



Abridged Final Execution Version

Community Investment Guarantee Pool (CIGP) Program and Underwriting Guidelines

The primary objectives of the program parameters are to:

- Align underwriting guidelines with the guarantor’s overall strategy and values;
- Control risk while ensuring guarantee use case flexibility;
- Develop long-term sustainable CIGP Guarantees; and
- Limit unintended consequences of the program on the Qualified Beneficiaries and/or communities benefitting from the guarantee.

Qualified Beneficiaries

Qualified Beneficiaries include any financial intermediary and/or lenders to intermediaries investing in community development in the areas of affordable housing, small business and/or climate impact. To be eligible as a Qualified Beneficiary under the CIGP, an organization must meet the following criteria:

- Promote community development for Low-Income Persons or in Low-Income Communities, specifically defined as relieving the poor and distressed, combatting community deterioration, and revitalizing distressed communities;
- Serve and maintain accountability to one or more defined geographic target areas located within the United States and its territories;
- Be a legal, entity established and operating within the United States;
- Provide lending, financial, and/or educational services within geographic areas located within the United States and its territories; and
- Have a proven track record and history of providing its core services to low-income persons or low-income communities.

Racial, gender and economic equity

CIGP places importance on a diverse, inclusive and equitable program where all Qualified Beneficiaries and guarantee end users, whatever their gender, race, ethnicity, national origin, age, sexual orientation or identity, education or disability, will be valued and respected.

CIGP will:

- View racial, gender and economic equity as connected to our mission and critical to ensure the well-being of the communities we serve.
- Elevate (through application impact scoring measures) Qualified Beneficiaries with diverse leadership, racial/gender/economic equity focused missions and/or DEI specific programs. CIGP will encourage all Qualified Beneficiaries to report diversity data in

accordance with the programs and standards established by GuideStar. CIGP will report any such diversity data received from Qualified Beneficiaries to the Guarantors.

- Acknowledge any inequities and explore potential underlying, unquestioned assumptions within our policies, systems, programs and services.
- Advocate for and support thinking about how systemic inequities impact CIGP's work, and how best to address that in a way that is consistent with our mission.
- Focused effort to expand more diverse leadership within the Program Parameters and Credit Committee, the Guarantor Advisory Committee, as well as the LOCUS staff and advisors.

Eligible Key Program Focus Sectors

Qualified Beneficiaries must utilize any guarantee from the CIGP exclusively to address social, environmental, and economic issues, as well as catalyze investment in one or more of the following CIGP focus sectors:

- **Small Business Impact:** Expanding access to Small Business loans for underserved businesses that traditionally lack access to capital.
- **Affordable Housing Impact:** Supporting the development of affordable single and multifamily housing in Low-Income Communities and/or for the benefit of Low-Income Persons and families.
- **Climate Impact:** Expanding financing solutions that support the mitigation and adaptation actions that address climate change, as well as disaster recovery, with an emphasis on providing resources to low-income individuals, organizations, or communities that are most vulnerable to the impact of climate change.

Eligible Uses of Guarantee

Enterprise

Enterprise level guarantees support Qualified Beneficiaries in the receipt of debt or equity capital. In most cases, the guarantee will support the investor and/or lender that provides debt or capital to the Qualified Beneficiary, otherwise known as a third-party beneficiary.

CIGP will ensure third-party beneficiaries align with the program's social values, including diversity, racial/gender/economic equity and inclusion. The CIGP Guarantee Agreement will include conditions outlining acceptable third-party beneficiaries. At a minimum, third-party beneficiaries should promote the values of CIGP and its guarantors.

Potential scenario: CIGP provides a \$1.5 million guarantee to fund investor calls on capital investment into a Qualified Beneficiary. The guarantee covers up to five percent of the fund for investor calls. For example, a Qualified Beneficiary raises \$30 million to capitalize a loan fund. The Qualified Beneficiary provides the investors an opportunity to exit the fund after year five with a cap of \$3 million. In year five, an investor requests a \$1 million exit from the fund. The Qualified Beneficiary would submit a claim to CIGP for \$1 million. CIGP would pay the claim, while the Qualified Beneficiary's available guarantee for investor calls reduces to \$500k (\$1.5 million less \$1 million). The Qualified Beneficiary will repay the guarantee as new investors are attracted to the fund and/or the underlying assets repay their commitment to the loan fund.

Pooled

Pooled guarantees support a pool of loans or investments, typically in the form of an unfunded loan loss reserve commitment. The Qualified Beneficiary will submit an effectiveness letter for loans originated underneath the pooled guarantee guidelines for the preceding three months. As the Qualified Beneficiary recognizes losses from loans in the pool, CIGP will pay claims as they relate to the Qualified Beneficiary's CIGP Guarantee Agreement.

Potential scenario: CIGP provides a \$1 million guarantee to support small business lending to entrepreneurs of color. The Qualified Beneficiary accepts the first five percent of the loan fund in losses. For example, a \$5 million pool of loans experiences \$300k in losses during the first five years. The Qualified Beneficiary would cover the first \$250k (\$5 million x 5%), with CIGP covering the remaining \$50k. The Qualified Beneficiary would have \$950k (\$1 million less \$50k) available to cover losses for the remaining term of the guarantee. The Qualified Beneficiary would have met their first-loss requirement for future CIGP claims.

Program

Program level guarantees support Qualified Beneficiaries with programmatic lending. A program level guarantee is transaction specific, as in CIGP will structure loss claims on a loan specific basis. The Qualified Beneficiary will submit an effectiveness letter for each loan attached to the program level guarantee. The Qualified Beneficiaries CIGP Guarantee Agreement will dictate the use parameters and acceptable loans for inclusion in the program level guarantee.

Potential scenario: CIGP provides a \$4 million guarantee to support affordable housing loans. The guarantee enhances credit risk by covering the first 20 percent of losses on a subordinate down payment loan. For example, the Qualified Beneficiary originates a \$1 million down payment assistance loan on an affordable housing project. The project experiences financial distress and the Qualified Beneficiary realizes a \$600k loss. CIGP would pay a \$120k claim (\$600k x 20%). The guarantee would have \$3,880,000 (\$4 million less \$120k) available for future claims.

Guarantee Size

The minimum size of a CIGP guarantee is \$1 million. The CIGP may pool smaller Qualified Beneficiaries together to reach the minimum guarantee size to promote the participation of smaller Qualified Beneficiaries in the CIGP. The maximum CIGP guarantee aggregated per entity will not exceed 15 percent of outstanding guarantor commitments.

Guarantee Term

The maximum term of a CIGP guarantee shall not exceed the Termination Date as defined and set forth in the Master Guarantee Agreement ("MGA"). The Termination Date is defined in the MGA as the date that is 15 years from the date the MGA is signed.

Guarantee Leverage

The Qualified Beneficiaries should generally demonstrate a minimum of 5 to 1 direct guarantee leverage or 10 to 1 indirect leverage.

Qualified Beneficiary Deployment	\$10,000,000	Qualified Beneficiary Deployment	\$7,000,000
Guarantee Commitment	\$2,000,000	Guarantee Commitment	\$3,000,000
		Other debt into eligible programs/projects	\$23,000,000
		Total Funds	\$30,000,000
Direct Leverage Ratio	5:1	Indirect Leverage Ratio	10:1

CIGP will consider lower leverage ratios when the Qualified Beneficiary can demonstrate a high "but for" impact, which could include a correlation between the guarantee supporting a focus on DEI.

Geographic Limitations

The geographic footprint will not extend beyond the United States of America and its territories. CIGP will consider the qualified beneficiaries' direct and indirect geographic alignment with the geographic priorities of each of the Guarantors as set forth in Schedule 1 of the MGA.

The Community Investment Guarantee Pool is a national unfunded guarantee pool which has the potential for local impact in an institution's geographic area of focus. Specific guarantor geographic preference is a top priority and the CIGP will use its best efforts to ensure geographic preference is met and new community development investments flow into the specific guarantor geographic region. CIGP anticipates that for every \$1 of committed unfunded guarantee targeted to a specific geographic region, that at least \$1 of new community development investments dollars will flow into the region. The CIGP and the guarantors recognize that the deployment of regionally focused guarantees is dependent upon the availability of Qualified Beneficiaries and their ability to meet underwriting requirements and deploy guarantees in the three sectors of affordable housing, climate and/or small business.

Example: A community foundation commits to an unfunded guarantee amount of \$2 million. CIGP will work with local and national QBs to target at least \$2 million of new community development investments in the Guarantor's geographic region. The Qualified Beneficiaries should generally demonstrate a minimum of five to one direct guarantee leverage or 10 to one indirect leverage. So, a \$400k guarantee commitment to QB's working in the geographic region will create at least \$2 million of additional community development investments in the region.

Guarantee Pricing

CIGP will price the guarantee as a percentage of the Qualified Beneficiary's outstanding commitment on an annual basis. CIGP will consider leverage, loss position, loss exposure and level of impact when assessing the Qualified Beneficiary's guarantee price. Typically, the annual commitment fee will be one to two percent of the Qualified Beneficiary's commitment. The Portfolio Performance and Credit Committee will approve the use case's pricing based on CIGP's recommendation embedded in the credit approval request. The following items will influence the guarantee price:

- *Amount of leverage* - Higher direct leverage will receive lower pricing to incentivize leverage.
- *Risk of loss* – Use cases that pose elevated risk to CIGP will receive higher pricing to compensate for increased loss exposure.
- *Level of Impact* – Qualified Beneficiaries and/or use cases that demonstrate higher levels of impact in the CIGP’s areas of focus will receive lower pricing to promote greater impact.

CIGP may charge fees that incentivize or discourage Qualified Beneficiary actions. The Portfolio Performance and Credit Committee will approve fees based on a pre-determined fee schedule, prior to CIGP adopting fees.

CIGP Loss Position

The financial interests of all Qualified Beneficiaries must align with CIGP and the interests of the Guarantors. Accordingly, the CIGP will seek shared-loss use case models where possible; however, the underlying transactions and guarantee use cases will dictate the necessary CIGP loss position. The CIGP will consider the CIGP’s loss exposure and the Qualified Beneficiary’s ability to leverage and unlock capital with the CIGP guarantee in place when determining the appropriate loss position. Below are examples of acceptable loss share options:

- Second loss position based on a pre-determined first lost exposure for the Qualified Beneficiary.
- Shared loss position based on a pre-determined loss sharing agreement.
- First lost exposure for transactions where the Qualified Beneficiary can document and confirm that first loss is imperative to deploy a capital stack and/or unlock “but-for” lending; in addition to not posing undue risk to the CIGP facility.
- Other loss case scenarios on a case by case basis if the proposed use does not pose undue risk to the CIGP facility and the financial interest of the Qualified Beneficiary’s use case aligns with the CIGP facility.

CIGP Loss Exposure

Loss exposure will be on a case-by-case basis based upon use case and guarantee type (enterprise, pooled, and program). The CIGP Guarantee Agreement will dictate the terms of loss exposure per approved guarantee use. CIGP will consider risk to the facility, leveraged capital, and necessity of guarantee exposure when determining the appropriate guarantee size and loss position.

CIGP will manage to an agreed upon maximum portfolio benchmark loss rate over the life of the 15-year term of the Program. Each respective CIGP Guarantee may exceed or fall below this benchmark; however, the weighted average of the portfolio’s modeled loss rate will be no more than the agreed upon maximum portfolio benchmark loss rate.

Guarantee Claim Repayment

In certain circumstances, Qualified Beneficiaries may repay their guarantee claims. If CIGP has taken action to enforce a repayment obligation and recovers any amount, such recovered amount shall be applied in the following order: (A) to reimburse CIGP for all reasonable legal

fees, administrative expenses and documented out of pocket costs related to collection costs; (B) to fund or reimburse the Extraordinary Expense Fund up to the amount drawn from the Extraordinary Expense Reserve in connection with such collection; and (C) to be paid to the Guarantors in accordance with their Pro Rata Share as of the time of the recovery.

Guarantee Discontinuance

The Portfolio Performance and Credit Committee may discontinue a guarantee for under performance. CIGP will assess a Qualified Beneficiary's performance on a quarterly basis. The Portfolio Performance and Credit Committee will consider discontinuance of the guarantee, based on CIGP's recommendation, for any of the following reasons:

- Poor performance of the underlying supported program during the 36-month origination period.
- Under-deployment of Qualified Beneficiary's guarantees during 36-month origination period.
 - The Qualified Beneficiary should target 30 percent of the guarantee deployed by the end of year one, 60 percent by the end of year two and fully deployed by the end of year three.
- Financial deterioration of the Qualified Beneficiary.
- Qualified Beneficiaries failure to pay the guarantee fee within 90 days of invoice date.
- Qualified Beneficiaries repeated failure to provide required reporting within 45-60 days of applicable quarter end.
- Any other Qualified Beneficiary breach of their Qualified Beneficiary Guarantee Agreement, including, but not limited to fraud and misuse.

The Portfolio Performance and Credit Committee and CIGP will ensure that any guarantee discontinuance will be handled in a reasonable manner to mitigate any reputational risk to the Program, which will include, where appropriate, providing the Qualified Beneficiary with the ability to cure or correct any deficiencies.

A Qualified Beneficiary may request a voluntary exit from the program with a written request to the CIGP during the 36-month origination period. The Portfolio Performance and Credit Committee must approve all requests for voluntary discontinuance. The Qualified Beneficiary Guarantee Agreement will detail exit provisions and costs.

Guarantee Deployment and Redeployment

CIGP guarantees will require the Qualified Beneficiary to commence deployment within twelve months of guarantee commitment date, while full deployment must occur within 36 months of guarantee commitment date. The Portfolio Performance and Committee may release and redeploy a portion or all of a particular guarantee commitment over time after certain trigger events, which may include any or all of the following:

- Unused capacity at the end of an origination period
- Payoff of eligible loan
- Contractual reduction in guarantee exposure
- Final settlement at end of guarantee period

- A Qualified Beneficiary voluntarily or involuntarily exits the CIGP guarantee.

Redeployment requires CIGP to underwrite and approve a new use case and issue new guarantee agreements with the selected Qualified Beneficiary. However, any redeployment after the Origination Period requires approval of the Guarantor Advisory Committee as set forth in the MGA.

Qualified Beneficiary Process for a CIGP Claim

Each CIGP Guarantee Agreement will outline the process for submitting a loss claim to CIGP respective to that approved guarantee use case. The underlying guarantee use will dictate the CIGP's assessment for claiming losses. In all scenarios, the Qualified Beneficiary will need to demonstrate that they have taken all prudent steps to mitigate a CIGP loss claim. CIGP's role will be to review the terms of the applicable CIGP Guarantee Agreement, to validate the claim under those terms and submit it to the Portfolio Performance and Credit Committee for final approval. The Portfolio Performance and Credit Committee must approve all loss claims.

Guarantors will have 20 business days following Portfolio Performance and Credit Committee approval to fund guarantee claims to CIGP.

Underwriting Guidelines

CIGP will underwrite the Qualified Beneficiary and their use case. Particular focus will be paid to the Qualified Beneficiary's diversity, equity and inclusion (DEI) profile and racial equity practice as an organization and within their use case impact.

Qualified Beneficiary Requirements

CIGP will review the Qualified Beneficiary's strategic plan to ensure program alignment. Each Qualified Beneficiary must have their own safe and sound lending and credit requirements. Their policies should at a minimum address the following:

- Loan portfolio diversification standards;
 - If a Qualified Beneficiary is heavily concentrated in one industry and/or geographic sector (ex. housing and/or city), CIGP will assess the strength of the beneficiary's risk mitigation practices for de-risking the concentration.
- Prudent underwriting standards, including loan-to-value and cash flow measurements; and
- Loan administration procedures that include documentation, disbursement, collateral inspection, collection and loan review.

Qualified Beneficiaries must have a financially sound balance sheet. CIGP will consider the following areas when underwriting the Qualified Beneficiary:

- Self-sufficiency
- Change in net assets
- Liquidity, including cash on hand to fund operating expenses
- Earnings performance
- Asset-liability management

- Portfolio performance (problem loans, delinquencies, charge-offs, and loan loss reserves)
- Projections and strategic plans (if available)

The management team of the Qualified Beneficiary must have a demonstrated track record of serving their applicable sector (s) of at least two years. The Qualified Beneficiary's staff must have the necessary expertise and requisite experience to execute their use case's plan.

Use Case Requirements

Each use case must adhere to the following underwriting principles:

- All use cases must have a defined, documented, and projected plan of repayment;
- Where available, use cases must obtain access to reasonable collateral coverage; and
- Use cases must be for a legitimate business purpose.

Prohibited activities include:

- Businesses engaged in activities that are prohibited by Federal law or applicable law in the jurisdiction where the business is located or conducted;
- Businesses engaged in pyramid sales;
- Businesses engaged in gambling enterprises, firearms, liquor and/or tobacco;
- Refinancing loans previously made by a Qualified Beneficiary to an existing borrower;
- Use case benefits executive officer, director or principal shareholder of the Qualified Beneficiary, a member of the immediate family of an executive officer, director or principal shareholder of the Qualified Beneficiary, or a related interest of an executive officer, director or principal shareholder of a Qualified Beneficiary.

Risk Rating

Each Qualified Beneficiary must maintain an effective risk rating system that at a minimum covers the following risk rating categories:

1. *Pass* – Loans in this category are average quality and well within the organization's range of acceptability.
2. *Watch* – Loans in this category have higher than normal credit risk and servicing needs.
3. *Special Mention* - Although repayment may continue, a loan in this category carries undesirable credit risk and possesses potential weaknesses which may, if not corrected, weaken the asset or inadequately protect the Organization's credit position at some future date.
4. *Substandard* – Loans in this category are inadequately protected by the sound net worth and paying capacity of the borrower or the collateral pledged.
5. *Doubtful* – Loans that exhibit weaknesses that make collection or liquidation in full improbable.
6. *Loss* – Loans that are considered uncollectible or of such little value that continuance as an asset is not warranted.

For enterprise guarantees, a risk rating system will not be applicable to the CIGP Guarantee. In those cases, CIGP will risk rate the enterprise guarantee based on the aforementioned six grade rating scale, from an institutional viewpoint as opposed to a loan viewpoint.

Portfolio Diversification Standards

It is the intent of CIGP to have no sector, geography, industry or use case type represent a disproportionately high level of outstanding guarantee commitments at any one time. The following portfolio maximums are in place:

- No single sector (affordable housing, small business or climate) should ultimately exceed 50 percent of total guarantees.
- For small business non-real estate secured guarantees, no single industry based on the North American Industry Classification System (NAICS) can exceed 15 percent of outstanding guarantor commitments.

CIGP will diversify the risk of the portfolio by blending incremental impact and “but-for” guarantees. In most cases, incremental impact transactions will project lower anticipated losses as compared to “but-for” transactions, which are those that would likely not happen without the CIGP guarantee in place.

Reporting Requirements

The Qualified Beneficiary will submit quarterly and annual use case and organizational reports.

- *Quarterly* – The Qualified Beneficiary will submit a data trial for loans enrolled in the guarantee commitment. The Qualified Beneficiary Guarantee Agreement will detail specific items that the Qualified Beneficiary must include in their data trial. At a minimum, the Qualified Beneficiaries must provide the following:
 - Loan data trial
 - Risk rating report
 - Delinquency report
 - Pipeline report
 - Loss projection report
- *Annually* – The Qualified Beneficiary will submit yearend audited financial statements, impact measurement report and other items identified in the Qualified Beneficiary Guarantee Agreement.

Exception to Guidelines

The Guarantor Advisory Committee permits exception to these guidelines on a case by case basis. Exceptions require approval of the Guarantor Advisory Committee.

Guarantor Review

Prior to accepting new guarantors into the program, CIGP will underwrite the prospective guarantor. The review will consider the following:

- Values and social alignment with CIGP and the other guarantors;
- Level of guarantee commitment to CIGP;

- Ability of guarantor to honor their entire guarantee commitment;
- Guarantors financial susceptibility to economic downturns and the corresponding impact on their balance sheet;
- Other items that could impact the prospective guarantor's ability to financially support their level of guarantee commitment.

Annually, CIGP will review the financial condition of all guarantors to substantiate their ability to continue honoring their level of guarantee commitment.

Modifications and Conflicts

Modifications to these Program and Underwriting Guidelines shall be subject to the prior approval of the Portfolio Performance and Credit Committee and material modifications shall be subject to the final approval of the Guarantor Advisory Committee.

If there is a conflict between the MGA and these Program and Underwriting Guidelines, the MGA shall control. Terms not otherwise defined herein shall have the same meaning as set forth in the MGA.