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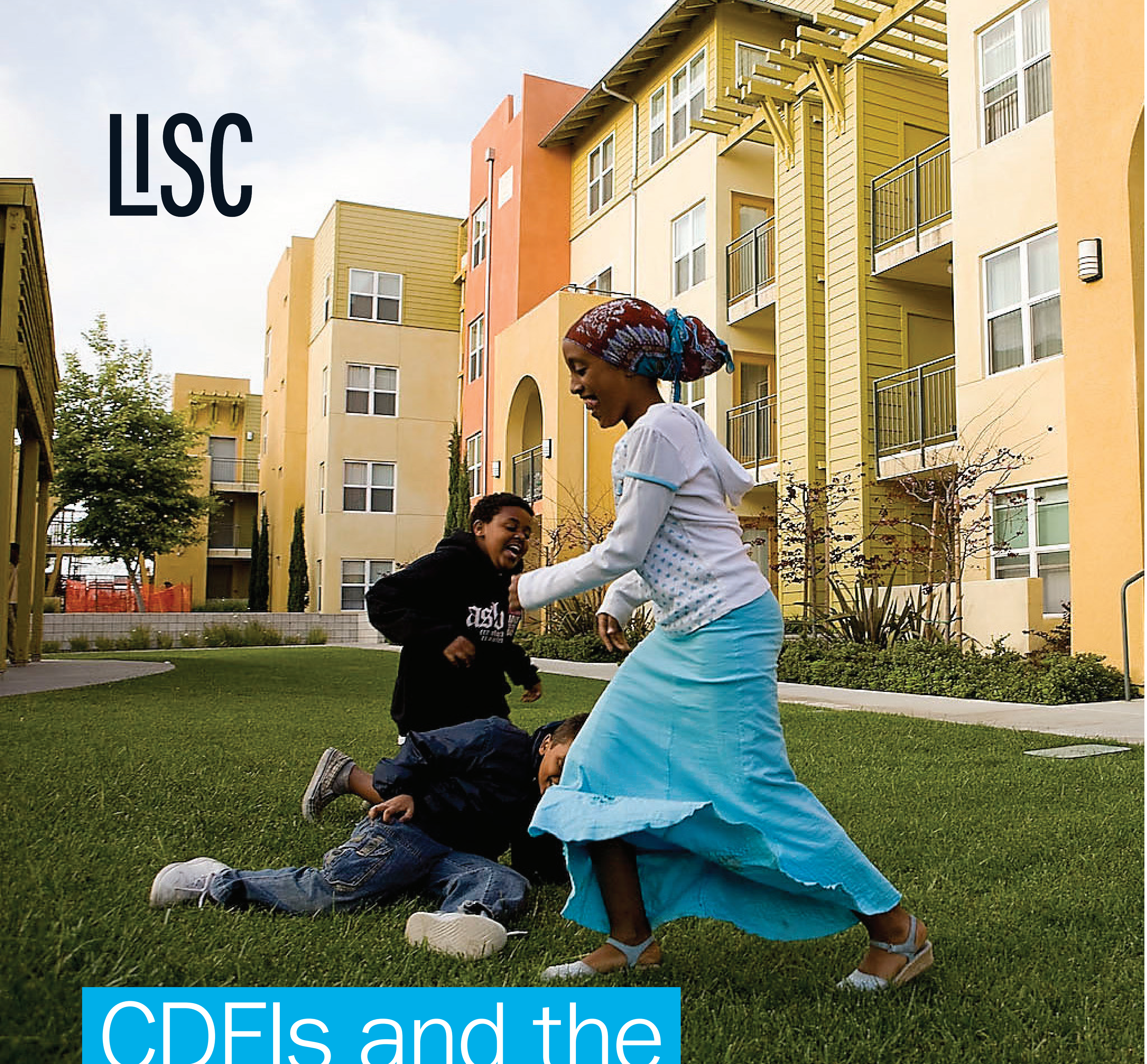

CDFIs and the Capital Markets

Tapping into Impact Investors

Elise Balboni
Anna Smukowski

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Introduction

In December 2017, LISC published a white paper entitled *CDFIs & Impact Investing: An Industry Review*. The paper sought to position the Community Development Financial Institution ("CDFI") industry squarely within the evolving world of impact investing and detailed the industry's initial foray into the capital markets on a rated basis with LISC's $100 million bond issuance in April 2017, Reinvestment Fund's $50 million bond issuance later that month and Capital Impact Partners' launch of a $100 million note program in October 2017.

Much progress has been made in the ensuing three years, with several additional CDFIs accessing the capital markets with rated offerings. This increased access coincided with a period in which environmental, social and governance ("ESG") and impact investments became more mainstream. Issuance prior to the Covid-19 pandemic suggested superior market reception for CDFI bonds positioned within the International Capital Market Association's ("ICMA") Sustainability Bond and United Nations Sustainable Development Goals ("UN SDG") frameworks. This superior reception is likely to be even more pronounced going forward in light of Covid-19's effects on investor demand.

The pandemic's stark disparities in health and economic impact on low-income communities and communities of color have increased demand for impact investments even further and reinforced the need to create more just, equal and sustainable social and economic systems. As Kilian Moote, Director of Humanity United noted, "Covid-19 has exposed how the financial sector has undervalued the importance of social impacts. As we move towards a new normal, capital markets must better factor in the risk of future massive systemic failures. Investors need to understand their role in ensuring that inevitable, future shocks to social systems are not as financially or economically catastrophic as Covid-19 has been."[1]

The markets appear to be doing just that. A pre-Covid February 2020 report by Moody's Investors Service ("Moody's") projected issuance of labeled Green, Social and Sustainability Bonds to hit $400 billion globally in 2020, a 24% increase over the $323 billion issued in 2019. Moody's projected issuance of $300 million in Green Bonds, $25 billion in Social Bonds and $75 billion in Sustainability Bonds.[2] However, the pandemic has changed the makeup of ESG issuance thus far in 2020. In the first quarter, Sustainability and Social Bonds represented 43% of all ESG bond issuance, double the quarterly average over the prior two years.[3] The shift in demand for Social Bonds resulted in $33.1 billion in issuance by the end of April this year, compared to only $6.2 billion through April 2019.[4]

According to Agnès Gourc, Co-Head of Sustainable Finance Markets at BNP Paribas, there is a rebalancing underway, "The crisis has caused a huge shake-up in financial markets and has acted as a big stimulus for social bonds."[5] J.P.Morgan Asset Management notes that "Moving forward, it seems likely that this momentum continues: Social and Sustainability bonds are not only appropriate for providing emergency funding during the pandemic, but also after, as economies are rebuilding and structural changes are occurring. As demand for ESG and Sustainable Investing assets across asset classes continues to grow, we will likely see further interest, adoption and use of Social and Sustainability bonds."[6]

This increased market demand for Social and Sustainability Bonds represents an opportunity for CDFIs to marshal capital resources for continued and enhanced investment in low-income and underserved communities that have been most impacted by Covid-19. However, many investors remain unfamiliar with CDFIs, and the sector is still very much in its infancy. If the CDFI industry is to successfully unlock these flexible new sources of capital for its work, it must be knowledgeable and thoughtful about its approach.

This paper provides a review of rated CDFI bond issuances and note programs to date, details how CDFI offerings have been positioned within the ICMA and UN SDG frameworks, and reviews evolving best practices in disclosure. More comprehensive understanding and analysis in these areas will better position the CDFI industry to tap into the burgeoning impact investing market.

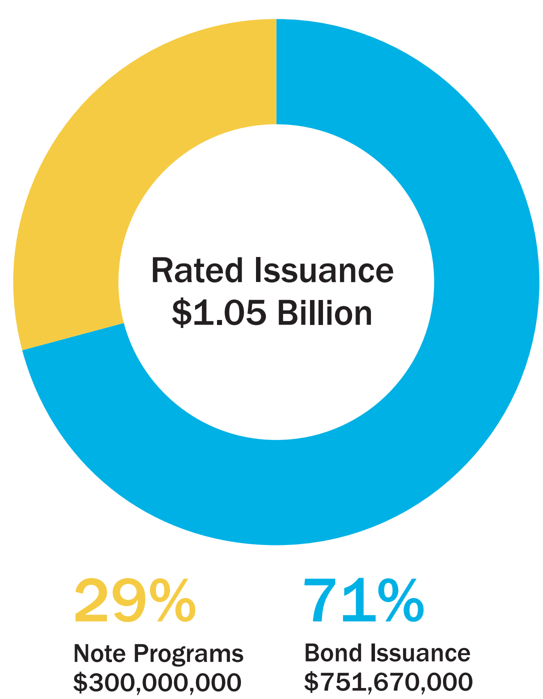
Recognizing that accessing the capital markets on a rated basis may not be an option or an optimal or exclusive choice for every CDFI, the paper also briefly reviews other growing sources of capital for CDFIs, including unrated note programs, the U.S. Treasury's Bond Guarantee Program ("BGP") and the Federal Home Loan Bank System ("FHLB").

Overview of Rated Issuance

CDFIs are intermediaries that depend on third-party capital to provide financing and technical assistance to low-income individuals and communities not adequately served by conventional financing. As discussed in LISC's 2017 white paper, CDFI loan fund capital sources have evolved significantly over the decades, from primarily individual and religious sources as late as the mid-1990s to today's CRA-motivated funding from banks, thrifts and credit unions, along with philanthropic and federal government support.[7] Since 2017, CDFIs have sought further diversification of sources through rated debt offerings in the capital markets that provide more flexible capital to ensure greater geographic equity and provide longer duration financing.

Obtaining a credit rating from one of the major rating agencies, Standard & Poor's Global Ratings ("S&P"), has been an important element in the CDFI industry's introduction to investors. To date, 11 CDFIs have been rated by S&P, and nine have accessed, or plan to access, the capital markets with rated offerings totaling $1.05 billion – including seven with bond offerings, one with a note offering, and one with a bond offering and a planned note offering.

These CDFI bond and note offerings are tradeable CUSIP[8] securities, with fixed interest rates and terms. While in the fixed income market notes are typically of shorter duration (ten years or less) and bonds are typically longer-term (greater than ten years), the primary distinction between the two in the CDFI sector is not term, but rather the method of sale. Generally, bonds are marketed for a finite period and sold on a single day whereas notes are sold continuously on a best efforts basis.



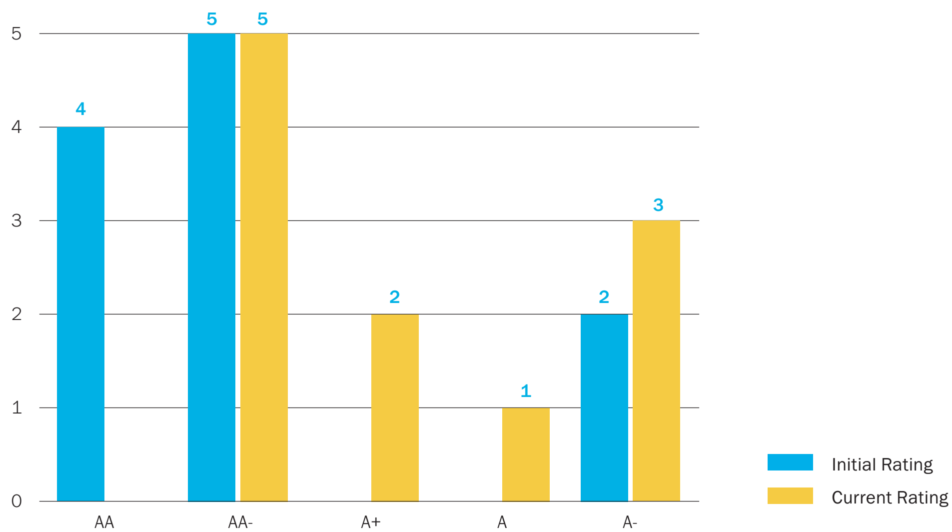
Ratings

CDFI Ratings

In 2015, Clearinghouse CDFI became the first CDFI to obtain a credit rating from S&P, with ten other CDFIs following suit through the first quarter of 2020. The accompanying chart illustrates the initial and current issuer ratings distribution for these 11 CDFIs.

COMPARISON OF INITIAL & CURRENT RATINGS

Nine of the 11 initial ratings fell within the "AA" category, with two of the more recent issuers obtaining an "A-" rating. Five were subsequently downgraded, including four from the "AA" to



CDFI	Initial Rating Date	Initial Rating	Current Rating
Clearinghouse CDFI ("Clearinghouse")	4/1/2015	AA	A-
Housing Trust of Silicon Valley ("HTSV")	4/28/2015	AA-	AA-
Reinvestment Fund ("RF")	10/9/2015	AA	A+
Local Initiatives Support Corporation ("LISC")	9/20/2016	AA	AA-
Capital Impact Partners ("CIP")	1/23/2017	AA	A
Enterprise Community Loan Fund ("ECLF")	5/21/2018	AA-	A+
Century Housing Corporation ("Century")	8/21/2018	AA-	AA-
Raza Development Fund ("RDF")	10/8/2018	AA-	AA-
Low Income Investment Fund ("LIIF")	4/8/2019	A-	A-
Community Preservation Corporation ("CPC")	11/7/2019	AA-	AA-
BlueHub Loan Fund ("BlueHub")	1/8/2020	A-	A-

"A" category and one within the "AA" category. The remaining six, the vast majority of which obtained initial ratings since late 2018, remain stable. The downgrades were the result of two primary factors: 1) S&P's assessment of negative ratings pressure on the CDFI industry due to aggressive portfolio growth and corresponding reductions in equity ratios, and 2) a fall 2019 change in S&P's treatment of undrawn lines of credit in the net equity to assets ratio calculation, which further reduced equity ratios.

Ratings Criteria

S&P first published its criteria for CDFI loan funds in December 2016 as part of criteria for Housing Finance Agencies ("HFAs") and Social Enterprise Lending Organizations ("SELOs"). Other depository CDFIs and non-real estate based loan funds are not addressed in the criteria. There have been several non-material revisions to the criteria, most recently on January 22, 2020, which revised the framework and terminology for greater clarity.[9] S&P's general approach includes an assessment of market and organization-specific risks. In determining issuer ratings, S&P considers the following: 1) financial strength, 2) management, legislative mandate or federal designation, and 3) local economic factors. S&P reviews audited financial statements for the most recent five-year period to analyze financial strength in four principal areas: capital adequacy and equity, profitability, asset quality and liquidity.

Capital Adequacy & Equity

S&P utilizes a number of leverage ratios in its rating methodology, however, it places the highest emphasis on net equity as part of its capital adequacy analysis. This analysis begins with S&P's calculation of net equity, which uses net assets as a base and then adds back sources of credit, such as loan loss reserves or other credit enhancement sources. This figure is then reduced for net assets with donor restrictions that may not be used as a source of credit and by S&P's projections of loan losses, which are modeled according to the asset classes in the CDFI's portfolio. The loss projections calculated through this process are then assessed against the organization's net equity to determine its capital adequacy. The magnitude of projected losses varies based on S&P's rating, with higher ratings able to support, or withstand, higher losses.

S&P primarily employs its commercial mortgage-backed securities ("CMBS") model to project losses for affordable multifamily loans and other loans secured by real estate. However, S&P is aware of the limitations of relying solely on a CMBS model for CDFIs given the diverse nature of their loan portfolios, and it also applies criteria for other asset classes as needed to estimate potential losses. S&P's increasing familiarity with the diversity of CDFI portfolios has led them to consider greater use of non-CMBS criteria.

Other important equity ratios include net equity to total assets, net equity to total loans and net equity to total debt, among others.

Profitability

S&P primarily uses return on assets and net interest income margin as indicators of earnings strength.

Asset Quality

S&P evaluates the quality of a CDFI's loan portfolio in terms of size, property types, loan types, credit enhancement and underwriting criteria, among other factors. It assesses portfolio performance by reviewing delinquency rates and write-offs in comparison to peers. It employs a number of ratios, including non-performing assets to total loans, loan loss reserves to total loans, net write-offs to loans, and net write-offs to non-performing assets, among others.

S&P also evaluates the quality of the CDFI's investment portfolio, including the amount invested, together with any investment management policies and operational guidelines, including those on the use of derivatives.

Liquidity

S&P assesses a CDFI's ability to meet short-term cash flow requirements through several ratios, including total loans to total assets, total investments to total assets and short-term investments to total assets.

Included in the table below are the credit characteristics and select ratios corresponding to the four major investment grade rating categories.

GENERAL GUIDANCE ASSOCIATED WITH S&P RATING CATEGORIES

	AAA	AA	A	BBB
Capital Adequacy & Equity	■ Strong leverage & capital adequacy ratios ■ 5-year average net equity to assets ratio>25%	■ Strong leverage & capital adequacy ratios ■ 5-year average net equity to assets ratio>15% or lower if other mitigants	■ Low capital adequacy ratios compared to higher-rated peers ■ 5-year average net equity to assets ratio>10%	■ Low capital adequacy ratios compared to higher-rated peers ■ 5-year average net equity to assets ratio>5%
Profitability	■ 5-year average return on assets>1.0%	■ 5-year average return on assets>0.5%	■ 5-year average return on assets>0.25%	■ 5-year average return on assets between 0.15% and 0.25%
Asset Quality	■ Very low-risk asset base, with low non-performing asset levels<4% ■ Ability to build equity with no operating losses	■ Low non-performing asset levels in the 4%-5% range ■ Occasional operating losses with off-setting strengths	■ Non-performing asset levels in the 5%-6% range	■ Non-performing asset levels in the 6%-8% range
Liquidity	■ Managed liquidity and strong reserve levels ■ Loan to asset ratio>75%	■ Loan to asset ratio in the 70%-75% range	■ Loan to asset ratio in the 65%-70% range	■ Loan to asset ratio just under 65%
Debt Profile	■ Almost entirely fixed rate and/or conservative debt and derivative management plan	■ Primarily fixed rate debt Variable rate risk addressed through conservative debt and derivative management policies	■ Significant amount of variable rate debt without strong debt and derivative management policies	■ Weak financial policies and lack of credible long-term strategic plan
Other	■ Successful track record across cycles and strong organizational, financial, strategic and governance capacity	■ Successful track record across cycles and strong organizational, financial, strategic and governance capacity	■ Low or negative profitability ratios during economic downturns ■ Occasional stress in managing programs	■ High turnover in management and lack of long-term industry experience

Industry Outlook

On April 1, 2020, S&P revised all U.S. Public Finance sector outlooks to negative, including the outlook for HFAs and SELOs. According to S&P's comment, "Liquidity will be the key factor for both HFAs and community development financial institutions to address emerging risks in their respective activities. The majority of our rated HFAs and CDFIs have strong asset quality, carry large balance sheets, have liquid reserves and access to external liquidity. However, several of these organizations' liquid assets may prove constrained, leading to downward rating pressure, particularly if these additional burdens extend beyond three to four months without access to additional relief."[10]

In January, prior to the market disruption from the Covid-19 pandemic, S&P Global Ratings issued a stable outlook for the CDFI industry as part of its U.S. Municipal Housing Sector Outlook for 2020. The Outlook projected that CDFI ratings would remain unchanged as negative pressure on net assets from aggressive portfolio growth abated. Nine of the 11 ratings had a stable outlook, with one positive and one negative outlook. S&P's January outlook noted a reduction in loan portfolio growth in 2019, with increases projected to be lower than the 26% growth experienced in 2018, and expectations of continued reductions in 2020.[11] These reductions in portfolio growth corresponded to improved capitalization levels, with smaller year-over-year declines in equity over total assets of 6% in 2018 compared to 9% in 2017.[12] The S&P outlook also took into account continued strength in CDFI net interest margins, which averaged 3.28% in 2018 and in asset quality, as measured by average non-performing assets of 1.18%.[13]

Now that the CDFI sector is reaching scale, comprised of 11 rated CDFIs with approximately $1 billion in bond and note issuance, S&P anticipates production of an annual median report with its industry outlook.

Rating Mechanics

S&P has examined approximately 20 CDFIs to date, and current guidance estimates a 10-12 week ratings process. Certain CDFI characteristics can lengthen this period, including a complex legal structure with non-controlling interests in numerous affiliates, a loan portfolio characterized by non-traditional collateral, and a diversified revenue stream with operating revenue sources in addition to revenue from lending activities. In most cases, obtaining the data necessary to properly value and model the CDFI's loan portfolio, as part of the capital adequacy analysis, is the most time-consuming element of the ratings process, both for S&P and the CDFI seeking a rating.

The ratings process begins with the CDFI providing the following data to S&P:

- Last five years of audited financial statements
- Last five years of non-performing assets and real estate-owned information
- Detailed loan information (debt service coverage, loan term, loan type, collateral, subordinate loan information, reserves, etc.)
- Information on the CDFI's lending programs and underwriting guidelines
- History and background of the CDFI
- Policies and procedures (e.g. investment policy, loan loss reserve guidelines, etc.)
- Current strategic plan

- Organizational structure (including board members and terms)
- Biographies of executive/senior leadership (including board members)

As S&P's CDFI portfolio evaluation has evolved beyond a pure CMBS model, it has expanded its checklist of data requirements for individual loans to include the following:

- Property type (housing, charter school, etc.)
- Collateral type
- Loan/amortization/interest-only term
- Annual interest rate
- Early-stage loan information (acquisition, construction, predevelopment, etc.)
- Debt service reserve for early-stage loans (whether or not included)
- Net cash flow before debt service and annual debt service coverage
- Credit enhancement or subsidy, if available
- Information regarding priority (senior/subordinate)
- Internal risk rating
- Information on take-out commitments

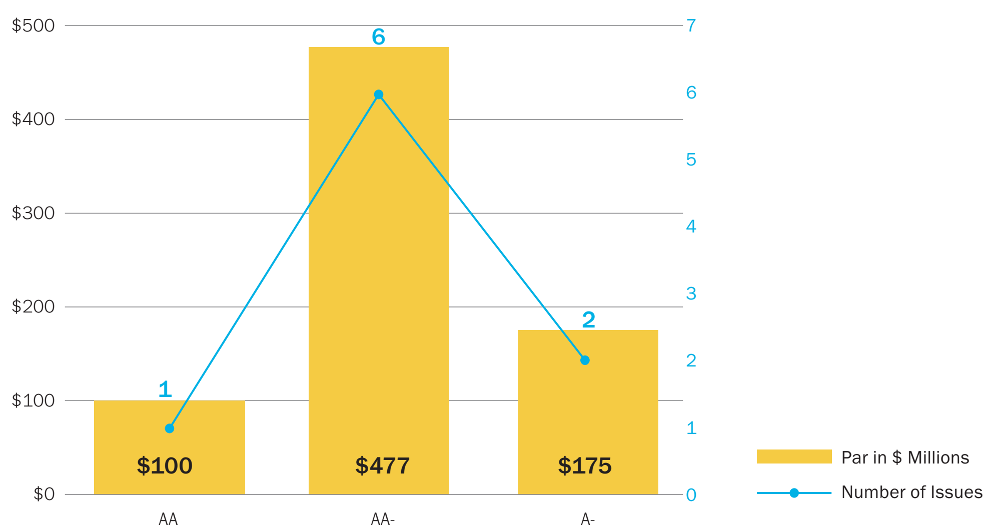
CDFIs seeking a rating can prepare detail on their loan portfolios in advance and reduce the back and forth that can contribute to delays in the ratings process.

Rated Bond Issuance

Overview

CDFIs have brought nine rated bond issues totaling $752 million to market, with Reinvestment Fund undertaking two, one in 2017 and one in 2018. All of the issues have been unsecured, full recourse obligations, with no specific collateral, asset or revenue source pledged for repayment. As such, the bond ratings mirror the issuer ratings at the time of issuance. For a variety of reasons discussed below, they have all also been issued on a taxable rather than a tax-exempt basis.

CDFI BOND RATINGS AT ISSUANCE



Issuer	Dated Date	Underwriter	Bond Designation	Amount	Rating at Issuance	Current Rating
LISC	4/21/2017	Morgan Stanley	Sustainability Bonds	$100,000,000	AA	AA-
RF1	4/27/2017	BofA Merrill Lynch	Impact Investment Bonds	$50,935,000	AA-	A+
RF2	8/29/2018	BofA Merrill Lynch	Impact Investment Bonds	$75,735,000	AA-	A+
ECLF	9/25/2018	Morgan Stanley	Sustainability Bonds	$50,000,000	AA-	A+
Century	1/31/2019	BofA Merrill Lynch	Impact Investment Bonds	$100,000,000	AA-	AA-
LIIF	7/17/2019	Morgan Stanley/ J.P. Morgan	Sustainability Bonds	$100,000,000	A-	A-
RDF	11/19/2019	Hilltop Securities/ J.P. Morgan	Community Investment Bonds	$50,000,000	AA-	AA-
BlueHub	1/23/2020	Morgan Stanley	Sustainability Bonds	$75,000,000	A-	A-
CPC	1/29/2020	Goldman Sachs/ Siebert Williams Shank	Sustainability Bonds	$150,000,000	AA-	AA-
Total	–	–	–	**$751,670,000**	–	–

Sustainability Bonds

The International Capital Market Association defines Sustainability Bonds as any type of bond instrument where the bond proceeds will be exclusively applied to finance or refinance a combination of eligible environmental and social projects.

ICMA's June 2018 Sustainability Bond Guidelines are aligned with the four components of its June 2018 Green Bond Principles and its June 2018 Social Bond Principles, as applied to either environmental or socwial projects, including:

1. Use of Proceeds;
2. Process for Project Evaluation and Selection;
3. Management of Proceeds; and
4. Reporting.

The Guidelines and Principles are designed to improve and standardize disclosure surrounding impact and create greater transparency for investors.

ICMA recommends that issuers appoint an independent, external reviewer to confirm the bond issue's alignment with the four core components. This independent review includes an assessment of the issuer's objectives, strategy, policy and processes relating to environmental and social sustainability, as well as an evaluation of the environmental and social features of the projects being financed. This review can take a number of forms, including a second party opinion of conformance with the components and verification against a designated set of criteria, among others.

Common Green & Social Projects

While not exhaustive, the following lists capture the most common projects supported by Green and Social Bonds.

Green Projects contribute to environmental objectives, such as climate change mitigation and natural resource conservation.

Categories include:

1. renewable energy;
2. energy efficiency;
3. pollution prevention and control;
4. environmentally sustainable management of living and natural resources;
5. terrestrial and aquatic biodiversity conservation;
6. clean transportation;
7. sustainable water and wastewater management;
8. climate change adaptation;
9. eco-efficient and/or circular economy adapted products, production technologies and processes; and
10. green buildings.

Social Projects aim to address specific social issues and target, not exclusively, specific populations.

Categories include:

1. affordable basic infrastructure;
2. access to essential services;
3. affordable housing;
4. employment generation;
5. food security; and
6. socioeconomic advancement and empowerment.

Targeted populations include those that are:

1. living below the poverty line;
2. excluded or marginalized;
3. vulnerable;
4. people with disabilities;
5. migrants or displaced;
6. undereducated;
7. underserved; and
8. unemployed.

United Nations Sustainable Development Goals

The Sustainable Development Goals ("SDGs"), established in 2015 and adopted by all UN Member States, encourage collaboration between the private, public and philanthropic sectors to address social, environmental and economic challenges through 2030. There are 17 interconnected goals relating to poverty, inequality, climate change, environmental degradation, peace and justice.

UN SUSTAINABLE DEVELOPMENT GOALS

Since the SDGs were launched in 2015, they have become increasingly important as ESG and impact investing have become more mainstream. In recognition of this expanding market, ICMA has developed a broad mapping of Green and Social Projects against 15 of the 17 SDGs so that issuers and investors can track these specific impact metrics. On March 31, 2020, ICMA also provided additional guidance regarding the use of Social and Sustainability Bonds in addressing Covid-19.[14]

Disclosure Analysis

As in any new sector, there have been diverse approaches to disclosure and marketing, with no standardized form of disclosure yet developed by issuers, underwriters and investors.

Alignment with the ICMA Sustainability Bond Framework

A number of labels or naming conventions have been applied to CDFI bond offerings meant to convey eligibility for impact investment. Five of the nine issues totaling $475 million have been designated "Sustainability Bonds," three issues totaling $227 million have been designated "Impact Investment Bonds," and one $50 million issue has been designated a "Community Investment Bond."

BOND DESIGNATIONS
$752 MILLION

Only the "Sustainability Bond" designation aligns to an existing definition, ICMA's Sustainability Bond Guidelines. As the market has evolved, this designation has been increasingly employed to bring standardization and transparency to the sector's offerings.

The table below summarizes the bond designations and adherence to the four components of the Sustainability Bond Guidelines. It also identifies issues that have obtained an independent second party opinion as to conformance with the Guidelines and issues that have included disclosure regarding alignment with the SDGs. The issuances are listed in chronological order, with LISC representing the first issuance and CPC representing the most recent.

Issuer	Bond Designation	Use of Proceeds	Process for Evaluation & Selection	Management of Proceeds	Reporting	Second Party Opinion	Alignment to SDGs
LISC	Sustainability	Yes	Yes	Yes	Yes	No	No
RF1	Impact Investment	Yes	Yes	No	Yes	No	No
RF2	Impact Investment	Yes	Yes	No	Yes	No	No
ECLF	Sustainability	Yes	Yes	Yes	Yes	No	No
Century	Impact Investment	Yes	Yes	No	Yes	No	No
LIIF	Sustainability	Yes	Yes	Yes	Yes	Yes	Yes
RDF	Community Investment	Yes	Yes	No	No	No	No
BlueHub	Sustainability	Yes	Yes	Yes	Yes	Yes	Yes
CPC	Sustainability	Yes	Yes	Yes	Yes	Yes	Yes

As mentioned above, five of the CDFI bond issuances were designated Sustainability Bonds and conformed to the Sustainability Bond Guidelines. However, some of the other issuances adhered to certain aspects of the Guidelines as well, and it is informative to compare the different components and the trade-offs entailed in choices surrounding each.

Use of Proceeds While all of the CDFI issuances employ proceeds to finance Social or Green Projects, the Sustainability Bond Guidelines recommend that use of proceeds be described in the legal documentation for the security, including the amount employed in individual Social and Green Projects, the social and environmental benefits of the projects and information about target populations served, as appropriate. The Guidelines further recommend that the division between refinancing and new money uses be disclosed in any combination financing.

Issuer	Bond Designation	General Use of Proceeds	Specific Use of Proceeds	Refinancing Proceeds	Financing Proceeds	Combined Re/Financing Proceeds	Costs of Issuance	Total Proceeds
LISC	Sustainability	Yes	Yes	$99,138,722	$0	$0	$861,278	$100,000,000
RF1	Impact Investment	Yes	No	$0	$0	$50,000,000	$935,000	$50,935,000
RF2	Impact Investment	Yes	No	$22,290,000	$52,710,000	$0	$735,000	$75,735,000
ECLF	Sustainability	Yes	Yes	$49,422,222	$0	$0	$577,778	$50,000,000
Century	Impact Investment	Yes	No	$0	$0	$99,026,618	$973,382	$100,000,000
LIIF	Sustainability	Yes	Yes	$98,836,728	$0	$0	$1,163,272	$100,000,000
RDF	Community Investment	Yes	No	$49,367,970	$0	$0	$632,030	$50,000,000
BlueHub	Sustainability	Yes	Yes	$ 74,146,758	$0	$0	$853,242	$75,000,000
CPC	Sustainability	Yes	No	$148,648,223	$0	$0	$1,351,777	$150,000,000
Total	–	–	–	**$541,850,622**	**$52,710,000**	**$149,026,618**	**$8,082,760**	**$751,670,000**

None of the four non-Sustainability issuances provided detail on the Social or Green Projects being financed or refinanced, and two of these issuances provided an aggregate use of funds for project purposes with no estimate of the use of proceeds for refinancing versus new money purposes.

The five Sustainability Bonds were all refinancing issuances. With the exception of the CPC issuance, each provided a breakdown of the use of proceeds for individual project loan refinancings, as reflected in the "Specific Use of Proceeds" column. In the detailed listing of their loan portfolios included in Appendix A, LISC, ECLF, LIIF and BlueHub provided information regarding which individual loans and loan amounts were being refinanced with bond proceeds as well as project descriptions and impact data. The more recent LIIF and BlueHub offerings additionally provided a separate listing of refinanced project loans as part of the body of the offering document.

Process for Evaluation and Selection The Guidelines recommend that the issuer include its social and/or environmental objectives, the eligibility criteria for financing and the process by which the issuer determines that the project conforms to the criteria.

All of the offering documents provided general information on the CDFI's community development mission and strategy, underwriting criteria and loan approval procedures. The more recent Sustainability Bond issuances for LIIF, BlueHub and CPC also included greater detail on the socially and environmentally beneficial attributes of the financed projects and the criteria used for selection. Each of these issuances detailed impact criteria specific to different asset classes or project types, such as Area Median Income ("AMI") criteria for affordable housing projects, public subsidy levels for child care projects, percentage of students eligible for the free- and reduced-price lunch program for education projects, and energy cost reductions in energy retrofitting projects. This increasing detail on impact metrics is partially the result of these issuers' articulation of their Sustainability Bond Frameworks and their independent review by a second party.

Management of Proceeds The Guidelines recommend that bond proceeds be set aside in a separate account or otherwise tracked by the issuer in an institutionalized process linked to the issuer's larger lending procedures.

The five Sustainability Bonds were all allocated in full for refinancing debt associated with Social and Green Projects at the time of issuance. The LISC, LIIF and BlueHub issuances also segregated funds into a "Bond Proceeds Fund" prior to use for these purposes. The four non-Sustainability issues did not segregate funds.

Reporting The Guidelines recommend that issuers maintain information on the use of proceeds to be renewed annually until full allocation. This information should include detail by project, including the amount of proceeds, description of the project and its expected impact.

Four of the five Sustainability Bond issuances reported on the specific use of proceeds in terms of projects and debt refinanced at the time of issuance and did not require additional post-issuance reporting on recycled use of proceeds or associated outcomes. The issuance for CPC, which did not specify individual project loan refinancings at the time of issuance, states that CPC will "publish its Sustainability portfolio allocation annually on its website."

Three of the four non-Sustainability Bonds require post-issuance reporting. As discussed further below under "Continuing Disclosure," both of Reinvestment Fund's issuances and the Century issuance require annual posting on the issuer's website of certain information regarding loans funded with bond proceeds, outcome metrics associated with those loans and summaries of example projects funded with proceeds.

Second Party Opinion LIIF was the first of the five Sustainability Bond issuances to obtain an independent opinion confirming the issue's alignment to ICMA's Sustainability Bond Guidelines from Sustainalytics, a global provider of environmental, social and governance research. Following in LIIF's footsteps, both BlueHub and CPC also obtained independent second party opinions from Sustainalytics. While there is a cost associated with securing such an opinion, it provides investors with independent validation of the issuer's impact framework, as recommended by ICMA, and improves industry standardization of disclosure surrounding impact.

ICMA maintains on its website a listing of Green, Social and Sustainable Bond issuers who have publicly disclosed their external reviews in accordance with ICMA's recommended best practices.[15] Other common providers of external reviews include CICERO, Vigeo Eiris and ISS-oekom.

Alignment to SDGs Through their Sustainability Bond Frameworks, LIIF, BlueHub and CPC also aligned their issuances with the SDGs. Collectively, their issuances address eight of the SDGs: SDG 2 Zero Hunger; SDG 3 Good Health and Well-being; SDG 4 Quality Education; SDG 7 Affordable and Clean Energy; SDG 8 Decent Work and Economic Growth; SDG 9 Industry, Innovation and Infrastructure; SDG 10 Reduced Inequalities; and SDG 11 Sustainable Cities and Communities.

Appendix A Disclosure

Other than differences in adherence to the Sustainability Bond Framework and specificity regarding the use of proceeds, the offering documents also varied in marketing and disclosure material included in the Appendix A, the issuer's description of its activities. While a certain degree of variation based on differing capital structures and programmatic activity is to be expected, issuers, underwriters and investors should be able to develop a template for the Appendix A document that includes relevant, necessary information for investors in a standard form for a determined number of years.

All of the documents narratively addressed certain core topics, including mission, history, legal structure, governance, strategic plan, lending standards and underwriting guidelines, credit approval procedures, risk ratings and reserve percentages, portfolio monitoring procedures and investment policies. However, there was differing data regarding loan portfolio composition and performance, as well as enterprise-level financial information, which was presented in numerous formats for varying periods. The tables within this section are also in chronological order of issuance in order to see evolving trends over time.

Loan Portfolio Information All of the offering documents included an overview of investment activity. In addition, certain documents also addressed off-balance sheet lending activity and/or non-lending investments, depending on their materiality. The descriptions of on-balance

	Portfolio Detail & Metrics	By Product	By Asset Class	Closings by Product	Geographic Breakdown	Loan Size Breakdown	Risk Rating Breakdown
LISC	Y	3 audited plus interim	3 audited plus current	N	N	N	1 audited plus current
RF1	N	N	6 audited	N	6 audited	1 audited	1 audited
RF2	N	N	5 audited	N	5 audited	1 audited	1 audited
ECLF	Y	5 audited	5 audited	N	5 audited	N	3 audited
Century	N	5 audited plus interim	n/a	5 audited plus interim	5 audited plus interim	1 audited plus interim	5 audited plus interim
LIIF	Y	5 audited plus interim	5 audited plus interim	N	5 audited plus interim	N	5 audited plus interim
RDF	Y	N	6 audited plus interim	N	interim	N	5 audited plus interim
BlueHub	Y	5 audited plus interim	5 audited plus interim	N	5 audited plus interim	N	3 audited plus interim
CPC	Y	5 audited	n/a	N	N	N	5 audited plus interim

sheet portfolios appears to have evolved over the three years since the initial sector issuance, with five years of audited information and interim financials, as appropriate, on the outstanding portfolio broken down by product, asset class, geographic location and risk rating becoming best practice. Several of the earlier offering documents included information on loan closings or the outstanding portfolio by loan size; however, none of the more recent offerings disclosed this information. As discussed above, several of the offering documents also provided individual loan data as part of their Appendix A disclosure, with four of the five Sustainability Bonds providing detail regarding the use of bond proceeds for refinancing.[16]

Portfolio Performance Measures All of the offering documents also contained various tables pertaining to asset quality and portfolio performance. Evolving best practice in this area appears to include five years of audited financials and interim statements, as appropriate. The performance tables included in the Appendix A varied in terms of the presentation of metrics, but the key metrics included: loans receivable, impaired loans, delinquencies, allowance for losses and net write-offs.

	Gross, Delinquencies, Write-Offs, Recoveries	Delinquencies, Impaired, Write- Offs, Allowance	Loans Receivables, Allowance & Write-Offs	Delinquency Breakdown	Nonaccrual Analysis	Loan Loss Reserves & Write-offs
LISC	3 audited plus current	N	3 audited plus current	N	N	3 audited plus current
RF1	N	N	N	6 audited	6 audited	reserves; 6 audited
RF2	N	N	N	5 audited	5 audited	reserves; 5 audited
ECLF	5 audited	5 audited	5 audited	N	N	5 audited
Century	N	N	N	5 audited	N	N
LIIF	5 audited plus interim	5 audited plus interim	5 audited plus interim	N	N	5 audited plus interim
RDF	N	N	N	N	N	6 audited plus interim
BlueHub	5 audited plus interim	5 audited plus interim	5 audited plus interim	N	N	5 audited plus interim
CPC	N	N	5 audited plus interim	5 audited plus interim	N	N

Operating Measures There was even greater variation in operating measures, with most containing a summary of the statement of activities for a multi-year period. Earlier issuances also contained an extended horizon for a condensed statement of activities. Most offerings detailed the CDFI's sources of revenue, with more recent issuances providing additional detail on interest earnings. The lending self-sufficiency ratio was included for fewer than half of the CDFIs, perhaps reflecting a higher percentage of non-lending revenue sources for the CDFIs that omitted it. Emerging best practice appears to be the five-year audited plus interim horizon for a revenue source breakdown, interest earnings detail and self-sufficiency ratio, where appropriate.

	Statement of Activities	Extended Horizon Statement of Activities	Consolidated Statement of Activities	Unrestricted Statement of Activities	Source of Revenues	Lending Self-Sufficiency	Interest Earnings/ Spreads
LISC	3 audited plus current	7 audited plus current	N	N	3 audited plus current	N	N
RF1	6 audited	N	N	N	N	N	N
RF2	N	N	N	5 audited	N	N	N
ECLF	5 audited	8 audited	N	N	5 audited	5 audited	5 audited
Century	5 audited plus interim	N	N	N	N	N	N
LIIF	5 audited plus interim	N	N	N	5 audited plus interim	5 audited plus interim	5 audited plus interim
RDF	N	N	6 audited plus interim	N	6 audited plus interim	N	6 audited
BlueHub	5 audited plus interim	N	N	N	5 audited plus interim	5 audited plus interim	5 audited plus interim
CPC	5 audited plus interim	N	N	N	5 audited plus interim	N	N

Balance Sheet & Leverage Ratios The statement of financial position summaries mirrored those for the statement of activities, with most containing a multi-year summary and earlier issuances also containing an extended horizon for a condensed statement. A majority also contained tables detailing net asset and total asset balance sheet growth. All contained leverage ratios, measuring leverage in a number of different ways. Net assets to total assets was included in the vast majority of offerings. As in S&P's definition of net equity, emerging best practice is to additionally calculate net assets available for financing equal to net assets without donor restrictions plus any net assets with either temporary or permanent donor restrictions that could be used for financing purposes. This figure was utilized in ratio calculations with loans payable in several but not a majority of offering documents. In keeping with the other analyses, evolving best practice on time horizon is five years of audited plus interim financials, as appropriate.

	Statement of Financial Position	Extended Horizon Statement of Financial Position	Consolidated Statement of Financial Position	Balance Sheet Growth	Assorted Net Assets Ratios
LISC	3 audited plus current	7 audited plus current	N	3 audited plus current	3 audited plus current
RF1	6 audited	N	6 audited	N	6 audited
RF2	5 audited	N	N	N	5 audited
ECLF	5 audited	8 audited	N	5 audited	5 audited
Century	5 audited plus interim	N	N	N	5 audited plus interim
LIIF	5 audited plus interim	N	N	5 audited plus interim	5 audited plus interim
RDF	N	N	6 audited plus interim	N	6 audited plus interim
BlueHub	5 audited plus interim	N	N	5 audited plus interim	5 audited plus interim
CPC	5 audited plus interim	N	N	5 audited plus interim	N

Cash, Cash Equivalents & Investments, Liquidity, etc. All but one of the offering documents had a summary of cash, cash equivalents and investments for a multi-year time horizon, generally five years of audited plus interim. More recent issuances differentiated cash, cash equivalents and investments subject to donor restrictions from those without donor restrictions. All but the three most recent offerings contained a breakdown by type of investment. Four included measures of liquidity, including a schedule of the remaining term of investments in the case of LISC and ECLF and quick ratio calculations in the case of LIIF and CPC. Lastly, all but one offering document included summary data for two or more years regarding contributions to the CDFI's pension and thrift plans, though there was less consistency in the period disclosed.

	Cash & Investments Summary	Cash & Investment Detail	Liquidity Detail	Pension & Thrift Plan Contributions
LISC	3 audited plus current	1 audited plus current	current, term schedule	3 audited plus current
RF1	6 audited	6 audited	N	2 audited
RF2	5 audited	5 audited	N	2 audited
ECLF	5 audited	4 audited	current, term schedule	5 audited
Century	5 audited plus interim	interim	N	2 audited plus interim
LIIF	5 audited plus interim	3 audited	5 audited plus interim, quick ratio	5 audited
RDF	N	N	N	2 audited
BlueHub	5 audited plus interim	N	N	N
CPC	5 audited plus interim	N	5 audited plus interim, quick ratio	5 audited

Descriptions of Debt The descriptions of debt included in the offering documents varied more than any other disclosure element, as seen in the chart below. Given the senior, unsecured nature of bond debt, disclosure of all debt in terms of security, priority and type is merited.

	By Funding Type	By Lender	By Draws & Repayments	By Size	Secured Debt	Senior Debt	Subordinated Debt
LISC	1 audited plus current	N	3 audited plus current	N	N	N	N
RF1	N	N	N	6 audited	1 audted	N	N
RF2	N	N	N	5 audited	1 audited	N	N
ECLF	2 audited	N	5 audited	N	N	N	N
Century	N	1 audited	N	5 audited plus interim	1 audited plus interim	N	N
LIIF	2 audited	N	5 audited plus interim	N	N	N	N
RDF	N	6 audited plus interim	N	N	interim	interim	interim
BlueHub	N	N	N	N	N	1 audited plus interim	N
CPC	N	N	N	N	N	N	N

Financial Statement Disclosure

As in the presentation of material in Appendix A, the offering documents also varied significantly in the number of years for which they provided audited financial statements and/or interim financial information, as seen in the table below.

	LISC	RF1	RF2	ECLF	Century	LIIF	RDF	BlueHub	CPC
Audited Financial Statements	3 years	3 years	1 year	5 years	2 years	5 years	3 years	5 years	5 years
Interim Financial Statements	12 months unaudited	none	none	6 months	none	9 months	none	9 months	3 months

One underwriter recommended that CDFIs provide five years of audited financial statements in their initial public debt offerings, together with unaudited financials for the most recent interim period, but believed that that number of years of audited financials could be reduced to three once the CDFI had been established as a credit in the market.

Pricing and Terms

Issuance to date suggests superior market reception, in terms of demand and tenor, for CDFI bonds positioned within the ICMA Sustainability Bond and UN SDG frameworks. Comparing information gleaned from Preliminary Official Statements and S&P bond rating reports regarding the anticipated offerings with that included in the Final Official Statements, it appears that several CDFIs with non-Sustainability Bond offerings had to reduce the size of their offerings and/or their tenor. In the aggregate, two of the four non-Sustainability Bond issuances reduced their capital offerings by approximately $100 million, and one of the issues appears to have had to cut its term in half as well.

While the timing of issuances and external market factors play a role in such varying reception of CDFI issuances, the transparency and standardization that are achieved with use of defined impact frameworks gives CDFIs access to the growing impact investment and ESG markets. The benefits of positioning within these larger frameworks was illustrated by the market reception of LIIF's July 2019 issuance, the first to be aligned with the United Nations SDGs and to obtain a second party opinion validating its Sustainability Bond Framework. LIIF's Sustainable Bonds attracted $1.1 billion in orders, including $347 million in ESG orders from 14 institutional and professional retail accounts, and was oversubscribed 9.4x and 11.4x on its two term bonds.[17]

Both BlueHub and CPC also obtained second party opinions validating their Sustainability Bond Frameworks and aligning their offerings to the SDGs. The two January 2020 offerings each had orders in excess of their offering amounts from a variety of ESG investors, pension funds, insurance companies, mutual funds and mid-sized asset managers. At the time of BlueHub's issuance, Matthew Patsky, CEO of Trillium Asset Management, an investment management firm dedicated to sustainable, responsible and impact investing, commented "We are extraordinarily pleased to witness and support the recent trend of investment-grade CDFIs leveraging the public debt markets to expand their positive impact even further."[18]

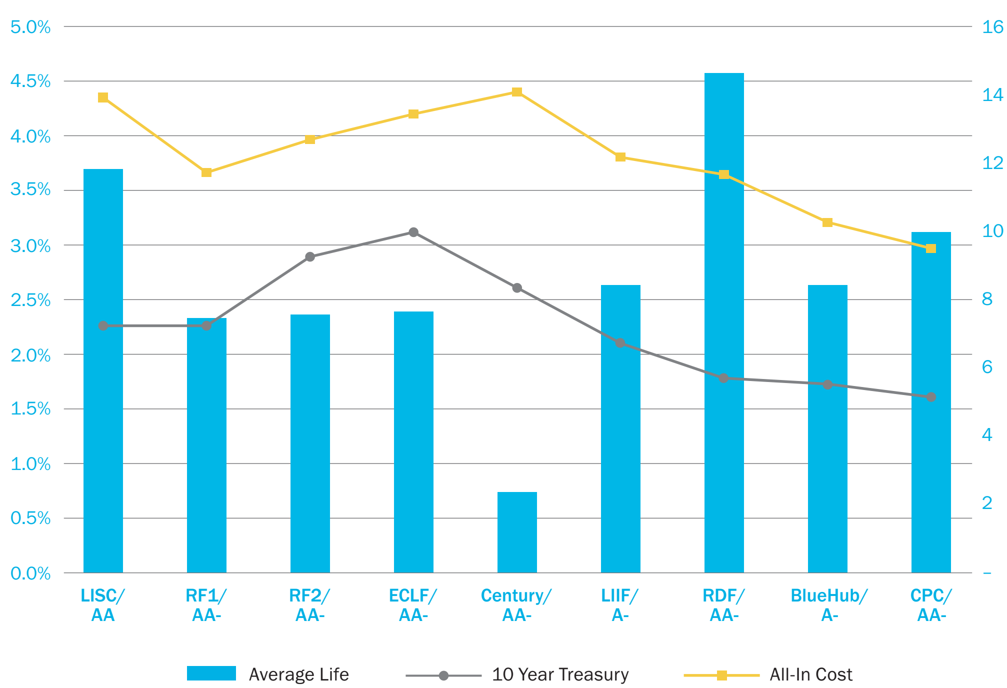
PRICING SUMMARY

	LISC	RF1	RF2	ECLF	Century	LIIF	RDF	BlueHub	CPC
Underwriter	Morgan Stanley	BofA Merrill Lynch	BofA Merrill Lynch	Morgan Stanley	BofA Merrill Lynch	Morgan Stanley/ J.P. Morgan	Hilltop Securities/ J.P. Morgan	Morgan Stanley	Goldman Sachs/ Siebert Williams Shank
Bond Designation	Sustainability	Impact Investment	Impact Investment	Sustainability	Impact Investment	Sustainability	Community Investment	Sustainability	Sustainability
Issuance Rating	AA	AA-	AA-	AA-	AA-	A-	AA-	A-	AA-
Current Rating	AA-	A+	A+	A+	AA-	A-	AA-	A-	AA-
Dated Date	4/21/2017	4/27/2017	8/29/2018	9/25/2018	1/31/2019	7/17/2019	11/19/2019	1/23/2020	1/29/2020
Par Amount	$100,000,000	$50,935,000	$75,735,000	$50,000,000	$100,000,000	$100,000,000	$50,000,000	$75,000,000	$150,000,000
Term	19.9	8.5	9.4	10.1	3.7	9.9	14.6	9.9	10.0
Average Life	11.8	7.5	7.6	7.7	2.3	8.4	14.6	8.4	10.0
All-in Cost	4.351%	3.665%	3.966%	4.200%	4.402%	3.805%	3.647%	3.211%	2.972%
COI	$861,278	$935,000	$735,000	$577,778	$973,382	$1,163,272	$632,030	$853,242	$1,351,777
COI as %	0.861%	1.836%	0.970%	1.156%	0.973%	1.163%	1.264%	1.138%	0.901%
UD	$731,478	$441,760	$466,077	$356,498	$623,882	$883,522	$423,500	$669,442	$1,028,277
UD as %	0.731%	0.867%	0.615%	0.713%	0.624%	0.884%	0.847%	0.893%	0.686%

The table above summarizes the rating, maturity, average life and borrowing costs for the nine bond issuances that have priced to date, together with the underwriting firm and bond designation. The nine issuances totaled $751.7 million, with an average size of $83.5 million, an average term of 10.7 years and an average life of 8.7 years. The "All-In Cost," incorporating both interest expense and costs of issuance ("COI"), averaged 3.80%. Costs of issuance averaged 1.14%, including an average 0.76% in underwriter's discount ("UD").

The graph below compares the average life of the nine issuances to their All-In Costs. The 10-year Treasury rates on the day of pricing are also provided as a benchmark for market rates given the aggregate average life of 8.70 years for the nine issuances. LISC's inaugural "AA" rated offering had the longest term of 20 years, an average life of just under 12 years and an All-In Cost of 4.35%. Century's early 2019 "AA-" rated issuance had the shortest term, just shy of 4 years, with an average life of 2.3 years and an All-In Cost of 4.40%. Raza Development Fund's "AA-" issuance had the longest average life, 14.6 years, with a single $50 million bullet due in 2034, and an All-In Cost of 3.65%. CPC's most recent issuance was structured as a ten-year bullet and had the lowest cost of funds, 2.97%.

COMPARISON OF AVERAGE LIFE & ALL-IN BORROWING COSTS



A number of factors affect pricing for bond issuances, including underlying market rates, credit spreads and underlying appetite for risk. Taxable CDFI bond issuances are priced off comparable Treasury rates through a coupon set that occurs on the day of pricing. Credit spreads will vary based on credit quality, with the extent of the variation depending on the market's underlying risk appetite. For example, spreads for lower-rated, higher-risk credits were at historic highs during the Great Recession when there was little appetite for risk in the market.

Pricing is also affected by capital market technicals, the relationship between supply and demand. There is downward pressure on bond yields when there are large inflows of capital into bond funds and demand exceeds limited supply. For example, LIIF targeted its offering to take advantage of large bond redemptions at the end of June, a time at which investors would be looking to put cash from redemptions to work in the market.

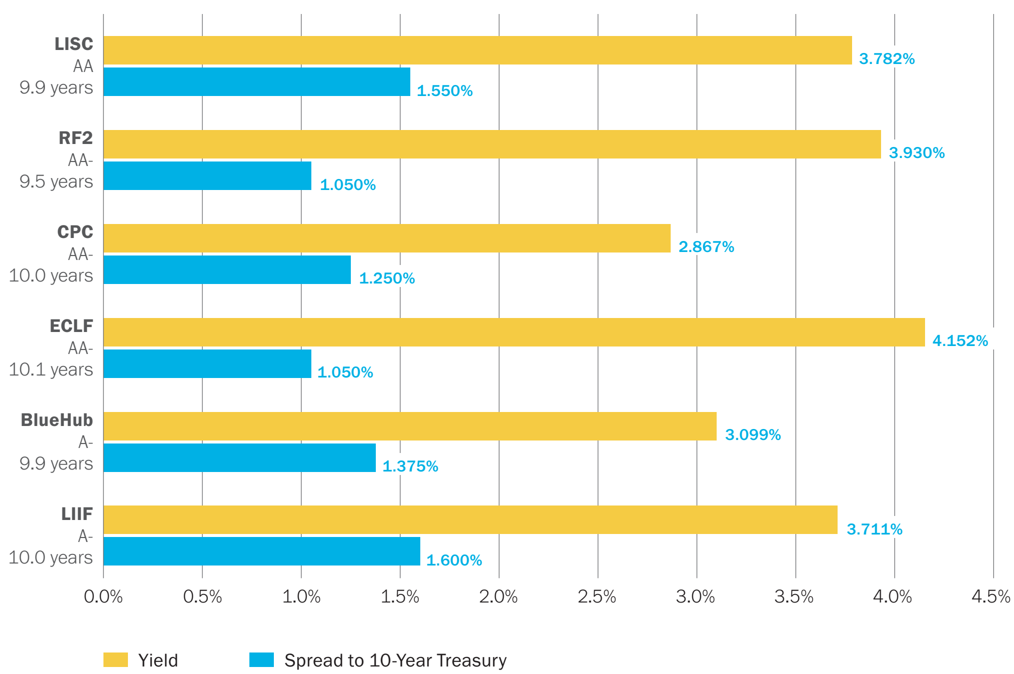
The nine bond issuances have a variety of structures, and therefore it is difficult to compare spreads for bonds with similar maturities. For example, the LISC offering consists of three term bonds with 5-, 10- and 20-year maturities whereas the 2018 Reinvestment Fund offering consists of eight serial bonds with maturities ranging between 2.5 and 9.5 years. The accompanying table includes the term, par amount, yield, comparable Treasury rate and the spread to Treasury for each of the individual maturities within the nine bond issuances.

CDFI SPREADS TO TREASURIES

	Dated Date	Maturity	Term	$ Par Amount	Yield	Treasury Rate	Spread to Treasury
LISC	4/21/2017	3/1/2022	4.9	$25,000,000	3.005%	1.755%	1.250%
	4/21/2017	3/1/2027	9.9	$25,000,000	3.782%	2.232%	1.550%
	4/21/2017	3/1/2037	19.9	$50,000,000	4.649%	2.899%	1.750%
RF1	4/27/2017	11/1/2023	6.5	$11,545,000	3.166%	2.096%	1.070%
	4/27/2017	11/1/2024	7.5	$23,335,000	3.366%	2.096%	1.270%
	4/27/2017	11/1/2025	8.5	$16,055,000	3.513%	2.293%	1.220%
RF2	8/29/2018	2/15/2021	2.5	$1,120,000	3.289%	2.739%	0.550%
	8/29/2018	2/15/2022	3.5	$1,680,000	3.377%	2.777%	0.600%
	8/29/2018	2/15/2023	4.5	$3,000,000	3.477%	2.777%	0.700%
	8/29/2018	2/15/2024	5.5	$6,000,000	3.600%	2.850%	0.750%
	8/29/2018	2/15/2025	6.5	$9,000,000	3.700%	2.850%	0.850%
	8/29/2018	2/15/2026	7.5	$15,000,000	3.780%	2.880%	0.900%
	8/29/2018	2/15/2027	8.5	$29,000,000	3.880%	2.880%	1.000%
	8/29/2018	2/15/2028	9.5	$10,935,000	3.930%	2.880%	1.050%
ECLF	9/25/2018	11/1/2023	5.1	$20,000,000	3.685%	2.985%	0.700%
	9/25/2018	11/1/2028	10.1	$30,000,000	4.152%	3.102%	1.050%
Century	1/31/2019	11/1/2020	1.8	$50,000,000	3.824%	2.474%	1.350%
	1/31/2019	11/1/2021	2.8	$40,000,000	3.995%	2.445%	1.550%
	1/31/2019	11/1/2023	4.8	$10,000,000	4.148%	2.448%	1.700%
LIIF	7/17/2019	7/1/2026	7.0	$25,000,000	3.386%	1.986%	1.400%
	7/17/2019	7/1/2029	10.0	$75,000,000	3.711%	2.111%	1.600%
RDF	11/19/2019	7/1/2034	14.6	$50,000,000	3.534%	1.784%	1.750%
BlueHub	1/23/2020	1/1/2027	6.9	$18,750,000	2.890%	1.640%	1.250%
	1/23/2020	1/1/2030	9.9	$56,250,000	3.099%	1.724%	1.375%
CPC	1/29/2020	2/1/2030	10.0	$150,000,000	2.867%	1.617%	1.250%

There are multiple issuances for different CDFIs with maturities in the 10-year range, and thus the yields and spreads to the ten-year Treasury rate can be compared in the accompanying graph. The data is arranged by strength of credit rating and then by term within the rating. It is difficult to see consistent logic in pricing or a pattern tied to ratings, though the two "A-" rated issuances have higher spreads than all but the inaugural "AA" rated LISC offering. This ambiguity can be explained in part by covenant profiles and differing market environments. For example, Reinvestment Fund's issuance has a lower spread because the bonds are subject to ongoing financial covenants, unlike the other issuances. Also, the effect of the overall interest environment can be seen in the relationship between the bond yield and the spread, with lower spreads in higher interest rate environments. However, the ambiguity is also explained in part of the newness of the sector, the paucity of data points available and lack of consensus about how to appropriately price. Increased demand from ESG and impact investment capital sources can positively impact pricing over the long term and provide greater liquidity for CDFI issuances in the secondary market. In LIIF's issuance, this increased demand was estimated to tighten pricing by 15 basis points.[19] The most recent "AA-" rated issuance by CPC was oversubscribed two times and was the first issue with a ten-year yield below 3%. BlueHub's "A-" rated issue was oversubscribed with ESG investors alone and was priced with a ten-year yield of 3.1%.

10-YEAR MATURITIES



Other Bond Issuance Terms

Taxable Basis Each of the nine bond issuances closed to date have been issued on a taxable basis, meaning that the interest on the bonds is included in gross income for federal, state and local income tax purposes. There are a number of reasons that make it difficult for CDFIs to issue debt on a tax-exempt basis despite their social missions, including the need for a conduit issuer, requirements on eligible uses of funds for the life of the bonds (including the use of any recycled proceeds), associated tax opinions certifying compliance of all uses with tax exemption rules, public hearing requirements, and rules around how quickly funds must be spent, among others.

For these reasons, taxable issuance has been the norm for CDFIs. However, tax-exempt issuance could potentially be utilized by CDFIs that require longer-term, geographically-concentrated financing or shorter-term debt for refinancing purposes, with no recycling of proceeds. CDFIs could also structure a hybrid issue, which combined taxable and tax-exempt debt depending on use of proceeds.

No Debt Service Reserve Fund Requirement Due to their relatively high investment grade quality, none of the CDFI issuances to date have been structured with a debt service reserve fund that could be tapped in the event of payment delay or default.

Redemption Provisions All nine bond issues are subject to optional redemption in whole or in part prior to maturity at a "Make-Whole Redemption Price" equal to the greater of 100% of outstanding principal or the present value of the remaining principal payments discounted at the comparable Treasury rate ("T") plus a spread. Thus, they are all subject to yield maintenance for the life of the issuances, with a short grace period incorporated into five of the issuances. In this grace period, individual bonds within the issuance are not subject to yield maintenance and can be redeemed at par. The spread to Treasury has varied between the issuances and is primarily a reflection of market preferences, or modes, at the time given the general interest rate environment. The accompanying table summarizes the spreads and grace periods for each issuance, together with the 5-year Treasury rates on the day of pricing as a general market indicator.

SPREAD TO TREASURY IN MAKE-WHOLE REDEMPTION PRICE CALCULATION

	Dated Date	5-Year Treasury	Make-Whole Spread	Grace Period
LISC	4/21/2017	1.77%	T + 25	3/3/6 months for 3 bond maturities
RF1	4/27/2017	1.81%	T + 20	No grace period
RF2	8/29/2018	2.78%	T + 20	No grace period
ECLF	9/25/2018	2.99%	T + 15	3/3 months for 2 bond maturities
Century	1/31/2019	2.43%	T + 25	No grace period
LIIF	7/17/2019	1.83%	T + 25	3/3 months for 2 bond maturities
RDF	11/19/2019	1.63%	T + 30	No grace period
BlueHub	1/23/2020	1.55%	T + 20	3/3 months for 2 bond maturities
CPC	1/29/2020	1.41%	T + 20	3 months for bond maturity

Non-Reporting Covenants As a general rule, CDFI issuers have chosen not to incorporate additional financial covenants to bondholders into their bond offerings despite investor preferences for such covenants. An early exception to this general rule were the two offerings for Reinvestment Fund, which contained several financial covenants related to leverage.

Continuing Disclosure Requirements Continuing disclosure requirements have varied among the nine offerings to date, both in terms of general financial performance as evidenced by audited financial statements and more impact-related updates to disclosures included in Appendix A of the offering documents. From the CDFI industry's perspective, the level of disclosure should be a balance between continued transparency that fosters liquidity of CDFI securities in the secondary market and the level of effort necessary to achieve such disclosure. It should be noted that failure to comply with disclosure requirements is not considered an event of default under any of the offering documents.

Financial Statements CDFIs have generally agreed to post audited financial statements on their websites within 180 days of the end of the fiscal year, with several additionally agreeing to provide such statements to the Trustee and/or requesting bondholders. In addition, Reinvestment Fund and Century agreed to provide quarterly interim financial statements within 45 days after the end of the quarter by posting on their websites and furnishing to the Trustee and/or requesting bondholders. Raza Development Fund agreed to post semi-annual interim financial statements on its website 60 days after the end of the second quarter.

	Audited Financial Statements	Interim Financial Statements
LISC	Best efforts to post on website no later than 180 days after FYE	Not Required
RF1	Furnish consolidated to Trustee and requesting bondholders and post on website within 180 days after FYE	Furnish quarterly consolidated to Trustee and requesting bondholders and post on website within 45 days after FQE
RF2	Furnish consolidated to Trustee and requesting bondholders and post on website within 180 days after FYE	Furnish quarterly consolidated to Trustee and requesting bondholders and post on website within 45 days after FQE
ECLF	Best efforts to post on website no later than 180 days after FYE	Not Required
Century	Furnish unconsolidated to requesting bondholders and post on website within 180 days after FYE	Furnish quarterly unconsolidated to requesting bondholders and post on website within 45 days after FQE
LIIF	Commercially reasonable efforts to post on website no later than 180 days after FYE	Not Required
RDF	Post unconsolidated on website no later than 180 days after FYE	Post semi-annual unconsolidated on website within 60 days after Q2E
BlueHub	Commercially reasonable efforts to post on website no later than 180 days after FYE	Not Required
CPC	Commercially reasonable efforts to post on website no later than 180 days after FYE	Not Required

Appendix A Updates The level of disclosure required in updates of information included in Appendix A varies more significantly. As discussed earlier, there is an inverse relationship between the level of detail included in the offering documents and post-issuance disclosure requirements.

None of the Sustainability Bond issuances which were employed for fully disclosed refinancing purposes require post-issuance reporting regarding use of proceeds. The CPC issuance requires CPC to post is Sustainability portfolio allocation annually on its website since the uses weren't specified at the project loan level at the time of issuance. The other more recent Sustainability Bond issuances for LIIF, BlueHub and CPC also require additional updates to Appendix A disclosures in regard to portfolio composition and performance, unlike the earlier Sustainability Bond issuances for LISC and ECLF. To the extent this ongoing disclosure represents routinely tracked data and metrics which do not pose an undue reporting burden, it may be an emerging best practice designed to foster increased transparency and secondary market activity.

All of the non-Sustainability Bond issuances require disclosure of enterprise-level portfolio statistics, such as loan closings by asset class for Reinvestment Fund's issuances, or breakdowns of the outstanding portfolio by product or asset class in the case of Century and

	Enterprise-level Reporting	Project Loans Financed with Bond Proceeds	Detail of Outcomes or Projects Funded with Bond Proceeds
LISC	Not Required	Not Required	Not Required
RF1	Post loan closings by asset class on website within 180 days after FYE	Post outstanding loans by geography and outstanding loans by asset class on website within 180 days after FYE	Post outcome metrics associated with projects and summaries of example projects in substantial completion year on website no later than 180 days after FYE
RF2	Post loan closings by asset class on website within 180 days after FYE	Post outstanding loans by geography and outstanding loans by asset class on website within 180 days after FYE	Post outcome metrics associated with projects and summaries of example projects in substantial completion year on website no later than 180 days after FYE
ECLF	Not Required	Not Required	Not Required
Century	Post outstanding portfolio by product on website within 180 days after FYE	Post outstanding loans by county and permanent loans outstanding financed with bond proceeds with associated outcomes on website within 180 days after FYE	Post summaries of example projects in substantial completion year on website within 180 days after FYE
LIIF	Commercially reasonable efforts to post outstanding portfolio by product, asset class and region and portfolio performance metrics on website no later than 180 days after FYE	Not Required	Not Required
RDF	Post outstanding portfolio by asset class and risk rating, detail for 20 largest outstanding loans, capitalization structure & summary of senior and subordinated credit facilities on website no later than 60 days after Q2E and 180 days after FYE	Not Required	Not Required
BlueHub	Commercially reasonable efforts to post outstanding portfolio by product, asset class and region and portfolio performance metrics on website no later than 180 days after FYE	Not Required	Not Required
CPC	Commercially reasonable efforts to post summary information on mortgage loan portfolio, equity investments and key financial performance indicators on website no later than 180 days after FYE	Publish Sustainability portfolio allocation annually on website	Not Required

Raza Development Fund. The RDF issuance also requires additional enterprise-level metrics, including detail on RDF's 20 largest loans as well as updates to information provided on capitalization structure and senior and subordinated credit facilities.

RDF's offering does not require additional disclosure relating to use of bond proceeds. The Reinvestment Fund and Century offerings require the CDFIs to post summaries of example projects funded with bond proceeds in the year of substantial completion. They are also required to provide updated information "with respect to the type of loans made…from proceeds of the Bonds and the supported outcomes of such loans." For RF, this additional information includes geographic and asset class portfolio breakdowns as well as impact metrics, such as the number of housing units and charter school seats. For Century, the additional disclosure includes breakdowns by geography and borrower type.

Rated Note Programs

Through May 2020, only CIP has accessed the capital markets through a rated note program. In 2017, CIP launched its Capital Impact Investment Notes, the first S&P-rated, DTC-settled continuous note offering available on a retail basis. In December 2019, LISC obtained a "AA-" rating from S&P for its note program, with plans to access the market in 2020. CIP notes are available, and LISC notes will be available, through Incapital, an underwriter and distributer of securities. Incapital enables individual investors to purchase CDFI notes through its InterNotes® program for corporate debt. These notes are sold on Incapital's Legacy™ Platform in $1,000 increments, with maturities ranging from 1-30 years, generally at fixed rates. Offerings typically have an investment grade credit rating and align with environmental, economic and/or social concerns.

	Capital Impact Investment Notes	LISC Impact Notes
Termination Date	None	None
Lead Agent	Incapital	Incapital
Type	Best efforts	Best efforts
Terms	1-, 3-, 5-, 7- and 10-year notes	1-, 2-, 3-, 4-, 5-, 6-, 7-, 8-, 9- and 10-year notes
Priority	Senior Unsecured	Senior Unsecured
Minimum Investment	$1,000	$1,000
Investor Restrictions	No	No

Note issuers receive an annual rating from S&P on their shelf amount – the aggregate amount the issuer plans to raise through notes. S&P takes the full amount of the shelf offering into account in its analysis of CDFI debt although not all of the proceeds have yet been received. This can put pressure on a CDFI's leverage ratios and thus have a negative effect on the CDFI's credit rating.

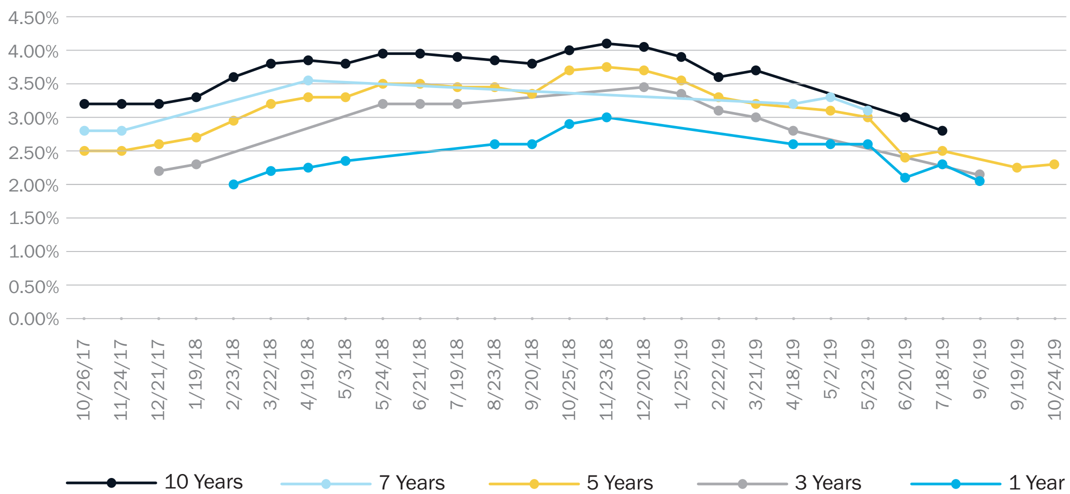
CIP initially came to market with a $100 million shelf offering in 2017 and has since upped the amount twice to $150 million. LISC obtained its rating for a $150 million shelf offering. The offerings are made on a best efforts basis, with no guarantee of the actual amount raised in any offering period.

The accompanying tables summarize the key terms of the CIP and LISC note programs.

	Prospectus Date	Rating Date	Rating	Shelf Amount
CIP	10/6/2017	9/7/2017	AA	$100,000,000
	6/27/2018	4/9/2018	AA-	$125,000,000
	8/8/2019	8/23/2019	A+	$150,000,000
	8/8/2019	12/30/2019	A	$150,000,000
LISC	-	12/23/2019	AA-	$150,000,000

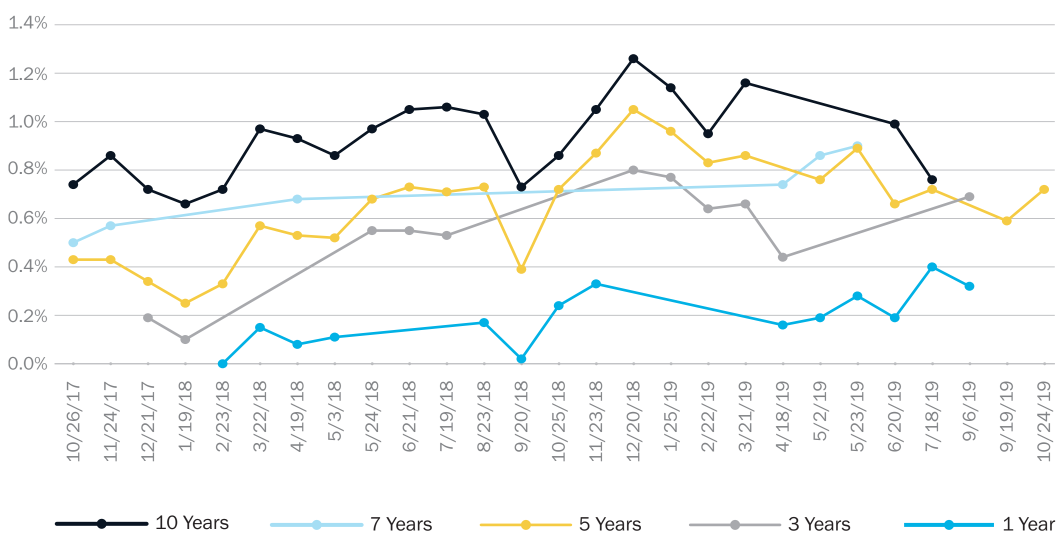
As in the case of CDFI bonds, income to investors from these notes is taxable. Through the end of 2019, CIP raised $147.1 million in 1-year, 3-year, 5-year, 7-year and 10-year notes. CIP has gone to market 27 times, corresponding to roughly one issuance per month, with the frequency of issuances declining slightly in the second half of 2019. The accompanying graph illustrates the borrowing rates for differing maturities since establishment of CIP's program. CIP did not raise funds for each of the possible terms every month during this period; the yield curves are extrapolated between data points in the graph below.

CAPITAL IMPACT INVESTMENT NOTES
COUPON RATE BY MATURITY



The graph below shows the spread to the comparable Treasury rate by note maturity, with spreads averaging 19 basis points on the shortest, 1-year note and 0.93% on the longest, 10-year note.

SPREAD BY MATURITY



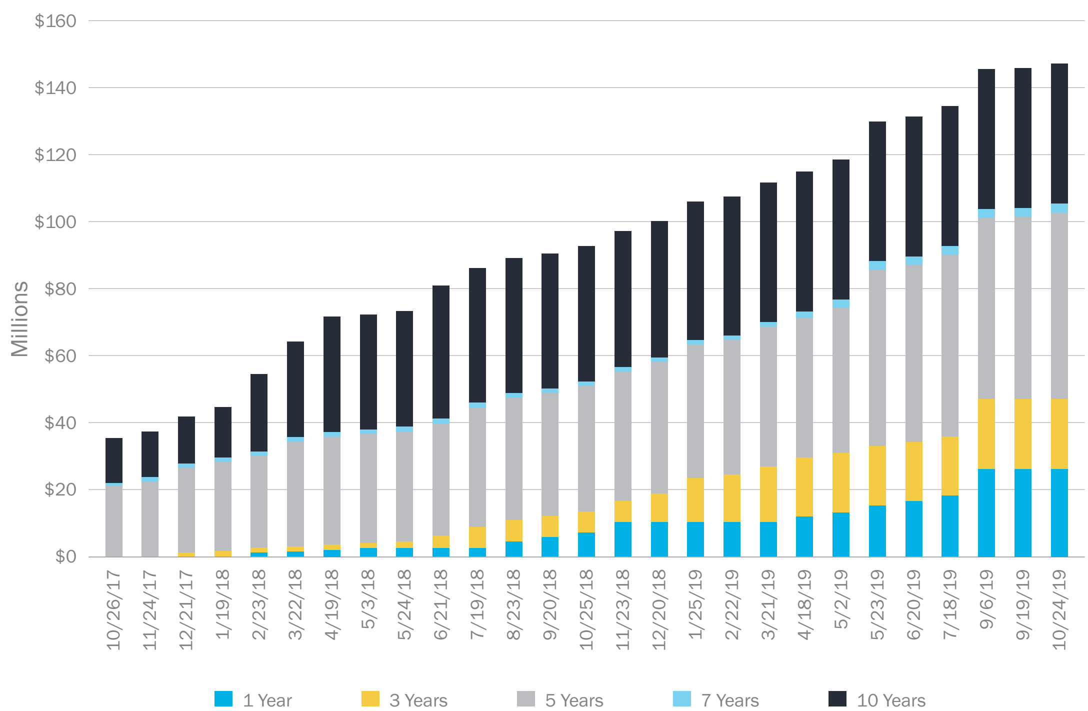
One of the benefits of a note program is the ability to manage cash. Borrowers can time issuance to meet their new money needs, thus avoiding the negative arbitrage associated with use of large, one-time bond financing for new money purposes. Borrowers are also able to set rates and select maturities each time they go to market. As such, they can adjust the

	Number of Offerings	Capital Raised	Average Coupon	Average Spread
1-Year	14	$26,135,000	2.44%	0.19%
3-Year	11	$20,876,000	2.83%	0.54%
5-Year	25	$55,691,000	3.05%	0.65%
7-Year	6	$2,672,000	3.13%	0.71%
10-Year	21	$41,732,000	3.60%	0.93%

mix of offerings based on current market factors and their historical performance in attracting capital at differing maturities and prices. The accompanying table summarizes the number of offerings, amount raised, average coupon and average spread to Treasuries for CIP's note offerings by maturity.

The graph below breaks down the $147 million CIP cumulatively raised as of the end of 2019 by maturity.

CAPITAL IMPACT INVESTMENT NOTES
CUMULATIVE AMOUNT ISSUED BY DATE AND DURATION



Transaction costs for an underwritten note issuance can be high due to up-front fixed costs associated with setting up the program, but the costs lessen as a percentage of capital raised as the offering amount increases over time. Borrowing cost is inclusive of total expenses of the offering and sales compensation paid to Incapital as lead agent for its distribution network. A more detailed calculation of offering expenses is included in the individual prospectuses.

Alignment with the ICMA Social Bond Principles

LISC's note offering is the first CDFI note program to align with the ICMA Social Bond Principles and United Nations SDGs. LISC obtained a second party opinion validating its framework from Vigeo Eiris, an international provider of ESG research and services. LISC's Social Bond Framework outlines the four required components of the Principles:

Use of Proceeds Since a significant portion of LISC's issuance will be used for new money purposes, the Social Bond Framework encompasses all of LISC's financing activities and falls into four eligible categories: affordable housing, access to essential services, food security and employment generation. The framework details impact criteria for the different eligible categories and identifies the target population that will benefit from the financing.

Process for Evaluation and Selection LISC's process for project evaluation and selection details LISC's internal processes to source and underwrite transactions.

Management of Proceeds In line with ICMA recommendations, LISC committed to place funds from the note offering in a segregated account. LISC further restricted investment of unallocated proceeds from certain prohibited categories.

Reporting LISC committed to providing an annual update on the allocation of proceeds using its framework's indicators since, unlike its bond financing, the specific projects for which proceeds would be used had not been determined at the time of issuance.

Other Capital Sources

Unrated Notes

CDFIs can also raise capital from investors through unrated note issuances. The table below summarizes 11 unrated note programs currently in the market, which collectively total $1.19 billion. These figures are based on an independent scan of unrated note programs that have been publicly disclosed by CDFIs on their websites, and thus is not exhaustive. Calvert Impact Capital ("CIC"), which is no longer certified as a CDFI, is included for these purposes due to the history and size of its note program. CIC launched its unrated fixed income notes in 1995, and has been on Incapital's distribution platform since 2005, as discussed further below. It has a long and strong history of raising capital from retail and institutional investors on an unrated basis.

Nine of the 11 offerings are continuous, with no set termination date. Housing Trust Silicon Valley ("HTSV") and LISC are the only two note offerings that went to market with a set termination date and raised capital for a narrow use of proceeds. HTSV has raised $112 million to date with an additional $25 million in capacity.

UNRATED NOTE ISSUANCE

Issuer/Note Program	Prospectus	Offering Amount	S&P Issuer Rating	Aeris Rating
Calvert Impact Capital	5/16/2020	$750,000,000	No	No
New Hampshire Community Loan Fund	7/1/2019	$165,000,000	No	Yes
HTSV TECH Fund	3/16/2017	$137,000,000	Yes	No
Enterprise Impact Note	7/31/2019	$50,000,000	Yes	Yes
LIIF Impact Notes	1/1/2019	$35,000,000	Yes	Yes
Craft3 Community Investment Notes	5/31/2019	$20,000,000	No	Yes
LISC Inclusive Creative Economy	4/18/2020	$10,000,000	Yes	No
Community Vision Notes	11/8/2019	$9,000,000	No	Yes
RF Notes	8/7/2019	$7,000,000	Yes	No
Homewise	12/13/2019	$5,000,000	No	Yes
Common Capital Community First Fund	5/8/2017	$2,500,000	No	No
Total	–	**$1,190,500,000**	–	–

LISC NYC Inclusive Creative Economy Fund Case Study

The LISC NYC Inclusive Creative Economy Fund provided an opportunity for accredited investors to invest in New York City's affordable, inclusive creative workspaces, fostering 21st Century quality jobs for low- and moderate-income New Yorkers. Accredited investors purchased notes which pay 2.75% interest per annum and mature May 31, 2026. LISC may redeem all or part of the notes beginning May 31, 2024. LISC raised $6.2 million from 21 investors through the offering. As of March 30, 2020, the Fund was fully deployed in three projects, including Greenpoint Manufacturing and Design Center, the Brooklyn Navy Yard Development Corp. and La MaMa Experimental Theater Company. These projects created or retained 442 construction jobs and 485 operating jobs.

Five of these issuers of unrated debt instruments have issuer credit ratings from S&P, and six have obtained a rating from Aeris, with Enterprise Community Loan Fund and Low Income Investment Fund obtaining both types of ratings. Aeris offers an alternative for smaller loan funds for whom an S&P rating is cost prohibitive or for loan funds that predominately provide financing for non-real estate based activities. The Aeris rating is an issuer, not a debt instrument, rating, which takes into account mission, impact and policy related objectives of the CDFI. It can be an important part of the CDFI's marketing to investors, with several issuers of unrated notes disclosing their Aeris rating as part of their prospectus and others sharing it on the investment portion of their websites.

Aeris Ratings

Aeris provides a third-party assessment of a CDFI's impact management and financial performance through the provision of ratings and reviews. Aeris rates or reviews 167 CDFIs annually, and over 160 institutional investors utilize Aeris reports and data services as part of their due diligence process.[20] CDFI rating reports are publicly available via Aeris data services. Aeris also provides proprietary reviews on behalf of individual investment firms and/or government programs, such as Treasury's Bond Guarantee Program. An Aeris rating report includes an analyst opinion, five-year historical financial and impact data, and ratio analysis. The rating has three components:[21]

- **Impact Management: is measured on a scale of one star (weakest) to four stars (strongest) and assesses how well a loan fund pursues and achieves positive change related to its mission and impact goals**
- **Policy Plus: is a binary measurement that indicates whether policy change is an integral part of the loan fund's strategies**
- **Financial Strength and Performance: is measured on a letter scale similar to the credit rating agencies, ranging from AAA to B, which assesses the CDFI's financial strength, performance and risk management practices.**

Sales Channels and Target Investors

The 11 unrated note programs have different sales channels, investment minimums and investor restrictions, as illustrated in the accompanying table.

Issuer/Note Program	Sales Channel	Minimum Investment	Investor Restrictions
CIC Community Investment Note	Incapital, a registered Broker-Dealer and Direct from issuer	$20 or $1,000, depending on purchase method	No
New Hampshire Community Loan Fund	Direct from issuer	$1,000	Retail and institutional investors in all states with the exception of AR, MS, NE, PA, TN and VA
HTSV TECH Fund	Direct from issuer	$250,000	Must meet definition of Accredited Investor
Enterprise Impact Note	Direct from issuer	$25,000	Retail or institutional investors in: AK, CA, CO, CT, DC, FL, GA, HI, ID, IL, IA, LA, ME, MD, MA, MI, MN, MO, NH, NJ, NM, NY, NC, OH, OR, RI, TX, UT, VA, WV, WI
LIIF Impact Notes	Direct from issuer	$50,000	Retail or institutional investors in: AK, CA, CT, CO, DC, GA, HI, IL, MA, MD, ME, MI, NH, NM, NY, OR, RI, TN, TX, VA, VT
Craft3 Community Investment Notes	Direct from issuer	$20,000	Must meet definition of Accredited Investor
LISC Inclusive Creative Economy	Direct from issuer	$100,000	Must meet definition of Accredited Investor
Community Vision Notes	Direct from issuer	$1,000	Must meet definition of Qualified Investor and California Resident
RF Notes	Direct from issuer	$1,000	Retail and institutional investors in: PA, MD, DC, NJ, VA, GA, CT, HI, IL, IA, ME, MA, MS, NM, RI, SD, TX
Homewise	Direct from issuer	$1,000	Retail or institutional investors in: AK, NM, CA, CO, CT, HI, IL, IA, ME, MA, MS, NY, RI, TX, VT, WA
Common Capital Community First Fund	Direct from issuer	$500	Must be Massachusetts Resident

Only one of the unrated note programs is offered through a broker-dealer platform, Calvert Impact Capital's Community Investment Notes. CIC has sold its notes on the Incapital platform since 2005 and also sells its product directly to investors through its website as an issuer-dealer. All ten of the other note programs are offered directly to investors by the CDFI issuers.

The unrated note programs are available to retail and/or accredited investors. Seven of the programs are available to retail investors (subject to certain restrictions further described in the offering documents). Four of the programs may only be sold to accredited or, for California purchasers of Community Vision Notes, qualified investors. Programs designed for accredited investors typically have higher minimum investment requirements, $250,000 and $100,000, respectively for HTSV's and LISC's notes. However, the LIIF and ECLF note programs, which are available to retail investors, also have relatively high investment thresholds of $50,000 and $25,000, respectively.

What is an Accredited Investor?[22]

- a bank, insurance company, registered investment company, business development company, or small business investment company
- an employee benefit plan (within the meaning of the Employee Retirement Income Security Act) if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of $5 million
- a tax exempt charitable organization, corporation or partnership with assets in excess of $5 million
- a director, executive officer, or general partner of the company selling the securities
- an enterprise in which all the equity owners are accredited investors
- an individual with a net worth of at least $1 million, not including the value of his or her primary residence
- an individual with income exceeding $200,000 in each of the two most recent calendar years or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year or
- a trust with assets of at least $5 million, not formed only to acquire the securities offered, and whose purchases are directed by a person who meets the legal standard of having sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the prospective investment

CDFIs can broaden their investor base with an unrated note program, however doing so without a broker-dealer or sales agent can be costly and administratively burdensome, especially if the offering is more retail in nature with low minimums.

Pricing

Income from these unrated notes is taxable, but pricing is not tied to any market-based index. Rates are set either in the offering memorandum or in a corresponding rate sheet, depending on the type of note. Some CDFIs perform a scan of peer note programs to gauge common rates and maturities or have their own pricing committees which set rates based on larger, macroeconomic factors. Many unrated notes offer concessionary returns to investors, meaning they are priced below market. With concessionary returns, issuers hope they can attract an investor base that is interested in getting a double- or triple-bottom line return based on financial, social and/or environmental impacts. The most common maturities are 3-, 5- and 10-years, with only three issuers seeking capital with a term greater than 10 years. LIIF is the only issuer offering a term of less than a year as an option for investors looking for alternative cash investments.

COMPARISON OF COUPON RATES & MATURITIES

Years	Calvert	NH CLF	HTSV	ECLF	LIIF	Craft3	LISC	Community Vision	RF	Homewise	Common Capital
0.5	–	–	–	–	1.00%	–	–	–	–	–	–
1	1.50%	0% – 1.00%	–	1.00%	–	1.75%	–	0% – 0.75%	–	1.00%	–
2	–	0% – 1.00%	–	1.50%	–	2.25%	–	0% – 1.25%	–	1.25%	–
3	2.00%	0% – 2.00%	–	2.00%	2.00%	2.50%	–	0% – 1.75%	2.25%	1.50%	2.15%
4	–	0% – 2.00%	–	–	–	–	–	0% – 2.00%	2.25%	1.75%	–
5	3.00%	0% – 3.00%	1.50%	2.50%	3.00%	3.00%	–	0% – 2.25%	2.75%	2.00%	2.65%
6	–	0% – 3.00%	–	–	–	–	–	0% – 2.50%	2.75%	2.50%	–
7	–	0% – 3.00%	–	3.00%	–	–	–	0% – 2.75%	3.00%	2.50%	–
8	–	0% – 3.00%	–	–	–	–	2.75%	0% – 3.00%	3.00%	3.00%	–
9	–	0% – 3.00%	–	–	–	–	–	0% – 3.50%	3.00%	3.00%	–
10	3.50%	0% – 3.00%	2.00%	3.50%	4.00%	–	–	0% – 3.75%	3.50%	3.50%	–
11	–	–	–	–	–	–	–	–	3.50%	3.50%	–
12	–	–	–	–	–	–	–	–	3.50%	3.50%	–
13	–	–	–	–	–	–	–	–	3.50%	4.00%	–
14	–	–	–	–	–	–	–	–	3.50%	4.00%	–
15	4.00%	–	–	–	–	–	–	–	4.00%	4.00%	–

Other Note Offerings

In addition to the note programs discussed above, other CDFI loan funds, including BlueHub, Coastal Enterprises Inc., Natural Capital Investment Fund, MoFi and Mountain BizWorks, have or have had recent note programs.

There are also non-CDFI, mission-driven loan funds, like RSF Social Finance, and third-party fundraisers, such as CNote, which employ note programs to raise capital. A number of cash alternative platforms like Certificate of Deposit Account Registry Service ("CDARS"), CDC Deposits or StoneCastle's FICA|for Impact invest in federally insured community banks that may have a CDFI designation. Additionally, a number of CDFI credit unions have developed non-member deposit programs that allow individuals to open depository accounts to provide capital for their member lending programs. Most notably, Self-Help Credit Union offers a variety of savings and money market accounts, including term certificates ranging from three months to five years. All of Self-Help's deposit products are federally insured up to $250,000 or $500,000 through the National Credit Union Administration.

Common Registration Exemptions

CDFIs have made bond and note programs available to investors through a variety of federal and state exemptions. Consultation with counsel is the key first step in creating a program to understand which exemptions are right given financing objectives.

To attract capital from accredited investors, issuers commonly reference Regulation D (Reg D)[23]. Reg D is a set of exemptions to the registration requirement of the Securities Act of 1933. Through Reg D, issuers can privately raise capital without having to register with the U.S. Securities and Exchange Commission through two exemptions. Under Rule 506(b), the issuer cannot use general solicitation or advertising to market its securities and must be available to answer any questions from prospective purchasers. The issuer may sell its securities to an unlimited number of accredited investors and up to 35 other purchasers. With Rule 506(c), an issuer can broadly solicit and generally advertise its offering as long as all purchasers in the offering are accredited investors and the issuer takes reasonable steps to verify purchasers' accredited investor status.

For retail programs, issuers rely upon federal and state specific exemptions or registrations. Federal exemptions are made under Section 3(a)(4) of the Securities Act of 1933 and Section 3(c)(10) of The Investment Company Act of 1940, which provide exemptions related to an issuer being organized and operated exclusively for religious, educational, benevolent, fraternal, charitable or reformatory purposes and not for pecuniary profit, and no part of the net earnings of which inures to the benefit of any person, private stockholder, or individual. State exemptions vary and will need to be discussed with counsel. In addition to exemption of the security, the issuer will have to explore what exemptions or registrations are necessary in order to sell securities if a broker-dealer is not engaged.

Bond Guarantee Program

Established by the Small Business Jobs Act of 2010, the U.S. Treasury's Bond Guarantee Program was an important precursor to CDFI access to the capital markets and remains an option for CDFIs with a need for longer-term financing sources. Through the program, certain bond issuers, known as "Qualified Issuers," can issue bonds with maturity dates of up to 29.5 years on behalf of approved or "Eligible CDFIs," which use the proceeds to invest in community development projects. The Secretary of the Treasury provides a 100% guarantee on these bonds, which are sold to the Federal Financing Bank, a U.S. government corporation.

Since 2013, the CDFI Fund has approved $1.6 billion in bond issuance through three Qualified Issuers on behalf of 26 Eligible CDFIs. Seven CDFIs have participated in multiple bond issuances, bringing the total number of CDFI borrowings through the program to 34. Community Reinvestment Fund ("CRF") has issued the highest dollar amount, $840 million, through six bond issues on behalf of eight CDFIs. Opportunity Finance Network ("OFN") has supported the greatest number of CDFIs, 16, through five bond issues, and Bank of America has supported three CDFIs, including LISC, through two issuances.

BGP AWARDS BY QUALIFIED ISSUER

Qualified Issuer	$ Amount (Millions)	Number of Issues	Number of CDFIs	Number of CDFI Borrowings
Community Reinvestment Fund	$840	6	8	11
Opportunity Finance Network	$572	5	16	20
Bank of America CDFI Funding Corporation	$200	2	3	3
Total*	**$1,612**	**13**	**26**	**34**

**Clearinghouse CDFI issued both through OFN and CRF.*

Asset Class	$ Amount (Millions)	Percent
Rental Housing	$297.9	28%
Charter Schools	$288.5	27%
Commercial Real Estate	$192.7	18%
CDFI to Financing Entity	$107.1	10%
Healthcare Facilities	$78.7	7%
Nonprofit Organizations	$50.0	5%
Small Business	$30.7	3%
Senior Living/ Long-term Care	$17.6	2%
Childcare centers	$11.6	1%
Total	**$1,074.8**	**100%**

Issues are in minimum amounts of $100 million, but multiple CDFIs can participate in a single issuance. Two of OFN's issuances had seven or more participating CDFIs, with individual CDFI borrowing amounts ranging between the minimum $10 million requirement and $30 million. As such, BGP can be a good option for CDFIs which may not have the scale or capacity to access the capital markets on a cost-effective basis.

BGP borrowings are recourse to the CDFI and secured by a first lien on project loan collateral. As of September 30, 2019, $1.1 billion had been drawn for projects in the asset classes in the accompanying table. [24]

Awards for the seven rounds to date are included in the table below.[25] One of the Eligible CDFIs exited the program after award, reducing the total to $1.592 billion.

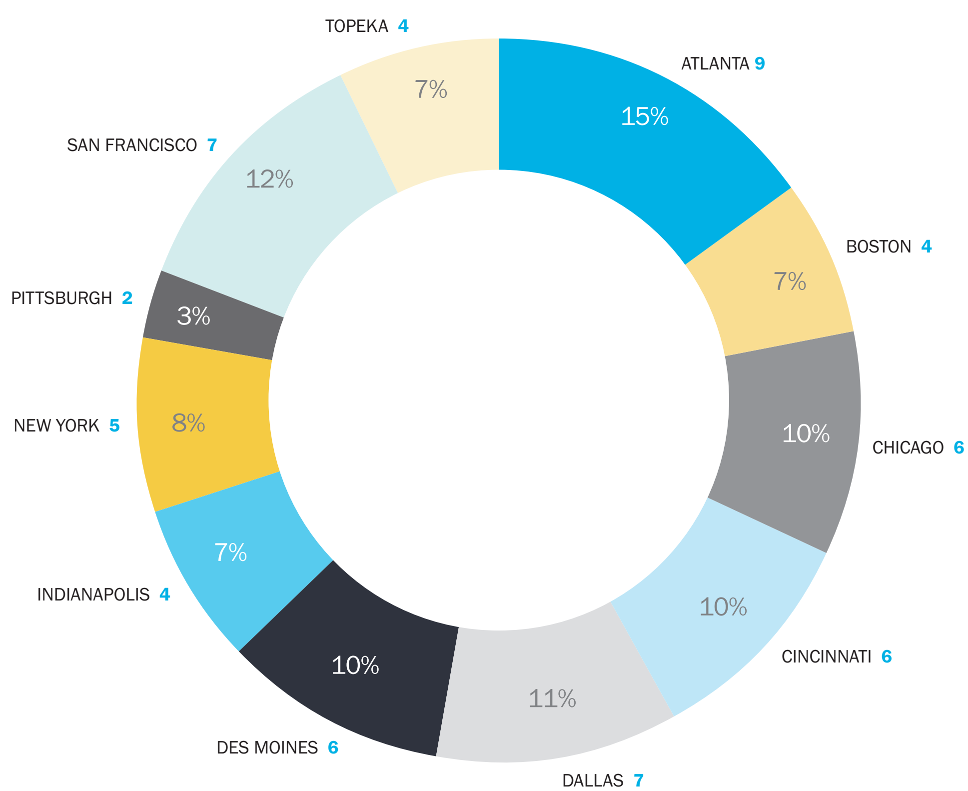
BOND GUARANTEE PROGRAM AWARDS ($ IN MILLIONS)

Year	Qualified Issuer	Eligible CDFI	Award
2013	Opportunity Finance Network	Clearinghouse CDFI	$100
	Community Reinvestment Fund, Inc	The Community Development Trust	$125
	Bank of America CDFI Funding Corporation	Enterprise Community Loan Fund	$50
		Local Initiatives Support Corporation	$50
	Sub-Total		$325
2014	Community Reinvestment Fund	Capital Impact Partners	$55
		IFF	$25
		Low Income Investment Fund	$65
		Reinvestment Fund	$55
	Sub-Total		$200
2015	Community Reinvestment Fund	Raza Development Fund	$100
	Opportunity Finance Network	Clearinghouse CDFI	$100
	Opportunity Finance Network	Bridgeway Capital	$15
		Chicago Community Loan Fund	$28
		Citizens Potawatomi CDC	$16
		Community Loan Fund of New Jersey	$28
		Community Ventures Corporation	$15
		Federation of Appalachian Housing Enterprises	$15
		Kentucky Highlands Investment Corporation	$10
	Sub-Total		$327
2016	Community Reinvestment Fund	Capital Impact Partners	$40
		Low Income Investment Fund	$50
		Reinvestment Fund	$75
	Bank of America CDFI Funding Corporation	Self-Help Ventures Fund	$100
	Sub-Total		$265
2017	Community Reinvestment Fund	Aura Mortgage Advisors	$100
	Opportunity Finance Network	Building Hope	$25
		Coastal Enterprises, Inc.	$20
		Community First Fund	$10
		Florida Community Loan Fund	$30
		Greater Minnesota Housing Fund	$10
		Homewise, Inc	$15
		Housing Trust Silicon Valley	$25
		Impact Seven	$10
	Sub-Total		$245
2018	Community Reinvestment Fund	Clearinghouse CDFI	$150
2019	Opportunity Finance Network	Community Loan Fund of New Jersey	$25
		Federation of Appalachian Housing Enterprises, Inc.	$20
		Greater Minnesota Housing Fund	$55
	Sub-Total		$100
TOTAL			**$1,612**

Federal Home Loan Bank System

Another growing source of CDFI capital is the Federal Home Loan Bank System. In 2008, the Housing and Economic Recovery Act ("Hera") authorized CDFIs certified by the CDFI Fund to become FHLB members. Eligible CDFIs include community development loan funds, venture capital funds and state-chartered credit unions without federal insurance. In 2010, the Federal Housing Finance Agency, which oversees the Federal Home Loan Banks, amended its membership regulations to allow certified CDFIs to become members through one of 11 regional chapters. For membership, CDFIs apply to a regional chapter based on the location of their headquarters. As of September 30, 2019, there were 60 CDFI members of the FHLB, a 25% increase from the number two years prior. The graph below depicts CDFI membership by regional chapter.

CDFI MEMBERSHIP BY REGION[26]



Member CDFIs are required to pledge collateral to secure advances, with individual FHLBs differing on acceptable collateral as well as advance rates on that collateral. Each of the Federal Home Loan Banks sets its own policies and procedures in these areas, but they all generally require a level of over-collateralization to incorporate the risk of market depreciation and/or liquidation expense.[27] To receive an advance, the CDFI member must also purchase and maintain additional stock in its FHLB. This minimum stock investment, established by each FHLB, serves as additional security above the member's established credit limit. According to statute, eligible collateral for CDFI members includes the following sources:[28]

- Mortgage loans and privately issued securities, including first mortgage loans on improved residential real property not more than 90 days delinquent and privately issued mortgage-backed securities.
- Agency securities, including loans and mortgage-backed securities issued, insured or guaranteed by the U.S. government or any U.S. agency.
- Cash or deposits held at the FHLB.
- Other real estate-related collateral with ascertainable value.
- Securities representing equity interests in eligible advances collateral.

FHLB membership provides CDFIs with access to low-cost capital with longer terms. In addition, membership benefits include access to other financial products and services as well as participation in the Affordable Housing Program, which provides grants to eligible affordable housing projects. One limitation of both the FHLB and BGP sources, however, is their requirement that CDFIs pledge collateral for borrowed capital. This requirement effectively subordinates traditional sources of unsecured, recourse debt, thus limiting extensive borrowing from these other sources.

Closing Considerations

As discussed throughout this paper, rated issuance in the capital markets can be an attractive option for CDFIs able to obtain an investment grade rating from S&P. Other options, including unrated note issuance, Treasury's Bond Guarantee Program and FHLB membership, are also attractive alternatives or complements to rated issuance. CDFIs should approach their capitalization choices in view of their debt needs, which are inherently linked to their business models and product demand.

Rated bonds and notes are both fixed income, tradeable CUSIP securities with DTC settlement that facilitate their sale and trading on the secondary market. The method of sale has been the primary difference between the two instruments. Generally, bond issuances are sold in full on a single day versus a longer best efforts sale of notes, which can be offered continuously over an extended period of time, up to a maximum, or shelf, amount. Costs of issuance can be significant for both instruments, which can make them less attractive in meeting smaller financing needs. Other alternatives, such as private placements, unrated retail or Reg D offerings, may be a better option in these situations.

The use of proceeds in terms of refinancing or new money will affect a CDFI's choices. Bond financing can be employed effectively to refinance high cost or variable rate debt, thus strengthening the CDFI's credit. However, bond financing is not as well suited for new money uses. There can be significant negative arbitrage in large new money bond offerings in which all of the proceeds are drawn down at issuance and not immediately put to use. Instead, CDFIs can issue notes and raise capital as needed for new money purposes. A drawback to this alternative is that S&P takes the full amount of the shelf offering into account in its analysis of CDFI debt although not all of the proceeds have yet been received, which can have a negative effect on the CDFI's credit rating. In sizing the shelf, CDFIs should consider the timing of future financing needs to minimize the magnitude of this credit "hit." Another alternative is to use CDFI bank lines of credit as warehouse facilities for new money purposes and then bundle aggregated project financings together for refinancing with bond proceeds.

More generally, when considering bond or note issuance, CDFIs have two basic options: 1) fix the rate for a longer term than the initial intended uses and recycle proceeds, or 2) match issuance maturities to the maturities of the CDFI's products. The former might be preferable in a favorable interest rate environment, with low rates and/or a flat yield curve, while the latter may simply make more sense given the CDFI's product mix. The choice will also be impacted by investor maturity preferences, which have evolved over the sector's history from greater appetite for five-year paper earlier in its evolution to the more recent appetite for ten-year paper. It should be noted that there are also some investors who have an appetite for longer-term maturities, up to 20 years, due to their own asset liability matching needs.

Execution is important, and even the most financially sophisticated CDFIs need assistance in navigating the complex world of securities. It will be necessary to bring in specialized legal counsel well versed in securities regulations together with broker-dealers with deep investor relationships and distribution channels. These experts can be engaged early in the process, as needed, to assist CDFIs in their approach in seeking a rating as well as in analyzing various structuring scenarios.

Harnessing the power of the capital markets is proving to be an efficient tool for CDFIs in diversifying their capital sources while also enabling them to serve as valuable partners to impact and ESG-motivated investors. The Covid-19 pandemic has highlighted the disparities in health and economic well-being in low-income communities and communities of color throughout the country and amplified the importance of CDFI investments to investors increasingly interested in social impact.

As CDFIs continue to grow their presence in the market, standardization of industry best practices will help create transparency for investors on the CDFI model and impact. Over the past three years, these best practices have begun to emerge, including alignment with the ICMA Sustainability Bond Framework and United Nations Sustainable Development Goals. As discussed, there has been superior market reception of CDFI bond issuances positioned within these frameworks, with LISC for the first time aligning a note program within these frameworks as well.

The possibilities for a mutually beneficial partnership are significant, with CDFIs emerging as trusted intermediaries for investors in the public capital markets in the same way they have successfully for banks, foundations and government entities. Continuing to define and refine best practices in disclosure will enable CDFIs to establish their role as effective investment intermediaries that direct impact-aligned resources to urban and rural communities across the country that have been underserved by the traditional capital markets.

About LISC

With residents and partners, LISC forges resilient and inclusive communities of opportunity across America – great places to live, work, visit, do business and raise families. Since 1979, LISC has invested $22 billion to build or rehab 419,000 affordable homes and apartments and develop 70 million square feet of retail, community and educational space. For more, visit www.lisc.org.

About the Authors

Elise Balboni is an impact investment strategist and financial advisor. From 2013–2018, she served as LISC's Managing Director for Lending. Previously, she served as a consultant for nonprofits and foundations in the area of charter school facility financing and as LISC's Vice President of Education Programs, where she had responsibility for oversight of LISC's charter school financing unit. Prior to joining LISC, Ms. Balboni served as an Associate in municipal finance at CS First Boston and as Budget Director for the Massachusetts Senate Committee on Ways and Means. She received her B.A. from Harvard University and her M.B.A. from the Stanford Graduate School of Business.

Anna Smukowski serves as LISC's Director, Investor Relations & Capital Strategies working to introduce, position and proactively market LISC's core impact lending to nontraditional investors. In this capacity, she supports capital strategies aimed at growing LISC's loan capital, including modeling of financial and social returns of LISC's products. Ms. Smukowski has also served as Program Manager for LISC's Pay for Success program and started her career at LISC as Credit Officer. She began her career as a Strategy and Operations Consultant at Deloitte. Ms. Smukowski received her B.S. from NYU Stern and her M.B.A. from Columbia Business School.

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S&P ratings are publicly available through S&P Global Ratings | spglobal.com/ratings

Aeris ratings are posted on issuer websites or available through Aeris | aerisinsight.com

Bond offering documents are publicly available through MuniOS | munios.com

Note documents included in this summary are publicly available through each issuer's website:

- **Calvert Impact Capital** | calvertimpactcapital.org/invest
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16 LISC, ECLF and LIIF provided a listing of all instruments in their portfolios with data relating to 4 categories (Loan Identifiers, Balance & Term; Key Loan & Credit Metrics; Key Loan Project Description, Project Location and Impact Metrics; and Use of Proceeds Metrics), including: loan number identifier, loan name, borrower name, product type, asset class, outstanding debt (book value), closing date, maturity date, term, risk rating, interest rate type, interest rate, security type,

lien position, credit enhancement data if applicable, project name, project description, city, state, square feet, units, charter school students, annual patient visits, individuals served, whether refinanced with proceeds, and the amount to be refinanced with proceeds.

RDF provided two listings, the first with financial information, including loan number identifier, borrower, product type, asset class, outstanding balance, closing date, maturity date, term, risk rating, interest rate, security type, lien position, city and state. The second included a longer project description, the outcome metric measure and the poverty level, where available.

BlueHub provided a listing of all instruments in its portfolio with data relating to 2 categories (Loan Identifiers and Key Loan Project Data & Impact Metrics), including: loan number identifier, loan name, city, zip code, product type, project type, number of units, outstanding debt, commitment amount, closing date, maturity date, term, risk rating, interest rate type, interest rate, security type, lien position, whether refinanced with proceeds, amount to be refinanced with proceeds.

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