



**WE BELIEVE
IN OPPORTUNITY.
FOR ALL.**

2015 CDFI Bond Guarantee Program

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- \$750 million of Guarantee Authority for Bonds with maturities of up to 29.5 years.
- Guarantee Applications due by June 12
- Bonds and Guarantees must close by September 30.

Guarantee Applications

- Each Bond Guarantee is for a minimum of \$100 million.
- Minimum participation per CDFI is \$10 million; CDFIs may pool together to aggregate to \$100 million or more.
- Qualified Issuers (QI) apply for and issue Bonds on behalf of Eligible CDFIs; after issuance, QIs administer Bond draws, manage collateral, and ensure compliance.

Bond Basics

- Bonds are general recourse obligations and must be secured by loan receivables that meet BGP requirements
- Bond borrowings must amortize and can be for different terms of up to 29.5 years with different fixed rates
- CDFIs must make equal monthly debt service payments consisting of principal and interest

Bond Basics

- Most practical use of proceeds are for real estate lending, including
 - Affordable multi-family and home mortgages
 - Community facilities
 - Commercial real estate
 - Healthcare facilities
 - Owner-occupied buildings

- Construction Lending is NOT permissible.

Bond Basics

- CDFIs must pledge secondary loans with sufficient cash flow to repay bond

- Eligible forms of collateral include
 - Real Estate (maximum of 80% LTV)
 - Owner occupied homes (90% LTV)
 - Cash, letters of credit (100% LTV)
 - Fixtures, equipment, machinery (40% LTV)
 - Accounts Receivable (80% LTV)

Bond Pricing

- Each borrowing has an Interest Rate comprised of
 - Base Rate (based on US Treasury, inclusive of liquidity premium)
 - Administration and Servicing Fees
- Today, base rates (w/liquidity premium) approximate
 - 2.55% for 30 year borrowings
 - 2.40% for 20 year borrowings
 - 1.92% for 10 year borrowings
- Fees approximate 50—100 bps p.a.

What's New in 2015

- From the origins of the BGP, OFN has led industry efforts to make the Program work better and work for more CDFIs.
- The 2015 Notice of Guaranty Authority introduces a mechanism that we believe could give more flexibility to CDFIs and allow more CDFIs to benefit from the long term, affordable debt made available through the BGP.

What's New in 2015?

The Alternative Financing Structure (AFS)

Alternative Financing Structure

- Newly Formed Affiliates (NFA) of existing certified CDFIs may apply for certification for the sole purpose of participating as a borrower under the Bond Guarantee Program (BGP).
- The NFA could borrow without recourse (or with limited recourse) to the controlling CDFI, allowing CDFIs to segregate bond borrowings from other, likely unsecured, creditors.
- The Newly Formed and Certified CDFI must be deemed credit-worthy in its own right with sufficient net assets and liquidity to adequately service bond indebtedness.

Alternative Financing Structure

- To become certified, the NFA can rely on the financing track record from its Controlling CDFI to meet the "financing entity" test.
- The NFA must meet the "primary mission" and "non-government entity" certification requirements on its own merit.
- The NFA can meet the "development services" and "target market" criteria through an Operating Agreement with the Controlling CDFI.

Alternative Financing Structure

- Certification qualifies the NFA only for BGP participation. To participate in other CDFI Fund programs, the NFA would have to meet the financing entity requirements on its own merits.
- An Operating Agreement must exist between the NFA and its Controlling CDFI providing evidence of control and ownership and details covering governance, management, and operations of the NFA by the Controlling CDFI.

Alternative Financing Structure

- NFA must be certified prior to submission of a Guarantee application
- Deadline for NFA certification is May 22

OFN 2015 BGP Strategy

As Qualified Issuer

- Currently working on two applications
- Welcome others

As Eligible CDFI

- Use the AFS mechanism to borrow and pass on Bond proceeds to Members in amounts of less than \$10 million.

Three Ways to Participate in BGP

- Apply directly as an existing certified CDFI through a Qualified Issuer
- Form a NFA and apply directly using the AFS structure through a Qualified Issuer
- Borrow from OFN if it successfully applies as an Eligible CDFI using the AFS structure

Next Steps

■ Interested in applying directly?

- Contact Cathy Dolan (cdolan@ofn.org) or Robin Odland (rodland@ofn.org)
- Attend CDFI Fund Workshops on April 30 and May 1

■ Interested in borrowing from OFN?

- Complete OFN's Market Demand Survey
- https://www.surveymonkey.com/s/OFN_BGP
- Deadline is Friday, April 17

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Questions?

For more information, contact:

- Cathy Dolan, cdolan@ofn.org
- Robin Odland, rodland@ofn.org