

CDFI Fund Bond Guarantee Program

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CDFI Fund Bond Guarantee Program

Agenda

- Program Overview/Key Characteristics
- Deal Structure
- Eligible Purposes
- Timing Requirements
- Next Steps

Links

- Interim Rule
http://www.cdfifund.gov/docs/2013/bond/BGP_Final_Rule_02052013%20final.pdf
- CDFI Fund Bond Guarantee Program
http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=14

CDFI Fund Bond Guarantee Program

Interim Rule – February 5, 2013

Comments Due – April 8, 2013

Training Sessions – February 2013

Notice of Guarantee Availability, Applications and Document
Templates – TBD

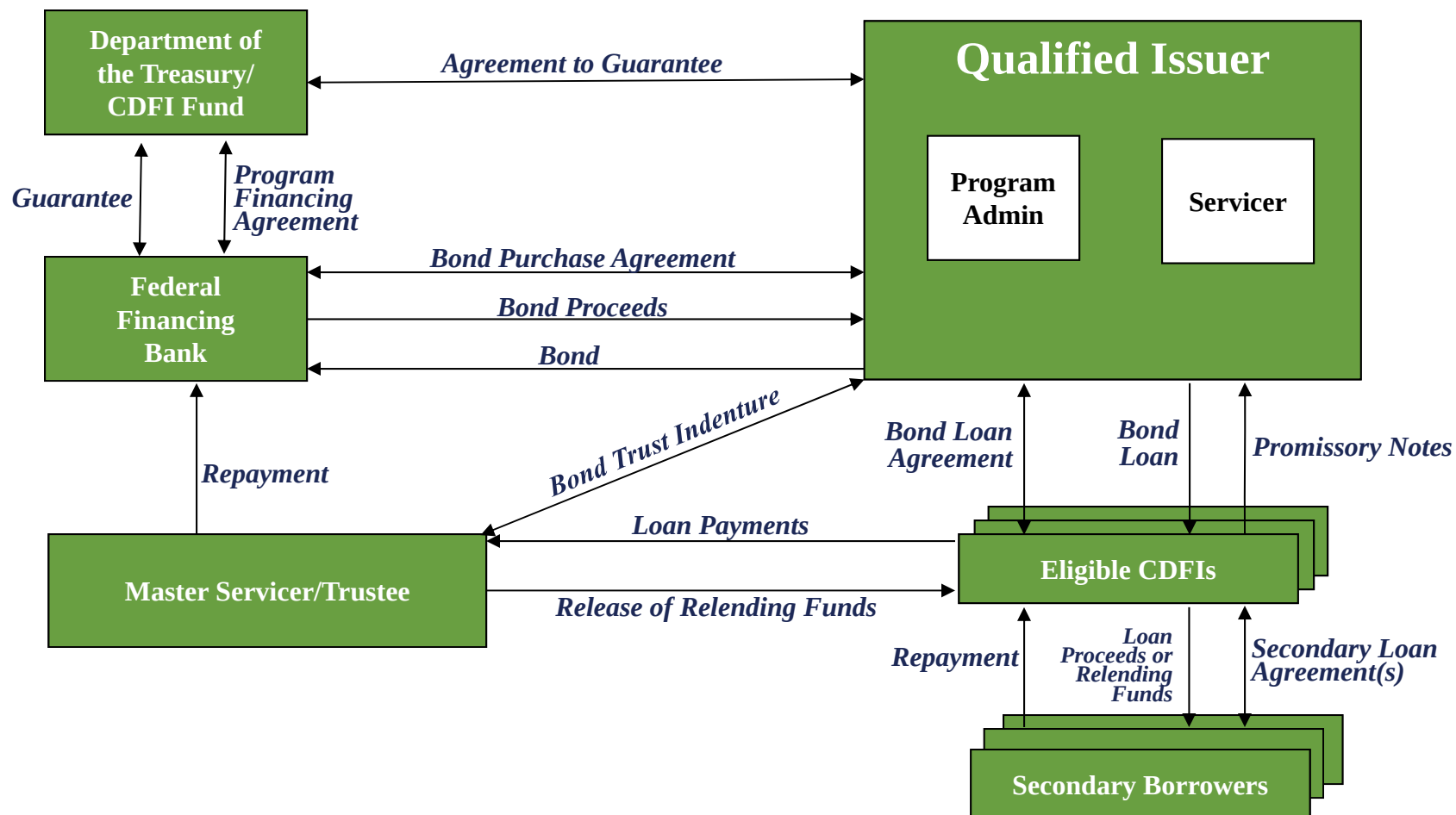
CDFI Fund Bond Guarantee Program

- ▶ Federal Financing Bank will purchase bonds issued by Qualified Issuers
 - ◆ Bonds are 100% guaranteed by the U.S. Department of Treasury
- ▶ Qualified Issuers then loan the Bond Proceeds to Eligible Community Development Financial Institutions (“CDFIs”)
 - ◆ Loan is on a draw-down basis
- ▶ Eligible CDFIs re-loan the funds to Secondary Borrowers
 - ◆ Secondary Borrowers can be CDFIs or any other developer/borrower for eligible community and economic development projects

Key Characteristics

- ▶ Each Bond Issue must be a minimum amount of \$100 million and have a maturity of 30 years or less
- ▶ Each Bond Loan from a Qualified Issuer to an Eligible CDFI 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

CDFI Fund Bond Guarantee Program: Deal Structure



Deal Structure: Key Participants

▶ Federal Financing Bank

- ◆ Agrees to purchase Bonds on the Bond Issue Date
- ◆ Releases Bond Proceeds on a draw-down basis

▶ Department of the Treasury

- ◆ Provides 100% guarantee of the Bonds (Principal, Interest & Call Premiums)

▶ Qualified Issuer

- ◆ Must be:
 - Either a Certified CDFI; or
 - Designee of a Certified CDFI
 - ◆ Issues the Bonds and serves as Program Administrator/Servicer
 - ◆ Loans Bond Proceeds to Eligible CDFIs
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Deal Structure: Key Participants

▶ Eligible CDFI

- ◆ Must be approved by the CDFI Fund and possess financial strength and sound credit attributes (recourse liability)
- ◆ Performs necessary loan underwriting, administration and servicing for Secondary Loans

▶ Secondary Borrower

- ◆ Recipient of a Secondary Loan from an Eligible CDFI

▶ Master Servicer/Trustee

- ◆ Oversees the servicing of the Bond Loans between the Qualified Issuers and the Eligible CDFIs
- ◆ Serves as Trustee – holds Bond and Loan funds and accounts

Eligible Purposes

- ▶ Community and economic development purposes in low-income (no more than 80% area median income) or underserved rural areas:
 - ◆ Commercial facilities that promote revitalization, community stability, or job creation or retention;
 - ◆ Businesses that provide jobs for low-income people or are owned by low-income people; or enhance the availability of products and services to low-income people;
 - ◆ Community facilities;
 - ◆ Providing basic financial services;
 - ◆ Affordable housing;
 - ◆ Charter schools; and
 - ◆ Refinance existing debt originally issued for an Eligible Purpose

Eligible Uses

- ▶ Eligible CDFIs may use Bond Loans to:
 - ◆ Prefund one monthly installment of Bond Loan payments
 - ◆ Pay Bond Issuance Fees
 - Up to 1% of Bond Loan proceeds
 - ◆ Capitalize Loan Loss Reserves
 - Up to 5% of Bond Loan proceeds
- ▶ Repayments due on Secondary Loans in excess of debt service may be used for relending

Interest Rate and Costs

▶ Bond Interest Rate – Fixed Rate:

- Liquidity Spread - Set at Bond Issue Date
- 30-Year Treasury - Set at each disbursement of Bond Proceeds
- Example:
 - ◆ Bond Issue Date on 12/1/2013 – Liquidity Spread .375%
 - ◆ Disbursement on 2/1/2014 – 30-Year Treasury 3.22%
 - ◆ Total Interest Rate – 3.595%

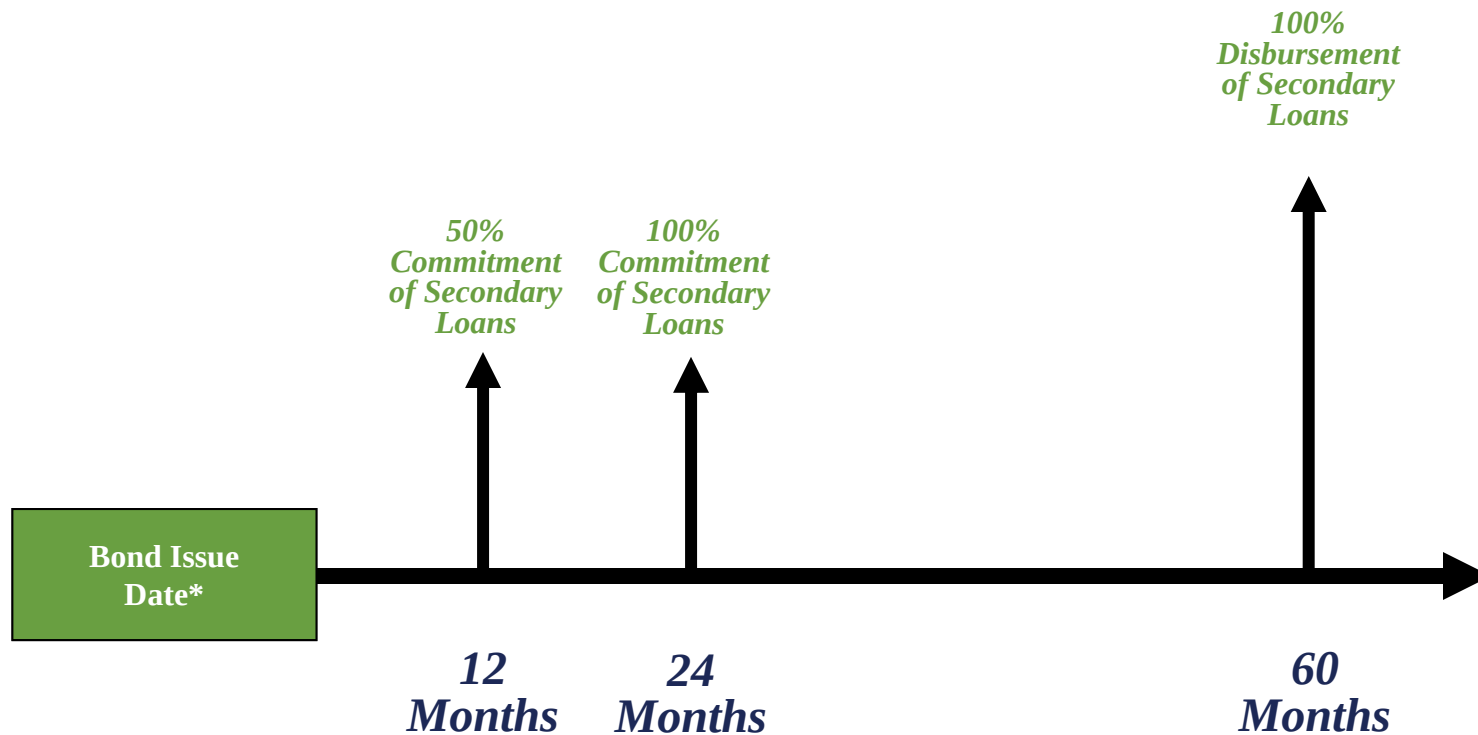
▶ Secondary Loan Interest Rate – Fixed Rate:

- Additional spread set by Eligible CDFIs

▶ Risk-Share Pool – 3% of Bond Loan amount

- Funded at each disbursement
 - Cannot use Bond Loan proceeds
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Bond Issuance: Requirements and Timing



**“Dry closing” of 100 % of a Qualified Issuer’s Bonds and Bond Loans*

What is next?

► Congressional Budgetary Approval

- Publication of the Notice of Guarantee Availability (“NOGA”)
- Qualified Issuer Applications and Guarantee Applications will be accepted following publication of the NOGA
- Guarantee Applications must include comprehensive plan for lending Bond Proceeds

► CDFI Fund must allocate funds for FY 2013 by September 30, 2013, for FY 2014 by September 30, 2014

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