104,425.3	100,772.7	96,861.1	92,670.5
LIABILITIES														
Current Liabilities														
Accounts Payable	29.1	102.2	144.4	140.3	136.1	131.3	127.1	122.4	117.6	112.2	107.3	102.0	96.4	90.4
Accrued Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes Payable	-	188.7	472.0	487.7	504.0	520.4	536.9	553.9	571.6	589.8	608.6	628.1	648.3	669.2
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	29.1	290.9	616.4	628.0	640.1	651.8	664.0	676.4	689.1	702.0	716.0	730.1	744.7	759.6
Long-Term Liabilities														
QI Bond Debt- Beginning Balance	-	49,847.3	98,076.2	95,375.6	92,581.7	89,691.3	86,701.0	83,607.6	80,407.2	77,096.4	73,671.2	70,127.7	66,461.9	62,669.5
Additions to (from)	50,022.4	49,977.6	-	-	-	-	-	-	-	-	-	-	-	-
Principal Repayments	(175.1)	(1,748.7)	(2,700.6)	(2,793.9)	(2,890.4)	(2,990.2)	(3,093.5)	(3,200.3)	(3,310.8)	(3,425.2)	(3,543.5)	(3,665.8)	(3,792.4)	(3,923.4)
QI Bond Debt- Ending Balance	49,847.3	98,076.2	95,375.6	92,581.7	89,691.3	86,701.0	83,607.6	80,407.2	77,096.4	73,671.2	70,127.7	66,461.9	62,669.5	58,746.1
Total Long-Term Liabilities	49,847.3	98,076.2	95,375.6	92,581.7	89,691.3	86,701.0	83,607.6	80,407.2	77,096.4	73,671.2	70,127.7	66,461.9	62,669.5	58,746.1
TOTAL LIABILITIES	49,876.5	98,367.2	95,992.0	93,209.7	90,331.4	87,352.8	84,271.6	81,083.6	77,785.5	74,373.2	70,843.7	67,192.0	63,414.2	59,505.6
Owner's Equity														
Capital Contributions	12,592.6	25,629.2	26,544.7	27,411.0	28,221.7	28,970.3	29,649.7	30,252.0	30,768.9	31,191.3	31,509.5	31,713.0	31,790.3	31,729.4
Net Income	(61.8)	502.1	1,101.3	1,138.0	1,176.1	1,214.4	1,252.8	1,292.5	1,333.8	1,376.2	1,420.1	1,465.7	1,512.7	1,561.5
Distributions	-	-	-	-	-	(2,073.6)	(1,423.5)	(1,471.8)	(1,518.9)	(1,570.4)	(1,615.1)	(1,670.0)	(1,723.9)	(1,782.6)
Retained Earnings	-	(61.8)	440.3	1,541.6	2,679.6	3,855.7	2,996.5	2,825.7	2,646.4	2,461.2	2,267.0	2,072.1	1,867.7	1,656.5
Total Capital	12,530.8	26,069.5	28,086.4	30,090.5	32,077.4	31,966.8	32,475.4	32,898.4	33,230.1	33,458.3	33,581.6	33,580.7	33,446.9	33,164.8
TOTAL LIABILITIES AND CAPITAL	62,407.3	124,436.7	124,078.3	123,300.2	122,408.8	119,319.6	116,747.0	113,982.1	111,015.6	107,831.5	104,425.3	100,772.7	96,861.1	92,670.5

Community AFS Pro-Forma Financials, cont.



AFS - Cash Flow Waterfall													
04.24.15 Sample AFS Model													
	2	3	4	5	6	7	8	9	10	11	12	13	14
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
\$ in 000s													
Revenue													
Secondary Loan Debt Service	5,666.4	9,326.0	9,326.0	9,326.0	9,326.0	9,326.0	9,326.0	9,326.0	9,326.0	9,326.0	9,326.0	9,326.0	9,326.0
Total Revenue	5,666.4	9,326.0											
Change in Working Capital	(528.6)	(410.9)	(4.1)	(4.2)	(1.6)	(7.3)	(4.7)	(4.9)	(2.2)	(8.0)	(5.4)	(5.6)	(2.9)
Income Tax Paid	-	(188.7)	(472.0)	(487.7)	(504.0)	(520.4)	(536.3)	(553.3)	(571.6)	(583.8)	(608.6)	(628.1)	(648.3)
MSIT Fee	(93.4)	(154.6)	(150.2)	(145.6)	(140.3)	(136.1)	(131.0)	(125.8)	(120.4)	(114.8)	(109.0)	(103.1)	(96.3)
Net Cash Flow Before QI Bond Debt Service	5,038.3	8,571.7	8,699.7	8,688.4	8,679.4	8,662.1	8,653.3	8,641.4	8,631.8	8,613.3	8,602.9	8,589.2	8,577.9
QI BOND LOAN													
Beginning Balance	43,947.3	38,076.2	35,375.6	32,581.7	29,691.3	26,701.0	23,607.6	20,407.2	17,096.4	13,671.2	10,127.7	6,461.9	2,663.5
Disbursements	43,977.6	-	-	-	-	-	-	-	-	-	-	-	-
Principal	1,748.7	2,700.6	2,793.9	2,890.4	2,990.2	3,093.5	3,200.3	3,310.8	3,425.2	3,543.5	3,665.8	3,792.4	3,923.4
Interest	1,975.6	3,292.8	3,193.5	3,103.0	3,003.2	2,899.9	2,793.1	2,682.6	2,568.2	2,443.9	2,327.6	2,201.0	2,070.0
Scheduled Debt Service	3,724.3	5,993.4											
Ending Balance	38,076.2	35,375.6	32,581.7	29,691.3	26,701.0	23,607.6	20,407.2	17,096.4	13,671.2	10,127.7	6,461.9	2,663.5	58,746.1
Debt Service Coverage Ratio (DSCR)	1.35x	1.43x	1.45x	1.45x	1.45x	1.45x	1.44x	1.44x	1.44x	1.44x	1.44x	1.43x	1.43x
Minimum													
Average													
MAQS													
Closing Costs and Disbursement Fees													
Upfront QI Legal and Structuring Fees													
Upfront Structuring Fee													
Upfront CDFI Legal Fee													
Collateral Certification - Per Loan	2.2	-	-	-	-	-	-	-	-	-	-	-	-
Draw Request	1.8	-	-	-	-	-	-	-	-	-	-	-	-
Total Closing Costs and Disbursement Fees	4.0												
Net Cash Flow After QI Bond Debt Service and Fees	1,310.1	2,578.3	2,706.3	2,695.0	2,686.0	2,668.7	2,659.9	2,648.0	2,638.4	2,619.9	2,609.5	2,595.8	2,584.5
QI and CDFI Fund Fees													
QI Fees (Program Admin)	124.2	193.2	187.7	182.0	176.2	170.1	163.8	157.2	150.5	143.5	136.3	128.8	121.1
QI Fees (Servicing)	65.2	101.5	98.6	95.6	92.5	89.3	86.0	82.6	79.0	75.3	71.6	67.6	63.6
ECDFI Servicer Fee	155.3	241.6	234.7	227.6	220.2	212.6	204.7	196.6	188.1	179.4	170.4	161.0	151.4
CDFI Fund Fee	62.1	96.6	93.9	91.0	88.1	85.0	81.9	78.6	75.3	71.8	68.2	64.4	60.6
Escrow Agent Fee and Custodian Fee	1.4	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total QI and CDFI Fund Fees	408.3	635.1	617.0	598.4	579.1	559.2	538.5	517.2	495.1	472.2	448.6	424.1	398.8
AFS Operating and Management Fees	739.6	967.3	939.8	911.4	882.0	851.5	820.1	787.5	753.8	719.0	682.9	645.7	607.1
Net Cash Flow After QI Bond Debt Service, Fees and Ex	162.2	976.0	1,149.4	1,185.2	1,224.9	1,258.0	1,301.3	1,343.3	1,389.5	1,428.7	1,478.0	1,526.0	1,578.6
Net Cash Flow	-	-	-	688.0	1,385.6	1,423.5	1,471.8	1,518.9	1,570.4	1,615.1	1,670.0	1,723.9	1,782.6
Risk-Share Pool Reserve													
Beginning Balance	1,500.7	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Cash Injection (3.00% of QI Bond Disbursements)	1,499.3	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Reserve (0%)	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Beginning Annual Cumulative Cash Balance	-	-	-	-	688.0	-	-	-	-	-	-	-	-
Net Cash Flow	-	-	-	688.0	1,385.6	1,423.5	1,471.8	1,518.9	1,570.4	1,615.1	1,670.0	1,723.9	1,782.6
Equity (Distribution)	-	-	-	-	(2,073.6)	(1,423.5)	(1,471.8)	(1,518.9)	(1,570.4)	(1,615.1)	(1,670.0)	(1,723.9)	(1,782.6)
Ending Annual Cumulative Cash Balance	-	-	-	688.0	-	-	-	-	-	-	-	-	-
Equity Cash Flow													
Pre-tax Cash Flow to Equity	\$ (2,498.9)	\$ -	\$ -	\$ -	\$ 2,073.6	\$ 1,423.5	\$ 1,471.8	\$ 1,518.9	\$ 1,570.4	\$ 1,615.1	\$ 1,670.0	\$ 1,723.9	\$ 1,782.6
Cumulative Cash Flow	\$ (5,000.0)	\$ (5,000.0)	\$ (5,000.0)	\$ (5,000.0)	\$ (2,926.4)	\$ (1,502.9)	\$ (31.1)	\$ 1,487.8	\$ 3,058.2	\$ 4,673.2	\$ 6,343.2	\$ 8,067.2	\$ 9,849.7
Pre-tax Return on Equity													

Community AFS Inflows and Outflows



Inflows	Year 2	Year 12	Year 22
Secondary Loan Repayment (P&I)	\$5,666,400	\$9,326,000	\$6,000,900
Outflows	Year 2	Year 12	Year 22
Bond Loan Repayment (P&I)	\$3,724,300	\$5,993,400	\$3,707,700
Master Servicer/Trustee Fee	\$99,400	\$109,000	\$43,200
Agency Admin Fee	\$62,100	\$68,200	\$27,000
Qualified Issuer Fees	\$189,500	\$207,900	\$82,300
Management Fees	\$739,600	\$682,900	\$271,000
Servicing Fee	\$155,300	\$170,400	\$67,500
Income Tax	\$188,700	\$628,100	\$539,100
Cash Reserves	\$507,500	\$0	\$0
Total Outflows	\$5,666,400	\$7,859,900	\$4,737,800
Distribution to Community Help	\$0	\$1,466,100	\$1,263,100

Agenda



- Introduction and Overview
- Program Requirements, Structure, and Participants
- Purpose of AFS
- AFS Requirements
- AFS Guarantee Application & Evaluation Process
- Application and Closing Timeline
- CDFI to CDFI Lending
- Case Study
- AFS Term Sheet

Closing Remarks: Final Questions?

