CIGP Answers to Climate Change Guarantee RFP Questions:

(Updated 10/22/2021)

Question 1: ***How will the guarantee fee will assessed, specifically addressing the mechanics during the ramp-up period prior to the full deployment of the guarantee?***

CIGP's guarantee fees to date have been based on the full committed guarantee amount, starting from the execution date of the CIGP Guarantee Agreement. The guarantee fee will be charged quarterly in advance on an actual days over 365 day basis.

Question 2: ***Will the guarantee be cash-funded (i.e., provide capital to the fund) or solely be a back-stop that could be called if needed?***

The CIGP guarantee is a committed unfunded credit enhancement that is backed by foundations' balance sheets.

Question 3: *CIGP indicated that they would prefer a second-loss position. What is CIGP's expectation for the amount of first-loss protection in a given project?*

Loss sharing is an integral part of the CIGP guarantee structure. All guarantee qualified beneficiaries must have some loss-share, albeit not always equal or proportional. CIGP will work with qualified beneficiaries to mutually determine the appropriate first-loss amount. This will be informed by the qualified beneficiaries' lending and/or investing or project-management history and understanding historical project performance and/or financial loss rates on similar type investing/lending activities.

Question 4: *What ability or rights would a qualified beneficiary have to cancel the guarantee prior to the set end date if performance results no longer necessitated the guarantee? Would there be any fees or penalties?*

The qualified beneficiary can cancel the guarantee at any time. There will be no fees or penalties in the event of a guarantee being canceled by the qualified beneficiary.

Question 5: *Can qualified beneficiaries determine at their own discretion the specific investment/ lending terms of the proposed eligible guaranteed investments? Or do these terms need to be cleared with CIGP?*

CIGP and the qualified beneficiary would mutually agree upon parameters for the loans, including minimum investment/credit and or transaction structure requirements. The qualified beneficiary can then use its own discretion determining underlying investments/loans/transaction structures within those parameters. CIGP does not underwrite individual deals after the guarantee agreement is signed—it only confirms eligibility as determined within the guarantee agreement.

Question 6: ***In the direct leverage requirements, what is meant by the term "leverage" and the 5:1 requirement? Is it the amount of our CDFI's loan capital lent against the guarantee pool? Is it outside capital from other lending participants in the deal? Does capital contributed by the borrower play into that leverage number at all?***

Generally, each $1 of guarantee should support at least $5 of community development investment. Depending on the guarantee structure and the structure of the proposed lending/investment pool, the CIGP leverage requirement is based upon the amount of the guarantee committed compared to the total amount of community development investments and loans projected to be used or brought in to the project or portfolio over the guarantee period.

Question 7: ***How is the cost of the pool (1-3% fee) negotiated? Is there a way to know what this annual fee would be prior to applying for the guarantee pool?***

The price of the guarantee is mutually negotiated during the term sheet stage of the guarantee review and approval process. The guarantee fee is primarily dependent upon two factors:

- (1) the size of the guarantee - smaller guarantee amounts may have slightly higher guarantee fees due to operational breakeven calculations.
- (2) the CIGP assessed risk of the lending/investment structure or the risk of the underlying investments/loans.

Question 8: ***Could you explain the preferred geographies and why the pool is targeting those areas? While states outside of those preferred geographies are eligible, how much less likely are those areas to be accepted for the guarantee program if they are not a priority state?***

The participating guarantors selected the preferred geographies given their organizations' primary focus regions/states within the U.S. The CIGP Team will work to ensure that over the course of the 15-year guarantee program life that guarantees will be generated to support community development investments in all of the preferred geographies. However, preferred geography is one of several important factors used in approving a guarantee, of which the most important criteria are impact on communities, innovation, scalability of the proposed investment, racial equity, wealth inequality and/or focus on LMI communities, and gender equity.

Use-cases in non-preferred geographies are encouraged to apply assuming they satisfy other important factors listed above.

Question 9: ***Can the guarantee amount cover the entire cost of the loan? Is there a certain percentage of an individual deal that the climate guarantee can cover?***

There is always a shared but not always equal loss-sharing formula in a CIGP guarantee structure that is negotiated between parties. The amount of the guarantee coverage for specific eligible loans/investments under the CIGP program depend upon the guarantee structure – program guarantee vs pool guarantee structure. In general, the guarantee beneficiary will always bear some degree of negotiated risk of loss in underlying eligible guaranteed loans/investments.

Question 10: ***Is it likely that a climate-focused guarantee pool would be offered again in the future? Will that depend on the success of the current RFP?***

The Climate Change Guarantee RFP is one of several ways to be considered for a proposed use-case guarantee. Direct conversations with the CIGP Team to discuss early-stage climate use-case scenarios is also readily available. As long as CIGP has available guarantee capacity, conversations about proposed climate use-cases are welcome.

Question 11: ***Does CIGP sign a reimbursement agreement with the end borrower that allows you all to recoup the guarantee money in the event of a default?***

CIGP does not sign or have any specific engagement or legal agreements with the underlying end borrower/investee. CIGP signs a guarantee agreement with the beneficiary of the guarantee, which contains clauses for a waterfall of payments based upon any potential recoveries under loans/investments charged off and claimed under the guarantee program. The beneficiary of the guarantee is the primary contact party with underlying borrowers/investees and distributes recover dollars (if any) between itself and CIGP based upon the mutually negotiated loss sharing formula.

Question 12: Has CIGP considered offering guarantees below $1 million? And, will CIGP consider offering guarantees for individual commercial solar loans?

In the specific case of commercial solar, the CIGP Climate Change Guarantee is designed to protect a portfolio of commercial loans, as opposed to one-off loan transactions, which is part of the reason why the guarantee has a $1 million minimum.