CDFIs and the Capital Markets

Trends in Investment & Impact Measurement

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Executive Summary

Local Initiatives Support Corporation ("LISC") has published a series of white papers on community development financial institutions ("CDFIs") as vehicles for impact investment, beginning with *CDFIs & Impact Investing: An Industry Review* in December 2017 ("2017 White Paper"). In June 2020, LISC built on its original research and published *CDFIs & the Capital Markets: Tapping into Impact Investors* ("2020 White Paper"), which sought to detail the industry's evolving approach to the capital markets through positioning within accepted impact frameworks. In this latest installment, LISC is joined by Enterprise Community Partners, Inc. ("Enterprise") in providing an update through year-end 2022 of rated and unrated CDFI issuance, as well as emerging trends in investment, impact measurement and management.

CDFIs now have the opportunity to position the industry as the ultimate impact investment, capable of addressing key social and environmental issues like the acute affordable housing crisis; persistent racial health, wealth and opportunity gaps; and environmental sustainability measures in low-income and historically underserved communities.

The year 2021 saw tremendous growth in the sustainable debt markets with $1 trillion in total issuance, due in part to the historically low interest rate environment, ongoing impacts of Covid-19 and increased focus on racial equity in the U.S. market.[1] Moody's Investor Services initially projected issuance of labeled Green, Social, Sustainability and Sustainability-Linked bonds to reach $1.35 trillion in 2022. However, issuance fell short of predictions, with high inflation and market volatility leading to aggressive interest rate hikes and reduced issuer demand for new debt.[2] Further troubling the sustainable finance markets during the year was a wider backlash against environmental, social and governance ("ESG") investing, with allegations ranging from breach of fiduciary duty to a secret agenda to impose leftist social values on businesses and the capital markets.[3]

Despite these 2022 trends, observes Jon Hale, director of sustainability research for the Americas at Morningstar Sustainalytics, "[S]ustainable investing and the consideration of ESG factors have become part of the investment mainstream over the past few years. The rapid growth has been spurred by the need for investors to consider nonfinancial risks posed by problems ranging from climate change to natural resource depletion, treatment of workers throughout the supply chain, corporate ethics, and wealth inequality."[4]

The CDFI sector has grown and matured since 2017 when LISC went to market with the sector's inaugural $100 million Sustainability Bond. CDFIs now have the opportunity to position the industry as the ultimate impact investment, capable of addressing key social and environmental issues like the acute affordable housing crisis; persistent racial health, wealth and opportunity gaps; and environmental sustainability measures in low-income and historically underserved communities.

This latest installment of the CDFI series includes data through year-end 2022 unless otherwise disclosed. Highlights include the following:

Rated Issuance

- Thirteen CDFIs have issuer credit ratings from Standard & Poor's Global Ratings ("S&P"), including five that fall within the "AA" category and eight that fall within the "A" category.

- Nine CDFIs have accessed the capital markets with rated offerings totaling $1.40 billion.
- Rated CDFI issuance has increased by $503 million, or 56%, since early 2020, with rated note issuance accounting for $389 million, or 76%, of the increase.
- Eight CDFIs have brought ten rated bond issues totaling $837 million to market. The bonds had an average term of 11.1 years and an average life of 8.4 years, with a range of one to 20 years for individual bond maturities. Total borrowing costs averaged 3.68%, with an average cost of issuance of 1.15%, including an average underwriter's discount of 0.76%.
- Three CDFIs have rated note programs through which they have raised a total of $530 million. The most frequently issued terms, which have generated the highest dollar volume of investment, include: 1-year term notes totaling $170 million (32%), 5-year term notes totaling $151 million (29%), and 10-year term notes totaling $75 million (14%). The weighted average term/life of these notes was 4.5 years, and the weighted average yield was 2.22%.
- Century Housing Corporation ("Century") launched the first rated CDFI commercial paper program in 2022.
- Fitch Ratings ("Fitch") has begun rating the sector, with two CDFIs obtaining a second rating from Fitch.
- Two CDFIs have used private placement ratings from Egan-Jones Ratings Company to raise capital on a private basis.

Unrated Note Issuance

- Based on publicly disclosed information, there are 19 CDFIs with unrated note programs currently available for investment.
- The 19 unrated note programs have different sales channels, investment minimums and investor restrictions, including 14 that are available to retail investors beginning at investment sizes as low as $500 and five that are exclusively sold to accredited investors.
- The most common maturities are the 3-year, 5-year and 10-year notes; however, eight CDFIs also offer notes with a term of greater than ten years.
- Many of the unrated note programs are currently offered at lower interest rates than those documented in the 2020 White Paper, ranging from a low of 0.25% for a 1-year note to highs of between 3% and 4% for 5-year to 15-year notes, depending on the issuer.

Investors

- Rated CDFI note securities are held by the largest spectrum of investors, ranging from individual retail investors to institutional investors.
- Unrated note programs have a higher barrier to entry for individual retail investors and may require additional due diligence regarding investment restrictions based on state and federal regulations and investor status.
- CDFI bond debt is held largely by institutional investors.

- As of July 2022, $324 million of rated CDFI debt (both bonds and notes), representing 26% of the total outstanding issuance, was held by 50 bond funds. Half of this debt was held by bond funds with a Morningstar Sustainability Rating and which are part of the US SIF Bond Database.
- While thin, secondary market trading occurs for rated CDFI securities with 1,668 sell-side transactions and 355 buy-side transactions for rated CDFI bonds as of year-end 2022.

"CDFIs play an important role in our financial services ecosystem. They serve people in places the sector hasn't traditionally served well."

— JANET YELLEN
UNITED STATES SECRETARY OF THE TREASURY

Impact Frameworks

- Six of the ten bond offerings aligned with the International Capital Market Association ("ICMA") Sustainability Bond Guidelines at issuance, with four receiving a second party opinion.
- In March 2022, Raza Development Fund ("RDF") released a Social Bond Framework for its 2019 bond, together with a second party opinion, making RDF the first CDFI to align its offering post issuance.
- Two of the three rated note programs align with the Sustainability Bond Guidelines.
- Outside of the ICMA Guidelines, rated and unrated CDFI bond and note issuers have used platforms like ImpactAssets 50 and the Environmental Finance awards to demonstrate their impact to a wider set of investors.
- CDFIs have also begun to report on greenhouse gas emissions in their portfolios and operations. In 2020, Community Preservation Corporation ("CPC") became the first rated CDFI to achieve carbon neutrality in its operations by completing a greenhouse gas assessment and developing a corresponding neutrality strategy.
- CDFIs, such as Partners Community Capital, Coastal Enterprises, Inc. ("CEI") and Self-Help Credit Union and Ventures Fund, are employing the Partnership for Carbon Accounting Financials ("PCAF") framework to disclose and reduce their greenhouse gas emissions.

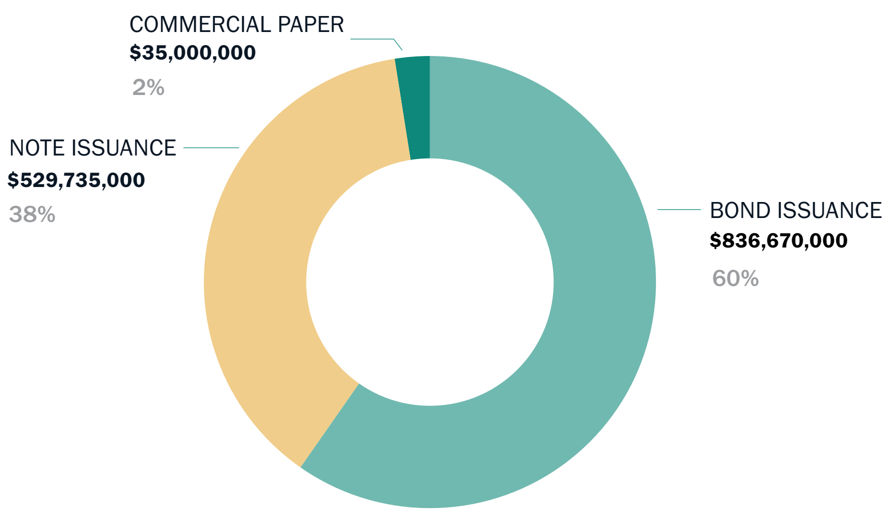
To successfully position itself, the CDFI industry needs to continue alignment with these emerging frameworks on impact disclosure and reporting so that it speaks about and reports on its work in terms that investors know and understand. This third installment of the CDFI series builds on the 2020 White Paper and provides an updated review of rated and unrated CDFI bond issuances and note programs, examines investor characteristics, and details innovative ways CDFIs are approaching their existing investors and attracting new investors via alignment with these accepted impact frameworks.

Overview of Rated Issuance

Since publication of the 2020 White Paper, two additional CDFIs – California Community Reinvestment Corporation ("CCRC") and National Development Council ("NDC") – have obtained ratings from Standard & Poor's Global Ratings, bringing the rated universe to 13. In addition, Fitch Ratings has begun rating the sector, with two CDFIs obtaining a second rating from Fitch.

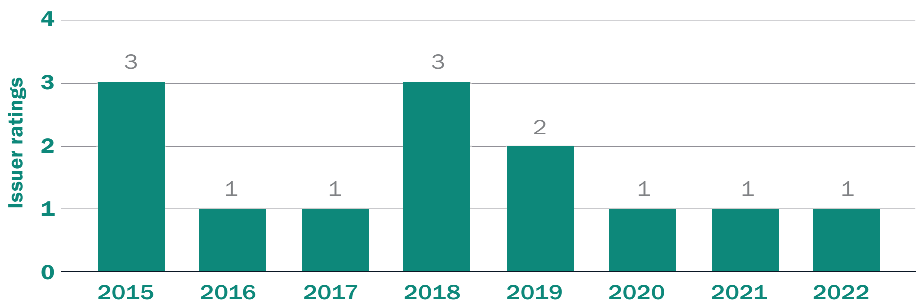
CDFIs have accessed the capital markets through a variety of rated debt instruments, including bonds, notes and commercial paper. Bonds are marketed for a finite period and sold on a single day whereas notes are sold continuously on a best efforts basis through an ongoing program. Commercial paper is a short-term unsecured note with a term of less than a year, typically issued to meet short-term liabilities. While in the fixed income market, bonds are typically of longer duration and notes are typically shorter-term, CDFIs have used both to raise capital with a wide range of maturities.

GRAPH 1 **RATED ISSUANCE, $1.40 BILLION**



Nine CDFIs have accessed the capital markets with rated offerings totaling $1.40 billion – including six with bond issuances exclusively, one with a note program exclusively, one with both, and one with bond, note and commercial paper offerings. In the intervening two years since publication of the 2020 White Paper, CDFI rated issuance has increased by $503 million, or 56%. Rated note issuance accounted for $389 million, or 76% of the increase, with Capital Impact Partners ("CIP") continuing its note program and LISC and Century Housing Corporation launching their note programs at the start of 2021. The remaining $120 million represents an $85 million bond issuance by Century and the launch of its $100 million commercial paper program at the end of 2022, with $35 million issued through year-end.

GRAPH 2 **INITIAL ISSUER RATINGS BY YEAR**



Since 2015, when three CDFIs obtained the first credit ratings from S&P – a nationally recognized statistical rating organization ("NRSRO") recognized by the Securities and Exchange Commission ("SEC") – ten additional CDFIs have sought ratings as part of their capitalization strategies, including most recently CCRC in September 2021 and NDC in October 2022. Graph 2 shows the number of initial issuer ratings by year. All 13 CDFI issuers have obtained ratings from S&P, while Century also obtained a rating from Fitch, an NRSRO, in June 2020, and Capital Impact Partners obtained a Fitch rating in November 2022. Century is currently rated "AA-" by S&P and "AA" by Fitch, and CIP is currently rated "A" by S&P and "A+" by Fitch.

Five, or 38%, of the 13 current CDFI issuer ratings fall within the "AA" category and eight, or 62%, fall within the "A" category. Five of the six earliest issuances were downgraded from their initial S&P ratings due to a combination of credit pressures from aggressive portfolio growth and a change in S&P's methodology in the treatment of undrawn lines of credit. Since that initial sector-wide adjustment, S&P subsequently upgraded Low Income Investment Fund ("LIIF") and BlueHub Loan Fund ("BlueHub") from "A-" to "A," in March and September 2021, respectively. Table 1 illustrates the initial and current issuer ratings for the 13 CDFIs.

TABLE 1 **COMPARISON OF INITIAL & CURRENT ISSUER RATINGS**

	S&P			Fitch		
CDFI	**Initial Rating Date**	**Initial Rating**	**Current Rating**	**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	11/4/2022	A+	A+
Enterprise Community Loan Fund ("ECLF")	5/21/2018	AA-	A+	-	-	-
Century Housing Corporation ("Century")	8/21/2018	AA-	AA-	6/17/2020	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	-	-	-
California Community Reinvestment Corp ("CCRC")	9/29/2021	A+	A+	-	-	-
National Development Council ("NDC")	10/14/2022	A+	A+	-	-	-

Ratings Criteria

STANDARD & POOR'S GLOBAL RATINGS

There have been several non-material revisions to S&P's criteria for CDFI loan funds first published 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.[5] S&P's general approach includes an assessment of market and organization-specific risks related to: 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. For a review of S&P's methodology, please refer to the 2020 White Paper.

Industry Outlook

In January 2022, S&P issued a stable outlook for the U.S. Public Finance Housing sector, including rated CDFIs. The outlook, titled *Strong Metrics Will Hold Up The Roof In 2022*, noted that CDFIs began 2022 in generally strong positions, with average equity and gross loan balances increasing slightly to new highs.[6] The outlook attributes elevated net equity ratios in part to increases in grant income, both public and private, that flowed into the CDFI sector as a result of the pandemic and increased recognition of ongoing social and racial injustices.

"We expect strong loan performance will continue, in part due to three defining characteristics of rated CDFIs: sound underwriting, strong portfolio oversight, and patient capital."

STANDARD & POOR'S GLOBAL RATINGS

In August 2022, S&P issued a comment – *CDFIs Demonstrate Strengths Post-Pandemic, But Are Equity Increases Only Temporary?* – that projected ratings to remain stable or improve over the subsequent two years. The comment anticipated that higher equity ratios in 2021 could decrease but that asset quality and liquidity were likely to remain strong. According to the comment, there have been more positive than negative rating actions for the sector due to the strengthening of capital adequacy since 2020, with one-notch upgrades from "A-" to "A" for LIIF and BlueHub and outlook revisions from stable to positive for CIP and Reinvestment Fund ("RF").[7] Subsequently, in October 2022, S&P rated NDC "A+" with a stable outlook and upgraded the outlook for Enterprise Community Loan Fund ("ECLF"), Enterprise's CDFI arm, from stable to positive.

The August comment noted that equity increased an average of 25% in 2021, driven by increases in short-term investments, while debt obligations fell by 4% on average.[8] It further noted that the receipt of grant funding, including significant grants from the CDFI Fund, led to an average 7% increase in short-term investments in 2021 and that CDFIs were able to maintain their profitability more generally during the pandemic, with net interest margins increasing an average of 30 basis points between 2019 and 2021.[9] The comment anticipated that "strong loan performance will continue in part due to three defining characteristics of rated CDFIs: sound underwriting, strong portfolio oversight, and patient capital."[10]

The August comment included several ratios based on five-year averages for the period between 2017 and 2021 for the 12 rated CDFIs at the time. These ratios are arranged by rating gradation in Table 2.[11]

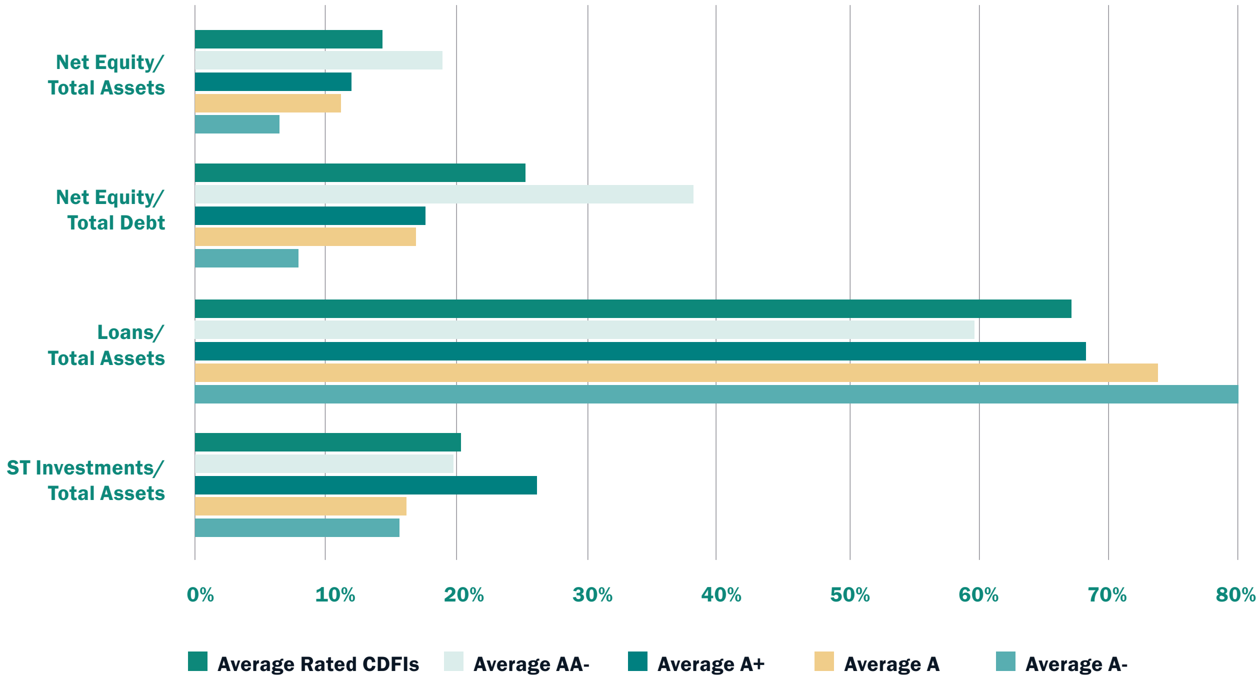
TABLE 2 **CDFI FIVE-YEAR AVERAGE RATIOS ($ IN MILLIONS)**

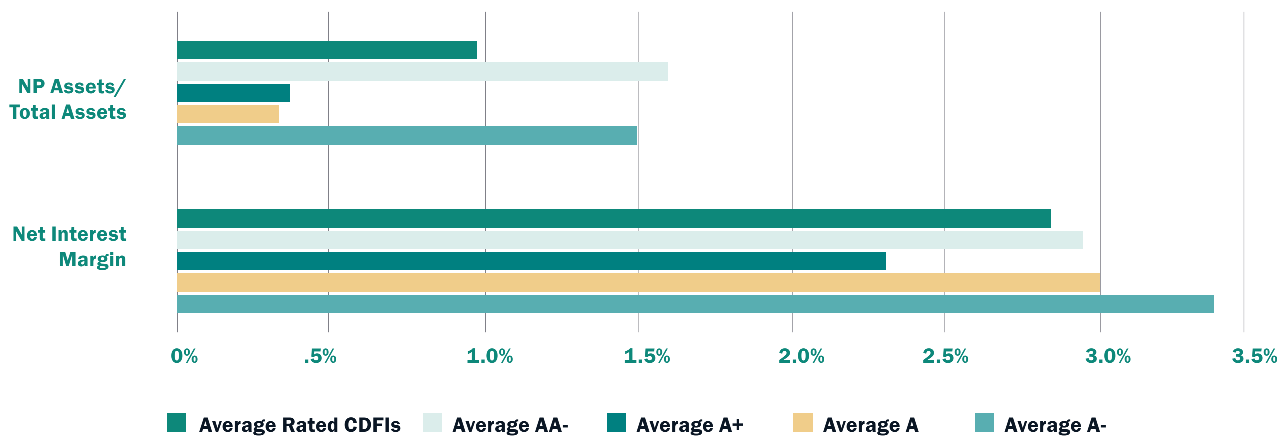
CDFI	Rating	Total Assets	Net Equity/ Total Assets	Net Equity/ Total Debt	Net Interest Margin	NP Assets/ Total Assets	Loans/ Total Assets	ST Inv/ Total Assets
All Rated	Average	$547.9	14.3%	25.2%	2.8%	1.0%	67.1%	20.2%
Century	AA-/Stable	$568.7	30.6%	59.2%	4.2%	2.6%	70.3%	19.6%
CPC	AA-/Stable	$1,105.2	14.5%	36.4%	3.4%	4.7%	36.2%	4.4%
HTSV	AA-/Stable	$251.0	19.8%	44.7%	2.2%	0.0%	66.0%	31.7%
LISC	AA-/Stable	$1,090.9	12.5%	23.6%	2.0%	0.6%	47.1%	32.1%
RDF	AA-/Stable	$287.3	18.1%	27.0%	2.9%	0.1%	79.1%	11.6%
AA-	Average	$660.6	19.1%	38.2%	2.9%	1.6%	59.7%	19.9%
CCRC	A+/Stable	$128.1	10.0%	11.9%	1.2%	0.0%	57.4%	42.1%
ECLF*	A+/Stable	$332.8	11.2%	16.1%	2.8%	0.7%	75.9%	19.5%
RF	A+/Positive	$601.1	15.0%	24.9%	2.9%	0.4%	71.8%	17.1%
A+	Average	$354.0	12.1%	17.6%	2.3%	0.4%	68.4%	26.2%
BlueHub	A/Stable	$278.4	13.7%	20.2%	3.1%	0.5%	75.9%	18.2%
LIIF	A/Stable	$587.7	7.4%	10.7%	3.2%	0.0%	77.4%	15.0%
CIP	A/Positive	$711.3	12.6%	20.0%	2.7%	0.5%	67.9%	15.6%
A	Average	$525.8	11.2%	17.0%	3.0%	0.3%	73.7%	16.3%
Clearinghouse	A-/Stable	$632.6	6.5%	7.9%	3.4%	1.5%	80.0%	15.8%
A-	Average	$632.6	6.5%	7.9%	3.4%	1.5%	80.0%	15.8%

* Revision to positive outlook in October 2022.

As can be seen, higher-rated CDFIs have stronger net equity/total assets and net equity/total debt ratios, reflecting S&P's emphasis on capital adequacy. The average net equity/total assets ratio ranges from a high of 19.1% for "AA-" rated CDFIs, falling to 12.1% for "A+" rated CDFIs, 11.2% for "A" rated CDFIs and 6.5% for the "A-" rated CDFI. The net equity/total debt ratio follows a similar pattern from stronger to weaker rating. However, there is greater variability in some of the other ratios, both within and across rating categories. For example, net interest margin ranges from 4.2% to 2.0% within the "AA" rated category, while Clearinghouse, with an "A-" rating, has among the highest margins at 3.4%. Similarly, the nonperforming asset ratio ranges substantially within and across ratings categories, from 0% to 4.7% within the "AA" category to relatively low averages of 0.4% and 0.3% for the "A+" and "A" rated CDFIs, respectively. Graphs 3 and 4 compare the average ratios by rating gradation.

GRAPH 3, 4 **CDFI FIVE-YEAR AVERAGE RATIOS, 2017-2021**





FITCH RATINGS

Fitch rated its first CDFI, Century Housing Corporation, in June 2020. In April 2021, its U.S. Public Finance Tax-Exempt Housing Group was renamed the Community Development & Social Lending ("CDSL") Group to reflect the diversity of credits it covers, including CDFIs, social and affordable housing providers, social service providers, public housing authorities, state and local housing finance agencies, and U.S. government agencies. Fitch's *Public Sector, Revenue-Supported Entities Rating Criteria* lays out Fitch's rating methodology for public sector and nonprofit entities that provide public or social services and whose debt is repaid from their own revenues or resources, including CDFIs. This methodology is based on an assessment of three primary rating drivers – revenue defensibility, operating risk and financial profile – while taking into account asymmetric risk factors, with only a neutral or negative effect on rating.[12] Fitch uses these master criteria, together with other relevant sector criteria, to assign Issuer Default Ratings ("IDRs"), which assess relative vulnerability to default without regard to recovery prospects, as well as to assign issue ratings on individual debt instruments.

> **"CDFIs are well positioned to face these headwinds, given the strong asset quality of their loan portfolios, their solid financial profiles, and the effective oversight provided by their underwriting and servicing teams. It is these factors that support the high to medium investment-grade ratings currently assigned to CDFIs."**
>
> FITCH RATINGS

Revenue Defensibility

Fitch assesses a CDFI's exposure to revenue disruption by evaluating the quality of its loan portfolio, including loan performance, portfolio composition, and the availability of collateral and reserves to offset loan losses. Fitch also assesses a CDFI's market position and demand characteristics that influence revenue volatility. Fitch evaluates a CDFI's loan portfolio based on its historical loan performance in order to create a forward-looking and through-the-cycle rating.

Operating Risk

Fitch's analysis of operating risk considers a CDFI's risk profile, operating profitability and reliance on variable funding sources.

Financial Profile

With respect to financial profile, Fitch assesses a CDFI's level of financial flexibility and the quality and stability of its financial resources by analyzing various leverage, capital base and liquidity metrics. The financial profile analysis considers debt-to-equity as the key metric for evaluating leverage across CDFIs. Additionally, Fitch examines liquidity as an asymmetric risk factor, in which weak liquidity may result in a lower financial profile assessment.

Asymmetric Additive Risk Factors

The final rating also takes into consideration other risk factors that may affect an entity's likelihood of default. These additional risk factors work asymmetrically, where only below-standard features affect the final rating, while more credit-positive features are considered standard, and thus have a neutral impact on the final rating. These risk factors include debt and market risk characteristics as well as potential changes in support from grantors and guarantors.[13]

Application of Criteria to CDFIs

The CDSL Group has applied the master criteria to the CDFI industry, as outlined in Table 3.[14]

TABLE 3 **FITCH MASTER CRITERIA APPLIED TO CDFIS**

Key Rating Drivers	Key Metrics
Revenue Defensibility	
• Asset Quality & Underwriting Standards - assesses exposure to revenue disruption by evaluating portfolio quality, including loan performance, loan types and underwriting standards.	• % of loans by loan, property & support type • Balance sheet growth • Non-performing assets (NPAs)/total assets
• Impact on CDFI's General Funds - considers loan loss expectations for the portfolio, the level of unrestricted funds available to cover losses and potential impact on resources.	• Loan loss reserves/total loans • Net charge-offs/NPAs • Loan loss projections
• Demand & Growth - assessed in light of market conditions, mission, and ability to respond to demand, ability to generate grant revenue, level of government support and program essentiality.	• Unrestricted net assets/debt
Operating Risk	
• Operating Profitability - assesses the CDFI's operating stability as reflected in profitability margins.	• Net interest spread • Net operating revenue/total revenue
• Operating Risk Controls - examines risk controls in place to monitor exposure to industry/borrower concentrations, market risks, and operational risks, including use of tools such as internal risk ratings and watchlists.	• Return on average assets • Earned income/total income
• Programmatic Oversight - assesses management's operating history, including its track record and experience in the sector, as well as management oversight.	
Financial Profile	
• A CDFI's level of financial flexibility and the quality and stability of its financial resources are assessed through various leverage, capital base and liquidity metrics.	• Net adjusted debt/CFADS • Debt/equity • Adjusted debt/equity • Equity/assets • Loans/total assets • Investments/total assets • Revenue-producing assets/debt
Asymmetric Additive Risk Factors	
• A CDFI's debt and market risk characteristics, as well as potential changes in support from grantor and guarantors, could have a negative effect on the rating.	• % of debt by debt type • Variable-rate (VR) debt/total debt • Unhedged VR debt/total debt
• Factors such as exposure to bullet maturities, market access, interest rate and counterparty risk, cross default and acceleration provisions, among others, are assessed.	

Rating Process

Fitch's current guidance estimates an eight- to ten-week rating process once the agency has received all required due diligence documentation. The process entails document review and analysis, a site visit and report writing, with verification of information by CDFI staff. Fitch requires the following information from CDFIs seeking a rating:

Issuer background, strategy and management

- History and background, including information regarding mission and activities
- Organizational structure (including board members and terms)
- Composition of leadership team, including board members
- Current strategic plan and strategic planning process
- Recent accomplishments and challenges
- Policies and procedures (e.g., investment policy, loan loss reserve guidelines, etc.)

Legislative and external influence and partnerships

- Nature of external relationships (e.g., government support)
- Relationship with oversight agencies
- Investor profile
- Partnerships with financial institutions or organizations

Financial performance review

- Last five years of audited financial statements
- Sources and uses of grants and subsidies
- History of stability and predictability of grant and subsidy funding
- Details of equity position, including breakout of investment portfolio

Debt profile

- Details of current debt profile (e.g., fixed rate vs. variable rate), including debt service schedule
- Future debt strategy
- Debt and derivative policies

Loan pool composition and performance

- Overview of lending programs and pipeline demand
- Breakdown of loan portfolio by type of loan, property and support
- Underwriting guidelines and deviations from normal practices
- Servicing practices and loan operations
- Data on non performing assets and real estate owned (REO) for last five years
- Collections and foreclosure process for delinquent loans
- Loan loss reserve process and determination
- Future plans to diversify financial and/or loan product lines outside of current portfolio

Industry Outlook

In December 2022, Fitch issued a neutral outlook for the U.S. Community Development and Social Lending sector for 2023, titled *Government Support & Strong Financials to Insulate CDSL from Looming Recession*. In a related comment issued the same day, titled *CDFI Ratings Reflect Strong Asset Quality and Solid Financial Profiles*, Fitch noted that given the worsening economic forecast for 2023, demand for affordable housing and community development loans offered by CDFIs is expected to rise while income stresses could potentially lead to higher delinquency and default rates among CDFI borrowers.[15] The comment concluded, however, that “CDFIs are well positioned to face these headwinds, given the strong asset quality of their loan portfolios, their solid financial profiles, and the effective oversight provided by their underwriting and servicing teams,” with no rating changes anticipated for the year.[16]

Rated Bond Issuance

OVERVIEW

CDFIs have brought ten rated bond issues totaling $837 million to market, with Reinvestment Fund and Century each undertaking two issuances, and six other CDFIs undertaking a single issuance. All of the issues have been unsecured, full recourse obligations, with no specific collateral, asset or revenue source pledged for repayment, and the bond ratings mirror the issuer ratings at the time of issuance. Offerings have generally been issued on a fully taxable basis, with the exception of Century's 2020 issuance, which was issued through the California Municipal Finance Authority, with interest exempt from State of California personal income taxes.

TABLE 4 **CDFI BOND RATINGS**

CDFI	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+
Century1	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-
Century2	6/30/2020	Wells Fargo	Sustainability Bonds	$85,000,000	AA-/AA	AA-/AA
Total				**$836,670,000**		

* S&P/Fitch

ALIGNMENT WITH IMPACT FRAMEWORKS

The 2020 White Paper provided an analysis of CDFI bond issuance positioning within various impact frameworks, noting a trend toward alignment with the ICMA Sustainability Bond Guidelines and the United Nations Sustainable Development Goals ("UN SDGs"). This trend has continued in the intervening period, with Century meeting requirements for the Sustainability Bond designation in its most recent 2020 issuance. Century's offering document included its Sustainability Bond Framework, which outlined its general use of proceeds for social and green projects, its process for evaluation and selection of projects, management of proceeds and reporting. Century also obtained a second party opinion from Sustainalytics and aligned its offering with four of the UN SDGs: SDG 1 No Poverty, SDG 7 Affordable and Clean Energy, SDG 10 Reduced Inequalities and SDG 11 Sustainable Cities and Communities. Please see the

2020 White Paper for the complete analysis and Appendix A of this paper for an overview of the Guidelines and UN SDGs.

Table 5 summarizes adherence to the four components of the Sustainability Bond Guidelines, with six of the ten bond issuances meeting designation requirements. It also identifies issues that have obtained an independent second party opinion as to conformance with the Guidelines and included disclosure regarding alignment with the UN SDGs. The issuances are listed in chronological order, with LISC representing the first issuance and Century2 the most recent. The table refers to disclosure at issuance. It should be noted that subsequent to issuance, in March 2022, Raza Development Fund released a Social Bond Framework and obtained a second party opinion from S&P for its 2019 bond issuance. RDF is the first issuer to release a framework post offering.

TABLE 5 **ALIGNMENT WITH IMPACT FRAMEWORKS**

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
Century1	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
Century2	Sustainability	Yes	Yes	Yes	Yes	Yes	Yes

As discussed in the 2020 White Paper, there is an inverse relationship between the level of detail regarding use of proceeds in the offering documents and post-issuance disclosure requirements. Four of the five prior Sustainability Bond issuances for LISC, ECLF, LIIF and BlueHub were pure refinancing issuances that 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 Community Preservation Corporation, which did not specify individual project loan refinancings at the time of issuance, stated that CPC will "publish its Sustainability portfolio allocation annually on its website." Century's 2020 issuance was a combined new money/refinancing issue, which did not detail the division of proceeds between the two purposes or the specific use of proceeds for refinancing. Thus, the 2020 Century issuance requires Century to annually publish updates on its website regarding the impact of its financing, including the number of homes created, affordability levels, jobs created and impacts related to green/environmental metrics, as well as other information required pursuant to its continuing disclosure agreement.

TABLE 6 **USE OF PROCEEDS**

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
Century1	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
Century2	Sustainability	Yes	No	$0	$0	$83,947,171	$1,052,829	$85,000,000
Total				**$541,850,622**	**$52,710,000**	**$232,973,789**	**$9,135,589**	**$836,670,000**

DISCLOSURE ANALYSIS

Offering Document Disclosure

CDFI offering documents have varied in terms of the marketing and disclosure material included in the issuer's description of its activities (Appendix A), historic financial statement disclosure periods and continuing disclosure requirements. Table 7 summarizes the emerging standards discussed in the 2020 White Paper. For a detailed breakdown of each of the individual components for the ten rated CDFI bond issuances, including Century's 2020 issuance, please refer to tables 1-7 in Appendix B of this paper.

TABLE 7 **OFFERING DOCUMENT DISCLOSURE**

	Emerging Standard
Loan Portfolio Detail	5 years of audited information and interim financials on the outstanding portfolio broken down by product, asset class, geographic location and risk rating.
Portfolio Performance Measures	5 years of audited financials and interim statements, including loans receivable, impaired loans, delinquencies, allowance for losses and net write-offs.
Operating Measures	5 years of audited financials plus interim horizon for a revenue source breakdown, interest earnings detail and self-sufficiency ratio, where appropriate.
Balance Sheet & Leverage Ratios	5 years of audited financials plus interim financials, as appropriate.
Cash, Cash Equivalents & Investments, Liquidity, etc.	Multi-year time horizon, generally 5 years of audited financials plus interim. More recent issuances differentiated cash, cash equivalents and investments subject to donor restrictions from those without.
Descriptions of Debt	Varied significantly; given senior, unsecured nature of bond debt, disclosure of all debt in terms of security, priority and type is merited.
Historic Financial Statement Disclosure Period	5 years of audited financial statements for initial public debt offerings, together with unaudited financials for the most recent interim period, with reduction to three years plus interim once established as a credit in the market.

Continuing Disclosure Requirements

Continuing disclosure requirements have varied among the ten 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. As previously discussed, the level of continuing disclosure can be affected by both the use of proceeds and the disclosure provided in the offering document itself. Please refer to tables 8 and 9 in Appendix B of this paper for greater detail on financial statement and continuing disclosure requirements for each of the ten bond issuances.

PRICING AND TERMS

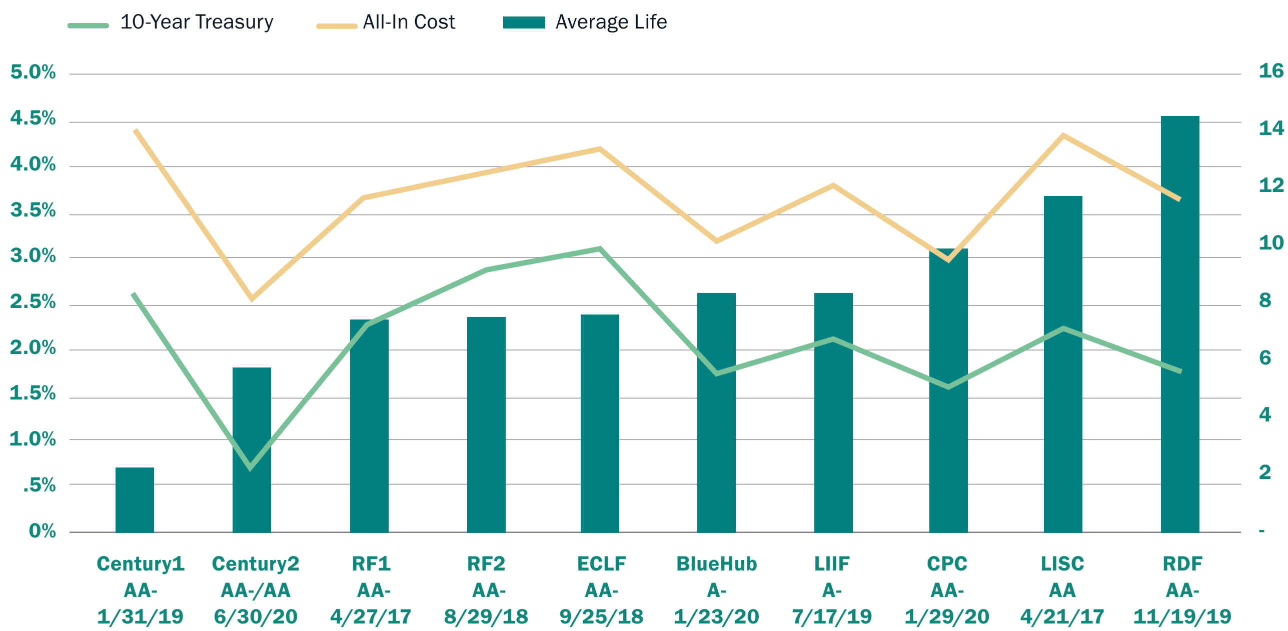
Table 8 summarizes the rating, maturity, average life and borrowing costs for the bond issuances that have priced to date, together with the underwriting firm and bond designation. The ten issuances totaled $837 million, with an average size of $83.7 million, an average term of 11.1 years and an average life of 8.4 years. The "All-In Cost," incorporating both interest expense and costs of issuance ("COI"), averaged 3.679%, with a range of 2.575% to 4.402%. Costs of issuance averaged 1.150%, with a range of 0.861% to 1.836%, including an average 0.760% in underwriter's discount ("UD"). The UD ranged from a low of 0.615% to a high of 0.893%

TABLE 8 **BOND PRICING SUMMARY**

	LISC	RF1	RF2	ECLF	Century1	LIIF	RDF	BlueHub	CPC	Century2
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	Well Fargo Securities
Bond Designation	Sustainability	Impact Investment	Impact Investment	Sustainability	Impact Investment	Sustainability	Community Investment	Sustainability	Sustainability	Sustainability
Issuance Rating*	AA	AA-	AA-	AA-	AA-	A-	AA-	A-	AA-	AA-/AA
Current Rating*	AA-	A+	A+	A+	AA-	A-	AA-	A-	AA-	AA-/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	6/30/2020
Delivery Date	4/28/2017	5/4/2017	9/6/2018	9/27/2018	2/7/2019	7/25/2019	11/26/2019	2/1/2020	2/6/2020	6/30/2020
Maturity Date	3/1/2037	11/1/2025	2/15/2028	11/1/2028	11/1/2022	7/1/2029	7/1/2034	1/1/2030	2/1/2030	11/1/2035
Term	19.9	8.5	9.4	10.1	3.7	9.9	14.6	9.9	10.0	15.3
Average Life	11.8	7.5	7.6	7.7	2.3	8.4	14.6	8.4	10.0	5.8
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	$85,000,000
All-In Cost	4.351%	3.665%	3.966%	4.200%	4.402%	3.805%	3.647%	3.211%	2.972%	2.575%
COI	$861,278	$935,000	$735,000	$577,778	$973,382	$1,163,272	$632,030	$853,242	$1,351,777	$1,052,829
COI as %	0.861%	1.836%	0.970%	1.156%	0.973%	1.163%	1.264%	1.138%	0.901%	1.239%
UD	$731,478	$441,760	$466,077	$356,498	$623,882	$883,522	$423,500	$669,442	$1,028,277	$630,829
UD as %	0.731%	0.867%	0.615%	0.713%	0.624%	0.884%	0.847%	0.893%	0.686%	0.742%

Graph 5 compares the average life of the ten issuances to their All-In Costs. The 10-year Treasury rates on the day of pricing, as well as the dated date of the offering, are also provided as indicators of the general interest rate environment. The graph is arranged in order of average life, from shortest to longest, rather than chronologically, in order to see the relationship, if any, between All-In Cost and tenor.

GRAPH 5 **COMPARISON OF BOND AVERAGE LIFE & ALL-IN BORROWING COSTS**



While the market environment has largely determined pricing, positioning CDFI offerings within larger impact frameworks has led to superior market reception, increased demand and improved pricing within the given environment.

With relatively few CDFI bond issuances, timing and external market factors have been the primary pricing factors, together with increased investor familiarity with the industry as more CDFIs have come to market. All but LIIF and BlueHub were in the "AA" category at the time of issuance. Century's early 2019 "AA-" rated issuance had the shortest average life, 2.3 years, and an All-In Cost of 4.40%. In contrast, its second issuance in mid-2020, had an average life of 5.8 years and an All-In Cost of 2.58%. 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%. While the market environment has largely determined pricing, positioning CDFI offerings within larger impact frameworks has led to superior market reception, increased demand and improved pricing within the given environment.

The ten bond issuances have a variety of structures, as indicated in Table 9, which includes the term, par amount, yield, comparable Treasury rate and the spread to Treasury for each of the individual bond maturities. For example, the $76 million 2018 Reinvestment Fund offering consists of eight serial bonds with maturities ranging between 2.5 and 9.5 years, whereas the $150 million 2020 CPC issuance consists of a single 10-year term bond.

TABLE 9 **CDFI BOND SPREADS TO TREASURIES**

Issuer	Dated Date	CUSIP	Maturity	Term	$ Par Amount	Yield	Treasury Rate	Spread to Treasury
LISC	4/21/2017	539565AE1	3/1/2022	4.9	$25,000,000	3.005%	1.755%	1.250%
LISC	4/21/2017	539565AC5	3/1/2027	9.9	$25,000,000	3.782%	2.232%	1.550%
LISC	4/21/2017	539565AD3	3/1/2037	19.9	$50,000,000	4.649%	2.899%	1.750%
RF1	4/27/2017	75936LAC8	11/1/2023	6.5	$11,545,000	3.166%	2.096%	1.070%
RF1	4/27/2017	75936LAA2	11/1/2024	7.5	$23,335,000	3.366%	2.096%	1.270%
RF1	4/27/2017	75936LAB0	11/1/2025	8.5	$16,055,000	3.513%	2.293%	1.220%
RF2	8/29/2018	75936LAE4	2/15/2021	2.5	$1,120,000	3.289%	2.739%	0.550%
RF2	8/29/2018	75936LAF1	2/15/2022	3.5	$1,680,000	3.377%	2.777%	0.600%
RF2	8/29/2018	75936LAG9	2/15/2023	4.5	$3,000,000	3.477%	2.777%	0.700%
RF2	8/29/2018	75936LAH7	2/15/2024	5.5	$6,000,000	3.600%	2.850%	0.750%
RF2	8/29/2018	75936LAJ3	2/15/2025	6.5	$9,000,000	3.700%	2.850%	0.850%
RF2	8/29/2018	75936LAK0	2/15/2026	7.5	$15,000,000	3.780%	2.880%	0.900%
RF2	8/29/2018	75936LAL8	2/15/2027	8.5	$29,000,000	3.880%	2.880%	1.000%
RF2	8/29/2018	75936LAM6	2/15/2028	9.5	$10,935,000	3.930%	2.880%	1.050%
ECLF	9/25/2018	29375EAB1	11/1/2023	5.1	$20,000,000	3.685%	2.985%	0.700%
ECLF	9/25/2018	29375EAA3	11/1/2028	10.1	$30,000,000	4.152%	3.102%	1.050%
Century1	1/31/2019	156549AA5	11/1/2020	1.8	$50,000,000	3.824%	2.474%	1.350%
Century1	1/31/2019	156549AB3	11/1/2021	2.8	$40,000,000	3.995%	2.445%	1.550%
Century1	1/31/2019	156549AD9	11/1/2023	4.8	$10,000,000	4.148%	2.448%	1.700%
LIIF	7/17/2019	54750AAA4	7/1/2026	7.0	$25,000,000	3.386%	1.986%	1.400%
LIIF	7/17/2019	54750AAB2	7/1/2029	10.0	$75,000,000	3.711%	2.111%	1.600%
RDF	11/19/2019	75525JAA4	7/1/2034	14.6	$50,000,000	3.534%	1.784%	1.750%
BlueHub	1/23/2020	095623AA2	1/1/2027	6.9	$18,750,000	2.890%	1.640%	1.250%
BlueHub	1/23/2020	095623AB0	1/1/2030	9.9	$56,250,000	3.099%	1.724%	1.375%
CPC	1/29/2020	20402CAA3	2/1/2030	10.0	$150,000,000	2.867%	1.617%	1.250%
Century2	6/30/2020	13048VQA9	11/1/2022	2.3	$30,000,000	1.486%	0.184%	1.302%
Century2	6/30/2020	13048VQB7	11/1/2023	3.3	$35,000,000	1.605%	0.205%	1.400%
Century2	6/30/2020	13048VQC5	11/1/2035	15.3	$20,000,000	2.877%	1.417%	1.460%

Other Bond Issuance Terms

Taxable Basis

Nine of the ten bond issuances closed to date have been issued on a fully 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 factors that make it difficult for CDFIs to issue debt on a tax-exempt basis, including the need for a conduit issuer, requirements on eligible uses of funds for the life of the bonds, associated tax opinions certifying compliance of all uses with tax exemption rules, and public hearing requirements, among others. However, as discussed in the 2020 White Paper, tax exemption or a hybrid structure can be successfully employed by a CDFI with geographically concentrated financing and/or a need for debt that does not require recycling of proceeds. Century's 2020 offering met these additional requirements, and Century issued its $85 million Taxable Bonds, Series 2020, through the California Municipal Finance Authority, a California conduit issuer, with the interest on bonds excluded from State of California personal income taxes. Of note, several industry stakeholders have been exploring the possibility of obtaining federal tax exemption for CDFI debt issuance due to the sector's social mission.

Redemption Provisions

All ten 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 that varies with the market environment. Thus, they are all subject to yield maintenance for the life of the issuances, with a short grace period incorporated into six of the issuances. In this grace period, individual bonds within the issuance are not subject to yield maintenance and can be redeemed at par. Table 10 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.

TABLE 10 **MAKE-WHOLE REDEMPTION PRICE SPREADS**

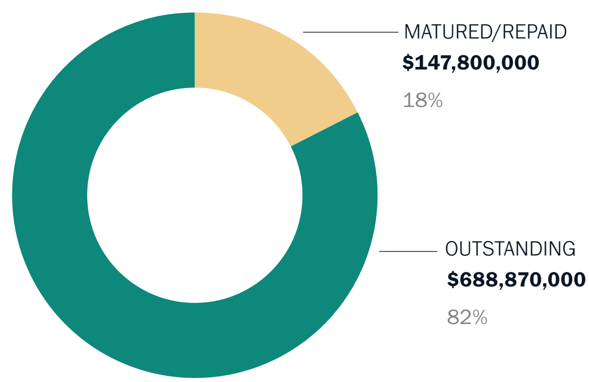
Issuer	Dated Date	5-Year Treasury	Make Whole Spread	Grace Period
LISC	4/21/2017	1.77%	T + 25	3/3/6 months for 3 bond maturities
RF1	4/27/2017	1.81%	T + 20	No grace period
RF2	8/29/2018	2.78%	T + 20	No grace period
ECLF	9/25/2018	2.99%	T + 15	3/3 months for 2 bond maturities
Century1	1/31/2019	2.43%	T + 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
Century2	6/30/2020	0.29%	T + 25, T + 25, T + 35	0/0/3 months for 3 bond maturities

RATED BOND ISSUANCE STATUS

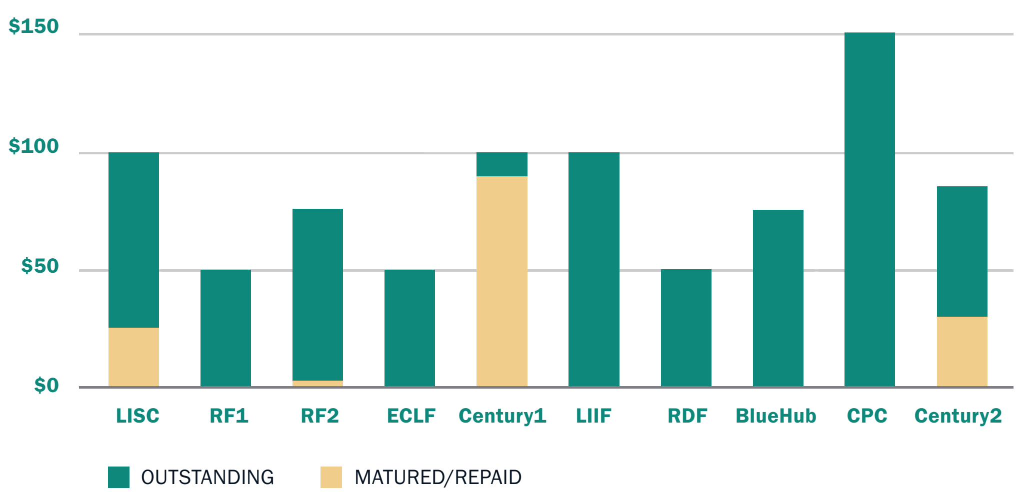
Through year-end 2022, $148 million, or 18%, of the $837 million in CDFI bond issuance has been successfully repaid upon maturity and $689 million, or 82%, remains outstanding. As discussed above, all of the issuances have make-whole provisions, and to date, none of the CDFIs have optionally redeemed their bonds prior to maturity.

Four of the CDFIs have debt that matured prior to year-end 2022, with Century's 2019 issuance structured with three serial bonds, two of which matured in November 2020 and 2021 ($90 million), with the remaining $10 million due at the issue's maturity in 2023. Century also repaid $30 million of its 2020 issuance that matured in November 2022, with another $35 million due in 2023 and the balance maturing in 2035. Reinvestment Fund's 2018 issuance was structured with serial bonds maturing between February 2021 and February 2028, with the first two bonds totaling $2.8 million repaid as of year-end 2022. Lastly, LISC structured its 2017 bond with 5-, 10- and 20-year term bonds, the first of which matured in March 2022 ($25 million). Several other CDFI issuances have serial or term bonds maturing in 2023, including RF's 2017 and 2018 issuances and ECLF's 2018 issuance.

GRAPH 6 **AGGREGATE BOND ISSUANCE STATUS, $837 MILLION**



GRAPH 7 **ISSUANCE STATUS BY CDFI ($ IN MILLIONS)**



Racial Equity Bond

In July 2021, Enterprise Community Loan Fund and U.S. Bank announced issuance of the first CDFI-issued Social Bond focused on racial equity. The $30 million unrated racial equity private placement bond supports ECLF loans to developers of color through Enterprise's Equitable Path Forward initiative. The introduction of this new Social Bond framework into the capital markets for mission-driven institutions like CDFIs offers institutional investors the opportunity to invest in projects that address systemic racism. U.S. Bank served as structuring agent, advisor and sustainability coordinator on the design of this unique framework. U.S. Bank purchased $10 million of the $30 million offering.[17]

> "We see tremendous opportunity for positive social impact with racial equity bonds, especially with this type of innovative framework… We expect this transaction will inspire other organizations — including corporations, municipalities, not-for-profits and more CDFIs — to issue similar bonds that address critical social challenges and deliver the most robust results for all stakeholders involved."

MARCUS MARTIN

MANAGING DIRECTOR AND HEAD OF ESG, FIXED INCOME, AND CAPITAL MARKETS
U.S. BANK

Rated Note Programs

The landscape of rated note programs has undergone substantial growth since publication of the 2020 White Paper. At that time, only CIP had accessed the capital markets through its Capital Impact Investment Notes, with LISC on the precipice of launching its program. The LISC Impact Notes program launched in November 2020, followed by Century's Century Sustainable Impact Notes program in February 2021.

GENERAL CHARACTERISTICS

Common Features

The three rated note programs share the same structure. The notes are issued on a taxable basis through continuous offerings available to institutional and retail investors. Maturity and pricing are set at the beginning of the offering period, with pricing typically based on comparably rated corporate securities. The notes are assigned identifying CUSIPs[18] and are Depository Trust Company ("DTC")-settled to facilitate transaction ease. Offerings are made on a best efforts basis, with no guarantee of the actual amount raised in any offering period, though issuers may choose to place a cap on the volume raised under a specific CUSIP.

Unlike discrete bond issuances, notes are issued up to a "shelf amount," an aggregate dollar volume that may be issued in a 12-month period or issued and outstanding at any time. All three issuers have increased their shelf amounts after their first year, with CIP's and Century's programs currently sized at $150 million and LISC's at $200 million, potentially indicating an initial test, and subsequent success, of the programs.

The notes are available through InspereX (formerly, Incapital), which acts as the lead sales agent and distributor. InspereX enables individual and institutional investors to purchase CDFI notes through its InterNotes® program for continuously offered debt. These notes are sold on InspereX's Impact Investing Platform in $1,000 increments, with maturities ranging from one to 30 years, generally at fixed rates. Rated offerings currently have an investment grade credit rating from at least one NRSRO and align with environmental, economic and/or social impact measurement frameworks.

In its capacity as lead sales agent, InspereX maintains contact with institutional investors; however, other orders, such as those sourced from registered investment advisors ("RIAs") or individuals, are placed and appear in bulk under the brokerage's name. Therefore, issuers have limited knowledge about the underlying retail investors. To bridge this gap and promote their programs, some CDFIs have sought to connect with investors through regular newsletters and communications that allow investors to register their CUSIPs to receive tailored reporting.

TABLE 11 **RATED NOTE PROGRAM SHELF OFFERINGS & RATINGS HISTORY**

	Prospectus Date	S&P Rating Date	S&P Rating	Fitch Rating Date	Fitch Rating	Shelf Amount
CIP	10/6/2017	9/7/2017	AA	N/A	N/A	$100,000,000
	6/27/2018	4/9/2018	AA-	N/A	N/A	$125,000,000
	8/8/2019	8/23/2019	A+	N/A	N/A	$150,000,000
	8/8/2019	12/30/2019	A	N/A	N/A	$150,000,000
	8/6/2020	11/12/2020	A	N/A	N/A	$150,000,000
	9/24/2021	N/A	A	N/A	N/A	$150,000,000
	9/30/2022	5/17/2022	A	9/22/2022	A+	$150,000,000
LISC	N/A	12/23/2019	AA-	N/A	N/A	$150,000,000
	10/19/2020	10/21/2020	AA-	N/A	N/A	$150,000,000
	10/15/2021	10/29/2021	AA-	N/A	N/A	$200,000,000
	10/15/2022	10/19/2022	AA-	N/A	N/A	$200,000,000
Century Housing	9/21/2020	12/14/2020	AA-	9/23/2020	AA	$50,000,000
	8/10/2021	7/26/2021	AA-	7/30/2021	AA	$150,000,000
	8/10/2022	7/20/2022	AA-	7/21/2022	AA	$150,000,000

Differences

While the note programs share the same structure, they have begun to differentiate themselves through several features outlined in Table 12. These features include:

With the growth of the impact investing landscape, CDFI rated note issuers are aligning their use of proceeds with existing impact frameworks.

- **Rating agency engagement.** Beginning with CIP's note launch in 2017, all issuers have received an annual rating from S&P. In June 2020, Century became the first CDFI to obtain a second issuer rating from Fitch, and in September 2020, Century obtained ratings from both S&P and Fitch for its note program. CIP joined Century in obtaining a second rating on its note program from Fitch in September 2022.
- **Specific program features.** Rated note programs have diverged slightly around a few characteristics, such as term. Century has the greatest range of maturities, from 6 months to 20 years. CIP's program is unique in allowing investors to direct proceeds to a specific impact theme or geography with a minimum $2 million investment. This ability to target proceeds geographically is attractive to place-based investors.

  The programs also differ in their geographic availability. Nonprofit issuers rely on federal and state exemptions or registrations to offer fixed income securities. Given current filing requirements and fee structures in Arkansas, Tennessee and Washington, some CDFI issuers have decided not to pursue registration in these states due to the extra cost of filing and compliance necessary to meet state-specific requirements. Currently, no rated notes are offered in the state of Washington, and the three CDFIs vary in their presence in Arkansas and Tennessee.
- **Impact features.** With the growth of the impact investing landscape, CDFI rated note issuers are aligning their use of proceeds with existing impact frameworks.

As detailed in the 2020 White Paper, LISC Impact Notes are aligned with ICMA's Social Bond Principles and the UN SDGs. Century's note program is also aligned with ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, as well as the UN SDGs. Beyond alignment with impact frameworks, LISC has committed to investing in racial equity via its program by directing up to $30 million in net proceeds to its racial equity pledge, "Project 10X."

TABLE 12 **RATED NOTE PROGRAM TERMS & IMPACT FEATURES**

		Capital Impact Investment Notes	LISC Impact Notes	Century Sustainable Impact Notes
Program Terms	Termination date	None	None	None
	Lead agent	InspereX	InspereX	InspereX
	Type	Best efforts	Best efforts	Best efforts
	Terms	1 – 20 years	1 – 15 years	6 months – 20 years
	Priority	Senior unsecured	Senior unsecured	Senior unsecured
	Minimum investment	$1,000	$1,000	$1,000
	Investor restrictions	No	No	No
	States excluded from offering	AR & WA	TN & WA	TN & WA
	Ability to direct the use of proceeds	Yes, with investment ≥$2 million	No	No
Impact Features	Alignment with external impact framework	No	ICMA Social Bond Principles, UN SDGs	ICMA Green Bond Principles and Social Bond Principles & Sustainability Bond Guidelines, UN SDGs
	Second party opinion	No	Vigeo Eiris (now Moody's Investor Services)	Sustainalytics

ISSUANCE ANALYSIS

Table 13 summarizes the number of offerings, amount raised, average coupon and average spread to Treasuries for note offerings by maturity. Graphs 8 and 9 include the number of issuances by each CDFI and cumulative aggregate volume raised to date, broken out by maturity.

Through December 2022, the three issuers have raised a total of $530 million through their note programs, with CIP issuing $288 million over a five-year period, LISC issuing $111 million over a two-year period, and Century issuing $131 million in nearly two years.

Out of the 179 discrete offerings through December 2022, the most frequently issued terms, which have generated the highest dollar volume of investment, include: 1-year term notes totaling $170 million, or 32% of total capital raised; 5-year term notes totaling $151 million, or 29%; and 10-year term notes totaling $75 million, or 14%. The 7-year and 3-year maturities were the next most popular. Other less frequently issued terms include CIP's issuance of

TABLE 13 **RATED NOTE OFFERINGS, ISSUANCE DETAILS**

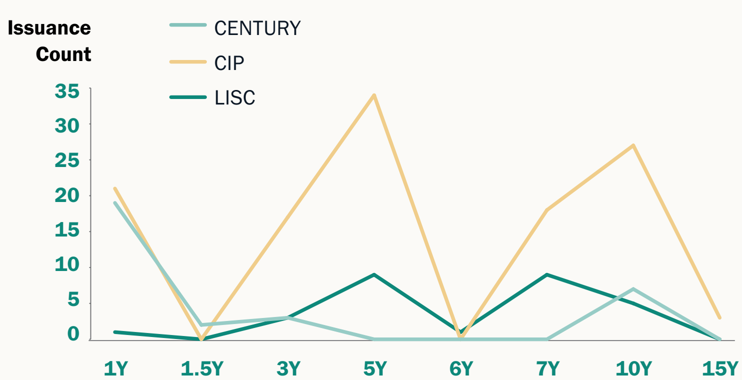
(October 2017 - December 2022)

	Number of Offerings (all issuers)	Capital Raised	Weighted Average Coupon of Notes	Average Spread to Treasuries
1Y	41	$170,254,000	2.14%	0.15%
1.5Y*	2	$11,681,000	0.30%	N/A
3Y	23	$66,849,000	2.52%	0.46%
5Y	43	$151,006,000	1.95%	0.65%
6Y	1	$303,000	1.80%	N/A
7Y	27	$41,846,000	2.06%	0.63%
10Y	39	$74,906,000	3.00%	0.87%
15Y	3	$12,890,000	2.63%	N/A
Total	**179**	**$529,735,000**		

*Includes a 17-month and an 18-month (1.5 year) note

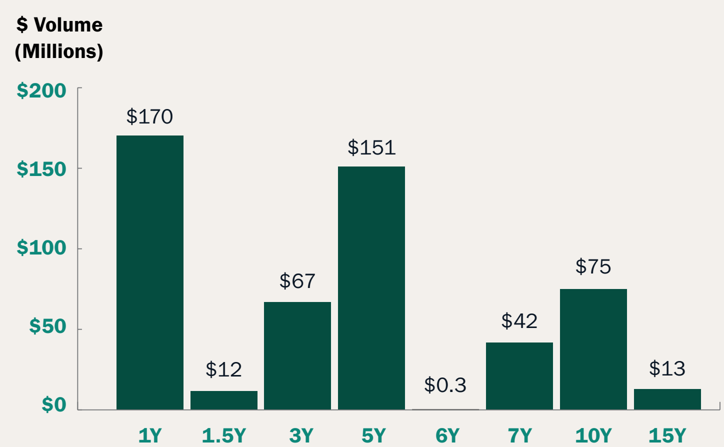
GRAPH 8 **NUMBER OF RATED NOTE ISSUANCES BY TERM & CDFI**

(Oct 2017 - Dec 2022)



GRAPH 9 **AGGREGATE RATED NOTE VOLUME BY TERM**

(Oct 2017 - Dec 2022)



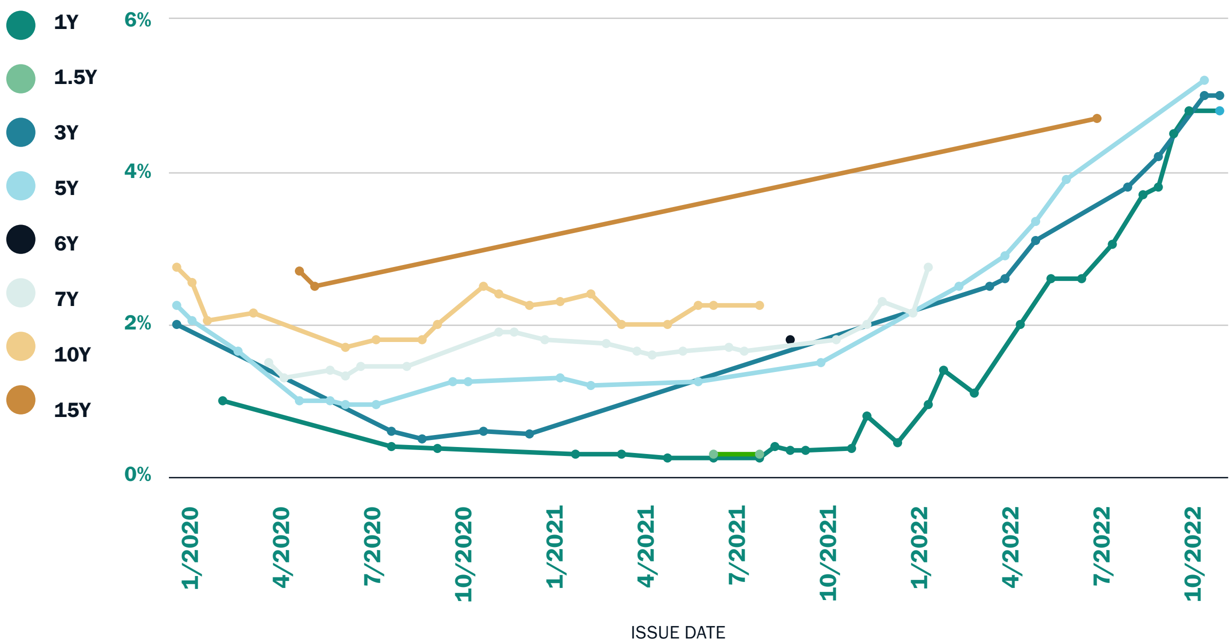
15-year term notes, LISC's de minimis issuance of 6-year term notes, and Century's issuance of 17- and 18-month term notes. Overall, Century has shown a preference for short-term capital and LISC for mid-range capital, while CIP has issued with the most even distribution across terms.

All three programs include a call feature, wherein a call option can be applied to a specific CUSIP at the time of issuance. CIP and Century have issued notes with a call option, appreciating the flexibility it provides in a shifting rate environment and reporting minimal negative impacts on investor demand or pricing. CIP has issued notes with 3-, 5-, 7-, 10- and 15-year terms with a call feature, while Century has issued 1.5-year notes with a call feature.

Graph 10 illustrates the coupon rates on the three CDFIs' 102 issuances since publication of the 2020 White Paper, capturing data from November 2019 to December 2022. There were no issuances in November or December 2019. Yields ranged from 0.25% on a 1-year note to 5.20% on a 5-year note, and the trend lines reflect the rising rate environment beginning in 2022. Notes are sold at par; thus, the yield and coupon rate are the same.

GRAPH 10 **RATED NOTE COUPONS/YIELDS BY MATURITY**

(all issuers)*



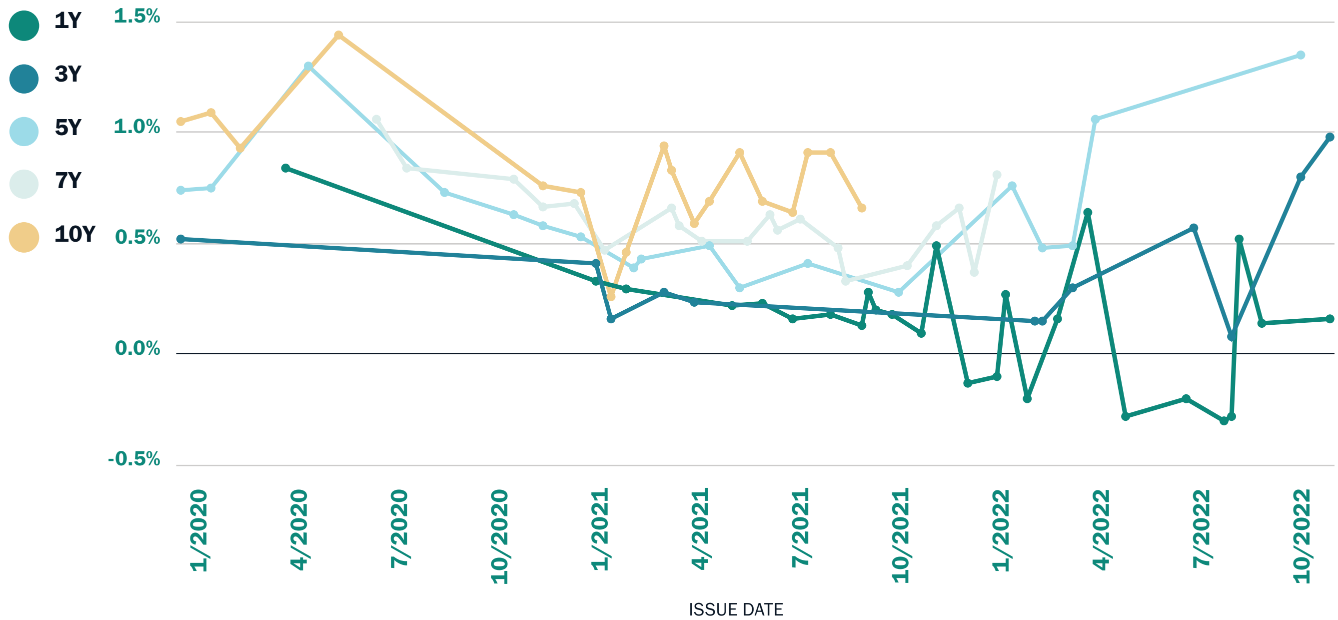
*Issuers did not raise funds for each of the possible terms every month during this period; the yields between data points are extrapolated.

Graph 11 shows the spread to the comparable Treasury rate by note maturity, again across all issuers for the same November 2019 to December 2022 period. Spreads averaged a low of 0.14% on the 1-year notes to a high of 0.81% on the 10-year notes. There are several instances in which the 1-year spread dips below zero, possibly due to a market shift in the intervening period between price setting and the beginning of the offering period. For this analysis, we compared Treasuries on the first day of the week-long offering period (Monday through Monday).

Graph 12 breaks down the $530 million cumulatively raised through the three note programs as of year-end 2022 by issuance year and maturity. It illustrates the growth of rated note programs over time due to the increased number of note issuers, greater diversity in maturities offered and enhanced receptivity by investors.

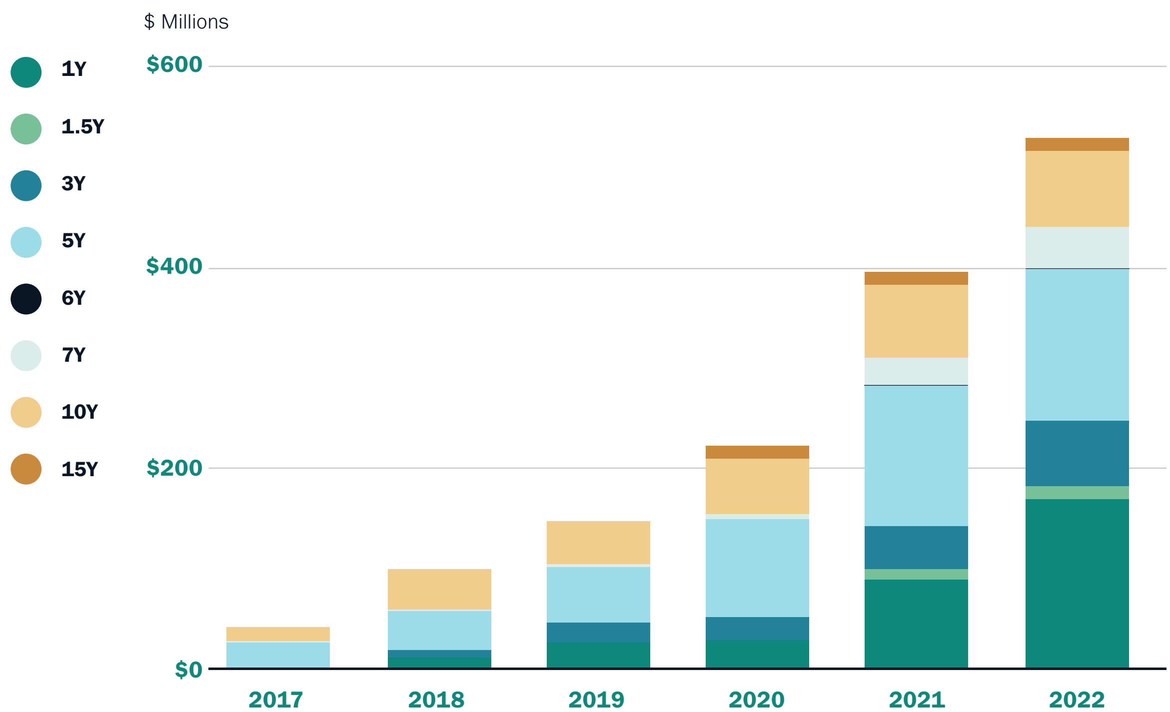
GRAPH 11 **RATED NOTE SPREADS TO TREASURIES BY MATURITY**

(all issuers)



GRAPH 12 **CUMULATIVE RATED NOTE ISSUANCE BY YEAR & MATURITY**

(October 2017 - December 2022)



PROGRAM BENEFITS & COSTS

Note programs enable issuers to time offerings to meet their new money needs, avoid negative arbitrage associated with the use of large, one-time bond financing, and better match assets and liabilities. By setting rates and selecting maturities each time they go to market, issuers can adjust the mix of offerings based on their lending pipeline needs, current market factors and historical performance in attracting capital at differing maturities and prices. The flexibility of this type of program, and the low interest rate environment during much of the period between 2020 and 2022, has also allowed issuers to refinance their higher-cost and variable rate debt – the benefits of which could be passed on to CDFI borrowers in the form of lower interest rates.

Transaction costs for rated note programs decrease as a percentage of capital raised as the issued amount increases over time. Program expenses typically include costs for legal fees, a trustee/paying agent, auditors, state filing fees and CUSIPs, along with sales compensation paid to members of the distribution network included as part of InspereX's fee. Total expenses are disclosed in each issuer's prospectus. As of the end of 2022, the annual estimated expenses, excluding sales compensation, ranged from $244,000 to $500,000 for the three issuers. As more CDFIs come to market, there is the potential for cost savings for new issuers through the standardization of offering documents, such as the prospectus and marketing materials.

By setting rates and selecting maturities each time they go to market, issuers can adjust the mix of offerings based on their lending pipeline needs, current market factors and historical performance in attracting capital at differing maturities and prices.

Since the 2020 White Paper, there has been an increase in the number of note programs and some deepening in the way these products are positioned and used. For example, we have seen the introduction and overlay of common impact frameworks for the use of proceeds. Issuers are also testing out different maturities (e.g., CIP's 15-year note issued in late 2020) and impact commitments (e.g., LISC's commitment of note proceeds to racial equity investments). These capital market successes may have paved the way for additional forays into short-term debt instruments, as illustrated by Century's launch of a commercial paper program in October 2022 – a first for a CDFI.[19]

Through early 2022, all three CDFIs issued consistently on a monthly basis with a few exceptions, such as CIP's slight decline at the end of 2019. The spring and summer of 2022 saw disruption to this pattern, as CIP did not issue new notes in June, Century sat out of the market in July, and LISC paused issuance from April through December 2022. Shifts in issuance patterns were due to a combination of factors, including reduced needs for new financing, increased access to other lower-cost sources of financing, and rate hikes in the fixed income market. Notably during this period, rated CDFIs had reduced appetite for new capital given the influx of low-cost capital from various funders in response to the pandemic and systemic racial injustice. In a rising interest rate environment, CDFIs may face additional challenges in employing the capital markets as a source as they are constrained from passing along interest rate increases to their borrowers.

RATED COMMERCIAL PAPER PROGRAMS

In October 2022, Century and U.S. Bank launched the first CDFI Sustainability-labeled commercial paper program. Commercial paper is a short-term, unsecured debt instrument commonly used to fund operations. Commercial paper maturities range from one to 270 days with a rate fixed for the term but typically set on a daily, weekly or monthly basis, and thus, essentially variable in nature. Commercial paper trades in the money market and does not need to be registered with the SEC.

Century's program is rated "A1+" by S&P and "F1+" by Fitch, based on the rating agencies' short-term rating scales, which differ from the long-term scales discussed throughout this paper. Century will raise up to $100 million from investors, with $35 million issued through year-end 2022. The securities sold through the program are labeled Sustainability notes as they are designed within Century's Sustainability Bond Framework and second party opinion. U.S. Bank serves as the commercial paper dealer and sustainability coordinator.[20]

Other Flexible Capital Sources

UNRATED NOTES

CDFIs can also raise capital from investors through unrated note programs. Table 14 summarizes 19 unrated note programs currently in the market, which total $311.0 million. In comparison, the 2020 White Paper detailed 11 unrated note programs totaling $1.19 billion. However, the 2020 snapshot included a $750 million offering from Calvert Impact Capital ("CIC"), a non-CDFI mission-based lender, due to the history and size of its program. The 2020 total also included $167 million for New Hampshire Community Loan Fund ("NHCLF"). Its offering is open-ended without a maximum amount and is listed as such here. If CIC's and NHCLF's issuances were excluded from the 2020 tally, the total would be $273 million.

It should be noted that this analysis is not exhaustive as figures are based on an independent scan of unrated note programs that have been publicly disclosed by CDFIs on their websites or through the American Sustainable Business Network's Main Street Lending/CDFI resource titled *Helping Individuals Find 'Investment-Ready' CDFI Loan Funds*.[21] We attribute the increase in the number of unrated CDFI note programs to their increased visibility in the intervening two years in response to pandemic-related investor demand for opportunities that aligned assets with values, with many of these CDFIs having a long track record of using note programs to fund their capital needs. In addition to the programs represented, LIIF, whose program was included in the 2020 White Paper, and California FarmLink have retail note programs that are not actively raising funds, and thus are not included in Table 14.

Seventeen of the 19 offerings are continuous, with no set termination date. An offering by Housing Trust Silicon Valley ("HTSV") and LISC's Inclusive Creative Economy Fund 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 $117.8 million to date, whereas LISC's Inclusive Creative Economy Fund is no longer soliciting investors and raised a total of $6.2 million. Like NHCLF, Cooperative Fund of the Northeast and Genesis Community Loan Fund do not have a limit on their offering amounts.

TABLE 14 **UNRATED NOTE PROGRAMS**

Issuer / Note Program	Prospectus Date	Offering Amount	S&P / Fitch Issuer Rating	Issuer Aeris Rating
Community First Fund Promissory Notes	1/1/2022	$5,000,000	No	Yes
Community Vision Notes	11/4/2022	$9,000,000	No	Yes
Cooperative Fund of the Northeast Social Investment Notes	12/5/2022	Open Ended	No	No
Craft3 Community Impact Investment Note	11/4/2022	$100,000,000	No	Yes
ECLF Enterprise Community Impact Note	7/31/2022	$100,000,000	Yes	Yes
FORGE Community Loan Fund Credit Fund Program Accounts	Not Publicly Available	Not Publicly Available	No	No
Genesis Community Loan Fund	Not Publicly Available	Open Ended	No	No
Homewise Community Investment Note	8/30/2022	$5,000,000	No	Yes
HTSV Community Impact Note	8/8/2019	$25,000,000	Yes	Yes
Leviticus 25-23 Alternative Fund Promissory Notes	5/9/2022	Not Publicly Available	No	Yes
LISC Inclusive Creative Economy Fund	5/31/2018	Closed	Yes	No
Local Enterprise Assistance Fund (“LEAF”)	7/1/2018	Not Publicly Available	No	No
NHCLF Promissory Notes	1/20/2023	Open Ended	No	Yes
Partner Community Impact Notes	8/1/2021	$20,000,000	No	Yes
Reinvestment Fund Promissory Notes	7/1/2022	$7,000,000	Yes	Yes
Shared Capital Note	10/28/2021	$30,000,000	No	No
Social Capital Fund Impact Offering	5/27/2022	$5,000,000	No	No
Vermont Community Loan Fund (“VCLF”) Community Investment Notes	1/1/2022	$5,000,000	No	No
Washington Area Community Investment Fund (“Wacif”) Impact Capital Note	Not Publicly Available	Not Publicly Available	No	No
Total		**$311,000,000**		

Four of the issuers of unrated debt instruments have issuer credit ratings from S&P, and ten have obtained a rating from Aeris, with ECLF, HTSV and RF obtaining both types of ratings. Aeris offers an option for smaller loan funds for which an S&P or Fitch rating may be cost prohibitive or for loan funds that predominately provide financing for non-real estate based activities. The Aeris rating is an issuer rating, not a debt instrument rating, which takes into account a CDFI’s mission, impact and policy-related objectives. It can be an important part of a CDFI’s marketing to investors, with several unrated note issuers disclosing their Aeris rating as part of their prospectus and others sharing it on the investment portion of their websites.

Sales Channels and Target Investors

The 19 unrated note programs have different sales channels, investment minimums and investor restrictions, as illustrated in Table 15.

TABLE 15 **UNRATED NOTES SALES CHANNELS & INVESTORS**

Issuer	Sales Channel	Minimum Investment	Investor Restrictions
Community First Fund Promissory Notes	Direct from Issuer	$1,000	Must be Pennsylvania resident
Community Vision Notes	Direct from Issuer	$1,000	Must meet definition of qualified investor and California resident; currently accepts investments from 19+ states
Cooperative Fund of the Northeast Social Investment Notes	Direct from Issuer	$1,000	Available in jurisdictions in which a registration statement is in effect or in which the offering is exempt from registration
Craft3 Community Impact Investment Note	Direct from Issuer	$20,000	Must meet definition of accredited investor
ECLF Enterprise Community Impact Note	Direct from Issuer	$25,000	Retail or institutional investors in: AK, CA, CO, CT, DC, 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
FORGE Community Loan Fund Credit Fund Program Accounts	Direct from Issuer	$50	No restrictions stated
Genesis Community Loan Fund	Direct from Issuer	$1,000	Retail or institutional investors in 47 states with limitations in AR, CT, FL, MS, NE, PA, and TN
Homewise Community Investment Note	Direct from Issuer	$1,000	Retail or institutional investors in: AK, NM, CA, CO, CT, HI, IL, IA, ME, MA, MS, NJ, NY, RI, TX, UT, VT, WA, WV, WY
HTSV Community Impact Note	Direct from Issuer	$250,000	Must meet definition of accredited investor
Leviticus 25-23 Alternative Fund Promissory Notes	Direct from Issuer	$1,000	No restrictions stated
LISC Inclusive Creative Economy Fund	Direct from Issuer	$100,000	Must meet definition of accredited investor
LEAF	Direct from Issuer	$10,000	No restrictions stated
NHCLF Promissory Notes	Direct from Issuer	$1,000	Retail or institutional investors in 46 states with limitations in AR, CT, FL, MS, NE, PA, TN, and VA
Partner Community Impact Notes	Direct from Issuer	$25,000	Must meet definition of accredited investor
Reinvestment Fund Promissory Notes	Direct from Issuer	$1,000	Retail or institutional investors in: PA, MD, DC, NJ, VA, GA, CT, HI, IL, IA, ME, MA, MS, NM, RI, SD, TX
Shared Capital Note	Direct from Issuer	$500	Retail and institutional investors in all states with the exception of FL, NV, and ND; limited to accredited investors in TX
Social Capital Fund Impact Offering	Direct from Issuer	$5,000	Must meet definition of accredited investor
VCLF Community Investment Notes	Direct from Issuer	$1,000	No restrictions stated
Wacif Impact Capital Note	Direct from Issuer	$5,000	No restrictions stated

Issuers can offer unrated notes directly to investors. Some issuers have employed third parties, such as crowd investing platforms or donor-advised funds ("DAFs"), to facilitate issuance. For example, the Greater Washington Community Foundation offers investment in the Enterprise Community Impact Note as an option for its investors to invest in creating and preserving affordable housing in the D.C. area. Shared Capital Fund employs SVX.US as a funding portal for the sale of its notes.

There are a variety of unrated CDFI note programs available to both retail and accredited investors. Fourteen of the programs are available to retail investors at investment sizes ranging from $500 for Shared Capital Cooperative to $25,000 for ECLF (subject to certain restrictions further described in the offering documents). Five of the programs may be sold only to accredited investors. Programs designed for accredited investors typically have higher minimum investment requirements, $250,000 and $25,000, respectively, for HTSV and Partner Community Capital.

Demand for unrated note programs appears to be inelastic, and they have served as attractive vehicles to raise low-cost capital in an increasing interest rate environment.

CDFIs can broaden their investor base with an unrated note program; however, they need to balance the administrative costs of doing so without a broker-dealer or sales agent, especially if the offering is more retail in nature with low minimums. Additionally, CDFIs should assess their internal staffing and compliance capabilities to engage in sales with investors, which vary based on the states in which a CDFI may be soliciting investors and may require staff to complete specific securities exams.

Pricing

Income from unrated notes is taxable, and rates are set in the offering memorandum or in a corresponding rate sheet. Many unrated notes start with mission, pricing at concessionary, below-market returns to investors from a credit perspective. Some incorporate flexible pricing with a maximum rate per term, while others give investors the option to forego interest or donate interest to the issuer. With concessionary returns, issuers hope they can attract an investor base that is interested in capital preservation and a modest financial return, while achieving a greater degree of social and/or environmental impact. This is particularly true during periods of high inflation, where the concessionary returns of unrated note programs allow savings to be passed onto community-serving projects.

As discussed earlier, where some rated programs have suspended fundraising, demand for unrated note programs appears to be inelastic, and they have served as attractive vehicles to raise low-cost capital in an increasing interest rate environment. The most common maturities are the 3-year, 5-year and 10-year, with at least eight issuers seeking capital with a term greater than ten years. Cooperative Fund Northeast and Leviticus have set a maximum interest rate for a minimum term of one year but no maximum term. Many of the unrated note programs are currently offered at lower interest rates than those documented in the 2020 White Paper, which may be due to the historically low interest rate environment from 2020 through mid-2022, or to a pricing lag with the market. As CDFIs with unrated programs raise additional capital going forward, it will be informative to monitor price sensitivity and whether there is any upward rate adjustment required by investors.

TABLE 16 **COMPARISON OF UNRATED NOTE COUPON RATES & MATURITIES**

Years	Community First*	Community Vision	Cooperative Fund of the Northeast	Craft3	ECLF	FORGE*	Genesis	Homewise	HTSV	Leviticus
1	-	<=.25%	<= 2.00%	1.25%	-	-	<=1.00%	0.50%	-	2.00%
2	-	<=.50%	<= 2.00%	1.50%	-	-	<=1.50%	-	1.25%	2.00%
3	-	<=.75%	<= 2.00%	1.75%	<=1.25%	-	<=2.00%	1.00%	-	2.00%
4	-	<=1.00%	<= 2.00%	-	-	-	<=2.50%	-	-	2.00%
5	<=1.50%	<=1.25%	<= 2.00%	2.00%	<=1.50%	-	<=3.00%	1.50%	1.50%	2.00%
6	<=1.50%	<=1.50%	<= 2.00%	-	-	-	-	-	-	2.00%
7	<=2.00%	<=1.75%	<= 2.00%	2.25%	<=1.75%	-	-	-	-	2.00%
8	<=2.00%	<=2.00%	<= 2.00%	-	-	-	-	-	-	2.00%
9	<=2.00%	<=2.25%	<= 2.00%	-	-	-	-	-	-	2.00%
10	<=2.50%	<=2.50%	<= 2.00%	2.50%	<=2.00%	-	<=3.50%	2.50%	2.00%	2.00%
11	<=2.50%	<=2.75%	<= 2.00%	-	-	-	-	-	-	2.00%
12	<=2.50%	<=2.75%	<= 2.00%	-	-	-	-	-	-	2.00%
13	<=2.50%	<=2.75%	<= 2.00%	-	-	-	-	-	-	2.00%
14	<=2.50%	<=2.75%	<= 2.00%	-	-	-	-	-	-	2.00%
15	<=3.00%	<=3.00%	<= 2.00%	-	<=2.25%	-	-	3.00%	-	2.00%
16+	-	<=3.00%	<= 2.00%	-	-	-	-	-	-	2.00%

Years	LISC	LEAF	NHCLF	Partner	RF	Shared Capital	Social Capital*	VCLF	Wacif
1	-	<=2.00%	<=1.00%	1.75%	-	-	-	0.50%	-
2	-	<=2.00%	<=1.00%	1.85%	-	-	-	0.50%	-
3	-	<=2.50%	<=2.00%	2.00%	1.50%	1.00%	-	1.00%	<=0.75%
4	-	<=2.50%	<=2.00%	-	1.50%	-	-	1.00%	-
5	-	<=3.00%	<=2.50%	2.50%	2.00%	3.00%	2.75%	1.50%	<=1.50%
6	-	-	<=2.50%	-	2.00%	-	-	1.50%	-
7	-	-	<=2.50%	3.00%	2.25%	-	4.00%	2.00%	<=2.00%
8	2.75%	-	<=2.50%	-	2.25%	-	-	2.00%	-
9	-	-	<=2.50%	-	2.25%	-	-	2.00%	-
10	-	-	<=2.50%	3.50%	2.75%	4.00%	-	2.50%	-
11	-	-	-	-	2.75%	-	-	2.50%	-
12	-	-	-	-	2.75%	-	-	2.50%	-
13	-	-	-	-	2.75%	-	-	2.50%	-
14	-	-	-	-	2.75%	-	-	2.50%	-
15	-	-	-	-	4.00%	-	-	2.50%	-
16+	-	-	-	-	-	-	-	2.50%	-

Several CDFIs, including Community First Fund and Social Capital, offer note programs with varying terms based on the amount invested. For example, Community First Fund's promissory note has tiered rates based on investment tiers of $1,000–$4,999, $5,000–$24,999 and greater than $25,000, with higher rates for investors who invest at the higher tiers. The rates included in Table 16 are those for investors at the lowest tier. Social Capital has rate tiers based on $5,000–$24,999, $25,000–$74,999, $75,000–$124,999 and greater than $125,000 investment tiers, with rates included in Table 16 those for investors at the lowest tier.

FORGE Community Loan Fund ("FORGE") and Vermont Community Loan Fund offer several products. FORGE's investor accounts have varying terms based on the amount invested and are priced at a discount to the federal discount rate. VCLF has three products: a social investment term account that functions like a bank certificate of deposit with fixed interest rates and a set maturity date; a social investment cash account that works like a bank money market account with an open-ended maturity date, monthly withdrawals and no deposit limit; and the social investment grading account that has a lower opening minimum and monthly deposits that grow principal balance over time. Terms included in Table 16 are those for the VCLF social investment term account.

Other Note Offerings

As mentioned above, there are also non-CDFI, mission-driven loan funds, like RSF Social Finance and Calvert Impact Capital, which employ unrated note programs to raise capital for community-serving projects. CIC, which is no longer certified as a CDFI, has one of the most well-known note programs, with a current offering amount of $750 million. CIC launched its unrated fixed income notes in 1995 and has been on InspereX's distribution platform since 2005. CIC has raised more than $3 billion cumulatively through its note program. In addition to these programs, other CDFI loan funds may have active offerings that are available to accredited investors and that limit public solicitation such that no information was publicly available for this paper.

IMPACTS OF FINTECH ON CDFI CAPITALIZATION

Platforms that facilitate retail investments through crowd investing are gaining momentum. Crowd investing, also called crowdfunding or community funding, allows individuals to buy shares or lend money to a business with the expectation of a return. Platforms like CNote, SVX, RaiseGreen and Investibule enable individuals to invest in community-serving projects and CDFIs at low minimums through registrations relying on Regulation Crowdfunding and Regulation A ("Reg A"). Some opportunities include lending at low minimums to CDFI loan funds. For example, Shared Capital Cooperative has an investment minimum of $500 through several different investment options. Bright Community Capital, a subsidiary of CEI, has posted an indication of interest on Raise Green, a Regulation Crowdfunding platform, to raise capital from retail investors. CNote, a retail platform, raises capital from individuals and institutions and reinvests proceeds in CDFI loan funds, such as Access to Capital for Entrepreneurs.

Shared Capital Cooperative

Frustrated by the challenges coops faced in accessing bank financing, cooperative leaders in the Twin Cities founded Shared Capital Cooperative in 1978 to provide financing to cooperative businesses and housing throughout the United States.

Shared Capital is a cooperative association, democratically owned and governed by its members, with 300 cooperatives in 35 states and the District of Columbia. By borrowing from and investing in the fund, members directly engage in each other's work, connecting cooperatives and capital and supporting shared economic prosperity and ownership. Shared Capital has made over 900 loans totaling $55 million.

Shared Capital Cooperative also raises funds from social impact investors who support the cooperative economy and are aligned with its mission through a Reg A offering listed on **SVX.US.com**, an online impact investing platform. Reg A offerings can be used as direct public offerings available to non-accredited investors, which allows issuers to advertise and market offerings across multiple states. Shared Capital's offerings are open to all investors – both non-accredited and accredited – with investments starting at $500. Shared Capital can accept investments from retail and institutional investors in all states with the exception of Florida, Nevada and North Dakota, and a limitation to accredited investors in Texas. Shared Capital Cooperative has multiple investment options:

- Shared Capital Class A Preferred Equity Shares have a term of 5 years or more and a 5% target annual dividend.
- Shared Capital Notes are subordinated, unsecured, fixed rate, term loans offered with 3-, 5- and 10-year terms, and an annual interest rate of 1%, 3% and 4%, respectively.

PRIVATE PLACEMENT RATINGS

Private placement ratings assist issuers in raising capital from investors through a debt instrument that is distributed on a private basis. They are negotiated through investment banking and capital markets channels. Ratings and research are typically disclosed to investors via a secure platform. Private placement ratings can be used when an organization wants to raise capital but is sensitive to public dissemination of its ratings, or to attract capital from investors that have rating requirements as part of their investment policies, such as insurance companies.

For example, in October 2022, Lendistry closed an $85 million private placement of unsecured fixed-to-floating rate senior notes due in 2027. The Notes received an investment grade "A" rating from Egan-Jones Ratings Company ("Egan-Jones"), an independently owned credit rating agency active in the private placement market that is registered as an NRSRO with the SEC. The issuance had 25 investors, including banks, insurance companies and ESG-focused institutions. In addition to Lendistry, Egan-Jones has provided private placement ratings for the Change Company, a certified CDFI loan fund and venture capital fund, including a $150 million senior debt offering in March 2021 rated "A-" and a $75 million senior debt offering in September 2021 rated "A-".

Registration Exemptions

CDFIs have made bond and note offerings available to investors through a variety of federal and state exemptions. Consultation with counsel is the key first step in understanding which exemptions are right given financing objectives. The 2020 White Paper discussed Regulation D for accredited investors and retail note programs that rely on state and federal exemptions. 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.

Regulation Crowdfunding and Regulation A are providing growing channels for retail offerings. Regulation Crowdfunding, also known as Regulation CF or Reg CF, was first signed into law in April 2012 as part of the Jumpstart Our Business Startups ("JOBS") Act and allows companies to sell securities through crowdfunding. Regulation CF facilitates access to capital for startups and small businesses by giving a broader investor spectrum the ability to invest in such business ventures in order to stimulate economic growth. However, investment companies, as defined in Section 3 of the Investment Company Act of 1940, are excluded. An investment company is defined as a company that issues and invests in securities, potentially limiting CDFIs' ability to raise capital through Reg CF. All transactions under Reg CF must take place online through an SEC-registered intermediary, either a broker-dealer or funding portal.

Regulation A, also call Reg A or Reg A+, was revised in March 2015 in order to implement Section 401 of the JOBS Act. Reg A is an exemption from registration for public offerings, but the disclosures required under this exemption are similar to those required in registered offerings. The revised Reg A includes two offering tiers defined over a 12-month period: Tier 1 for offerings of up to $20 million and Tier 2 for offerings of up to $75 million.[22]

Investor Participation

Bond and note offerings serve as valuable tools to expand the pool of CDFI investors beyond historical sources. Investor type may vary based on the structure and objectives of the CDFI's offering, with some institutional investors limited to rated securities due to internal investment guidelines and some retail investors limited due to offering restrictions. Rated CDFI note securities are held by the largest spectrum of investors, ranging from individual retail investors to institutional investors. In contrast, CDFI bond debt is held largely by institutional investors. The overview provided here is not exhaustive, but touches on some emerging investment trends for individuals, religious institutions, donor-advised funds and corporate treasuries. We then provide an analysis of rated CDFI bond and note securities held by bond mutual funds and bond exchange-traded funds ("ETFs"), as well as an analysis of the limited secondary market activity for rated CDFI bonds to date. Deeper understanding of investor investment objectives and guiding impact frameworks can help CDFIs increase demand for their offerings by positioning their products to meet investor needs.

INDIVIDUAL INVESTORS

CIP, LISC and Century Housing's rated note programs gave retail investors greater access to rated CDFI securities. Due to product standardization, these notes are more accessible for retail investors and their gatekeepers (e.g., investment advisors). Individuals can purchase notes directly through their broker-dealer without having to complete an investor application or provide wire instructions or other onboarding information to the CDFI issuer. However, due to the structure of these note programs, CDFI issuers do not receive information on their retail investors unless they self-identify, and thus, data on these individual investors is limited.

Unrated note programs have a higher barrier to entry for individual retail investors and may require additional due diligence regarding investment restrictions based on state and federal regulations and investor status, among other factors. Therefore, investment advisors play a particularly important gatekeeping role between CDFIs and individual investors purchasing unrated notes. Investment advisors can also help individuals purchase individual bond maturities and create bespoke impact bond portfolios through laddering. Additionally, they can help clients understand when a rated or unrated note offering may be the right fit based on their investment objectives. Craft3 offers its clients a comprehensive list of wealth management firms to work with while some advisors market CDFI investments as one of their capabilities as a way to attract clients.

Every two years, Calvert Impact Capital conducts a survey on its investor base and the broader impact investing community. In its 2022 Investor Survey, 94% of investment advisors reported interest in seeing more impact investing products in the market, across both public and private markets as well as multiple asset classes and risk profiles. When asked about barriers, difficulty of purchase was highlighted as the top challenge, a sentiment echoed by non-advisor respondents. As the industry continues to grow and create more accessible products, survey data suggests ever increasing demand for impact investing and momentum towards acting upon that demand.[23]

"Whether it's to address climate change or racial equity, the vast majority of financial advisor respondents reported having made at least one new impact investment since 2020, and 88% of advisors plan to increase the amount of those investments in their clients' portfolios over the next year."

CALVERT IMPACT CAPITAL 2022 INVESTOR SURVEY RELEASE

DONOR-ADVISED FUNDS

A 2021 National Philanthropic Trust report estimates that charitable assets under management of donor-advised funds total $159.8 billion in over one million DAF accounts.[24] In tandem, client interest in ESG and impact investing is on the rise, leading DAF providers and community foundations to curate pre-approved investment options that incorporate social or environmental themes, including unrated CDFI note programs. For example, the National Philanthropic Trust has pre-approved investments in New Hampshire Community Loan Fund's and Calvert Impact Capital's unrated note programs as part of its investment options. Groups like Impact Assets and CapShift provide vetted impact investment options across asset classes, including thematic portfolios focused on community investing, to DAF participants, individual investors and investment advisors.[25]

RELIGIOUS INSTITUTIONS

Religious institutions played an important role in the initial capitalization of CDFI loan funds and remain a key investor base. Many invest in unrated note programs, such as the Leviticus, NHCLF and Local Enterprise Assistance Fund unrated note programs. The Sisters of Mary Reparatrix purchased Leviticus's first offering in February 1983 and are current investors through Leviticus' unrated note program. For religiously motivated investors, CDFIs provide investment opportunities that align with their values and faith.

“

Our investment and partnership is far more than transactional to us; it embodies our vision of making a direct and measurable difference in the lives of many, which exemplifies core values our company treasures.”

TERESA MCTAGUE
CHIEF INVESTMENT OFFICER OF AFLAC U.S. AND AFLAC GLOBAL INVESTMENTS' GLOBAL HEAD OF ESG INVESTMENT STRATEGIES

CORPORATE TREASURIES

The ongoing racial reckoning brought on by the Covid-19 pandemic and racial justice movement ignited corporate America to take an active role in confronting systemic racism, with some reports estimating capital commitments to racial justice at more than $66 billion as of December 2020.[26]

In order to fulfill these commitments, corporate treasuries turned to CDFIs as trusted intermediaries. Netflix led the way with a $100 million pledge in June 2020.[27] Netflix fulfilled its pledge by investing in CDFI credit unions, banks and off-balance sheet funds, and by providing $25 million through ECLFs unrated note program to support Enterprise's Equitable Path Forward initiative, which targets resources to developers of color in the affordable housing industry. Other corporate treasuries have used rated CDFI note programs to align excess cash holdings in ways that reflect their corporate values and mission, like First Solar's $10 million investment in LISC's rated Impact Notes.[28]

In mid-2020, several corporate treasuries explored innovative ways to channel low-cost capital to CDFIs, leveraging their corporate credit ratings by issuing debt and investing bond proceeds in CDFIs. In August 2020, Google issued a $5.75 billion Sustainability Bond to raise investment capital for eight major impact themes, including clean energy, affordable housing and support for small businesses through CDFI lending. The issuance was oversubscribed, suggesting strong demand from investors. Similarly, Aflac has sought to invest in CDFIs to meet the Socioeconomic Advancement and Empowerment category of its Sustainability Bond Framework that was part of a March 2021 issuance. Aflac has invested in both rated and unrated note programs, including a $15 million investment in CIP's rated notes and a $10 million investment in ECLF's unrated notes. Investments also include special-purpose lending vehicles like LISC's Black Economic Development Fund.[29] Bond issuance allowed Google and Aflac to access the capital markets on behalf of CDFIs and their communities, taking advantage of the low interest rate environment.

BOND MUTUAL FUNDS AND EXCHANGE-TRADED FUNDS

Bond funds are pooled investment vehicles that invest primarily in fixed income instruments, and include both bond mutual funds and bond ETFs. Bond funds can serve as efficient vehicles to invest in bond securities, as they may have low minimums while providing diversification through the ability to hold debt from a variety of issuers, such as the U.S. government, government agencies and corporations. Both retail and institutional investors can purchase bond mutual funds and ETFs.

As of July 2022, $324 million of rated CDFI debt (both rated bonds and notes), representing 26% of the total outstanding issuance, was held across 50 bond funds.[30] As further outlined in Table 17, 16 of these funds, holding $178 million, or 55% of total fund holdings, had a Morningstar Sustainability Rating. Morningstar's Sustainability Ratings are a monthly measure of how well the holdings in a portfolio are managing their ESG risks and opportunities relative to peers. The rating is presented as a score between one and five, with one being the weakest and five the strongest.[31] Ten funds, holding $161 million, are also part of the US SIF's Bond Database, which is a list of sustainable investment mutual funds and ETFs offered by US SIF's institutional member firms. The remaining $145 million is held in 34 bond funds that do not have either type of impact rating, including CREF Social Choice Account, a variable annuity, which is the largest holder of CDFI debt with $61.3 million across four CDFIs. Green Century Balance Fund, Community Capital Management and Pax invest in the largest number of CDFI issuers, with Green Century Balance Fund holding $16.4 million in debt from six CDFIs, Community Capital Management holding $40.0 million from four CDFIs and Pax holding $4.5 million from five CDFIs.

GRAPH 13 **VOLUME OF CDFI DEBT HELD BY BOND FUNDS**

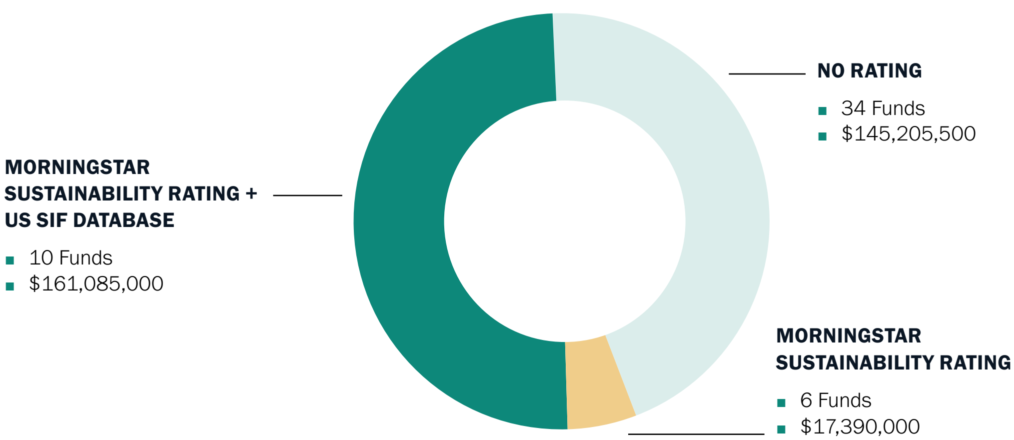


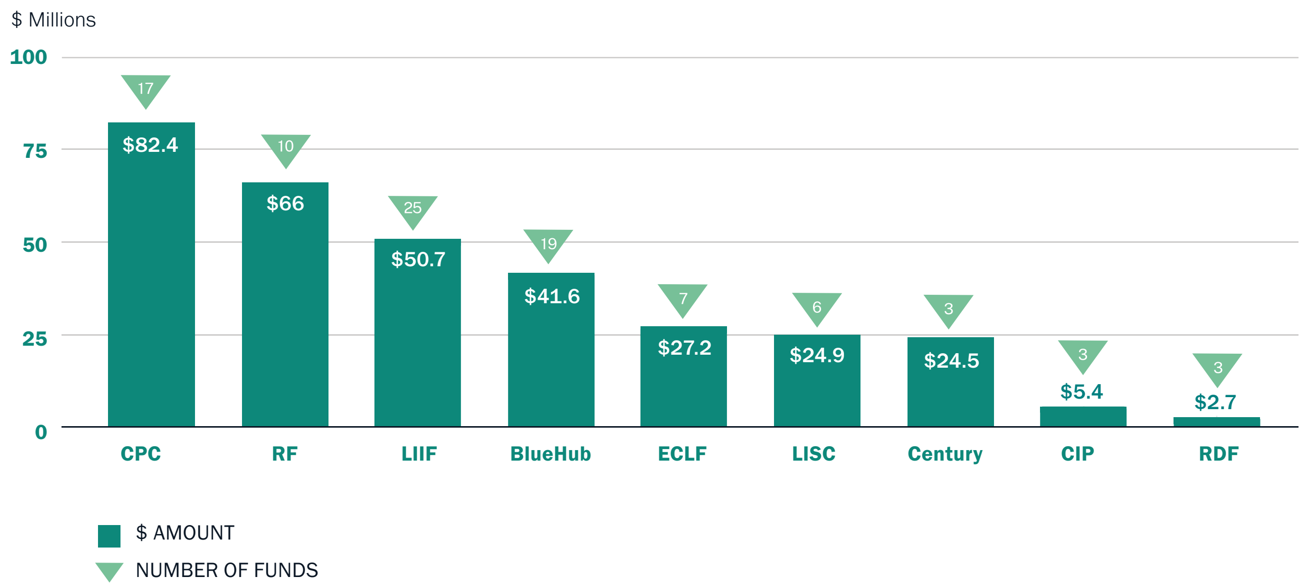
TABLE 17 **FUND HOLDERS OF CDFI DEBT**

Fund Ticker	Fund Name	Fund Type	Number of CDFI Holdings	Total	US SIF Fund Database	Morningstar Sustainable Investment
TSBIX	TIAA-CREF Core Impact Bond Fund	Open-End Fund	4	$49,465,000	Yes	Yes
CRAIX	CCM Community Impact Bond Fund	Open-End Fund	5	$40,000,000	Yes	Yes
PTSAX	PIMCO Total Return ESG Fund	Open-End Fund	4	$30,700,000	Yes	Yes
GCBLX	Green Century Balanced Fund	Open-End Fund	6	$16,400,000	Yes	Yes
CSIBX	Calvert Bond Fund	Open-End Fund	1	$9,400,000	Yes	Yes
RIBIX	RBC Impact Bond Fund	Open-End Fund	4	$7,265,000		Yes
ABIMX	AB Impact Municipal Income Shares	Open-End Fund	2	$6,000,000		Yes
PAXBX	Pax Core Bond Fund	Open-End Fund	5	$4,500,000	Yes	Yes
MIIAX	Praxis Impact Bond Fund	Open-End Fund	4	$4,395,000	Yes	Yes
CTTLX	Calvert Responsible Municipal Income Fund	Open-End Fund	1	$4,000,000	Yes	Yes
NPCT	Nuveen Core Plus Impact Fund	Closed-End Fund	1	$2,400,000		Yes
CSIFX	Calvert Balanced Fund	Open-End Fund	1	$1,625,000	Yes	Yes
CONAX	Columbia U.S. Social Bond Fund	Open-End Fund	3	$1,400,000		Yes
DSBFX	Domini Impact Bond Fund	Open-End Fund	1	$600,000	Yes	Yes
TSDHX	TIAA-CREF Short Duration Impact Bond Fund	Open-End Fund	1	$250,000		Yes
PCEBX	PIMCO Climate Bond Fund	Open-End Fund	1	$75,000		Yes
Total				**$178,475,000**	**10**	**16**

On average, individual CDFI issuances are held across ten funds with an average investment of $3.8 million per fund. More than half of BlueHub, CPC, ECLF, RF and LIIF outstanding issuance is held in bond funds. Approximately $82 million of CPC's $150 million issuance is in 17 funds, six of which have Morningstar Sustainability Ratings. CPC's 2020 offering was made in the months preceding the Covid-19 shutdowns and was the second CDFI issuance to have a Sustainability Bond Framework and second party opinion. LIIF's $100 million 2019 issuance is dispersed across the largest number of funds due in part to its positioning as the first Sustainability Bond with a second party opinion. Raza's debt is held by three funds. Raza discloses its bond investors through its annual report and has a variety of institutional and mission-oriented investors.

Despite the highest level of continuous market participation through their rated note programs, Century, CIP and LISC debt is held by a relatively small number of funds: Century by three, CIP by three and LISC by six. However, it is worth noting that all of these funds have Morningstar Sustainable Investment ratings.

GRAPH 14 **VOLUME OF CDFI DEBT HELD BY NUMBER OF BOND FUNDS BY CDFI**



SECONDARY MARKET ACTIVITY

Like other corporate debt, CDFI debt trades on the secondary market. Due to relatively small issuance volume, there is little secondary market activity, resulting in limited liquidity. CDFI rated bonds and notes are typically purchased as buy-and-hold investments. Using the Bond Section of the Market Data Center of the Financial Industry Regulatory Authority ("FINRA"), market participants can search CDFI trade history by issuer or CUSIP. Because of the large number of rated note maturities and corresponding CUSIPs, the analysis below is limited to rated bond transactions as an indicator of the magnitude of secondary market activity for the sector as a whole.

From initial issuance in 2017 through December 2022, there were 1,668 sell-side transactions and 355 buy-side transactions for rated CDFI bonds. Of these, 778 were traded at a discount, 1,217 at a premium and 28 at par, primarily reflecting changes in the interest rate environment and resulting price adjustments to equalize market yields. The majority of trades had volumes of $25,000 or less and a majority of those reporting, 1,107, were between broker-dealers, with 749 to customers that are non-FINRA members. The most recent research by the Securities Industry and Financial Markets Association ("SIFMA") puts average daily trading volume for the U.S. fixed income market at $950 billion, making the secondary market activity for CDFI bonds a blip in overall secondary market activity. While extremely thin, this secondary market activity illustrates some degree of liquidity, which may increase as volume increases and the impact-investor base expands.[32]

Impact Measurement & Management

Issuance prior to the Covid-19 pandemic suggested superior market reception for CDFI bonds positioned within ICMA's Green Bond Principles and Social Bond Principles, ICMA's Sustainability Bond Guidelines and the UN SDGs. This superior reception has had continued momentum, with all new rated bond and note issues conforming to one of ICMA's designations.

As part of its designations, ICMA recommends that organizations obtain a second party opinion that their Framework aligns with the four core components of the Green and Social Bond principles. ICMA lists 32 external reviewers that have contributed to and confirmed that they will voluntarily align with ICMA's Guidelines for External Reviewers, which provide voluntary guidance relating to professional and ethical standards for external reviewers, as well as to the organization, content and disclosure of their reports. Included on this list are Moody's Investors Service, S&P and Sustainalytics, the three firms that have provided second party opinions for CDFIs.

As discussed earlier, six of the ten bond offerings aligned with the Sustainability Bond Guidelines at issuance, with four receiving a second party opinion from Sustainalytics verifying alignment with ICMA's Guidelines. In March 2022, Raza Development Fund released a Social Bond Framework for its bond, together with a second party opinion from S&P, making RDF the first CDFI to align with ICMA's Guidelines post issuance. Two of the three rated note programs align with an ICMA framework: Century's note program aligns with the Green and Social Bond principles and Sustainability Bond Guidelines, with a second party opinion from Sustainalytics, and LISC's note program aligns with the Social Bond Principles, with a second party opinion from Vigeo Eiris, which has since become part of Moody's Investors Service.

To date, CDFI issuers have only engaged in pre-issuance reviews and have not committed to external post-issuance reviews. Post-issuance review entails an additional cost and time burden, including third-party verification that the bond proceeds were tracked and allocated to eligible projects. Unlike other corporate or mission-driven issuers of Green, Social and Sustainability bonds, CDFIs have existing reporting and eligibility requirements as part of their annual CDFI Fund certification process. This process ensures that CDFIs are serving their intended beneficiaries and meeting their community development mission in order to maintain CDFI status. The CDFI industry could make a case that the existing certification process for maintaining CDFI status should satisfy post-issuance external review under the ICMA requirements.

Outside of the ICMA Guidelines, rated and unrated CDFI bond and note issuers have used platforms like ImpactAssets 50 and the Environmental Finance awards to demonstrate their impact to a wider set of investors. ImpactAssets 50 is a publicly available online resource for impact investors and their investment advisors to identify experienced impact investors and explore the landscape of potential investment options. The 50 firms selected annually are intended to demonstrate a wide range of impact investing activities across geographies, sectors and asset classes. As of December 2022, CIP, Craft3, ECLF, LISC, LIIF and RF were listed as ImpactAssets 50 Managers, with Craft3, ECLF, LISC and LIIF listed for five years or more. The Environmental Finance awards are issued annually to celebrate the leading Green, Social and Sustainability Bond deals, as well as top market participants. LISC's Impact Note was recognized in 2021 as Social bond of the year (corporate category), and that same year Century's $85 million sustainability bond was recognized as Sustainability bond of the year (U.S. muni bond category).

> "It is critical that we scale financing in an effort to accelerate low-carbon business activities and climate resilience solutions in all our communities. From an environmental justice perspective, it is important that our most vulnerable communities are not left behind."
>
> AMY BRUSILOFF
> COMMUNITY DEVELOPMENT EXECUTIVE AT BANK OF AMERICA

CDFIs have also begun to report on greenhouse gas emissions in their portfolios and operations. In 2020, CPC became the first rated CDFI to achieve carbon neutrality in its operations by completing a greenhouse gas assessment (also known as a "carbon footprint") to measure and track total emissions annually for Scope 1, Scope 2 and select aspects of Scope 3, as defined by the Greenhouse Gas Protocol, a global standard for emissions accounting. CPC retained EcoAct, a respected international sustainability consultancy, to help develop and implement its carbon neutral strategy.[33] Partners Community Capital, a CDFI with an unrated note program, uses the Partnership for Carbon Accounting Financials framework to disclose and reduce its greenhouse gas emissions.[34] Other CDFIs, like CEI and Self-Help Credit Union and Ventures Fund, have also used the PCAF framework. With funders like Bank of America moving toward requiring borrowers to disclose their carbon footprint, it is likely that more CDFIs will begin the process of assessing and addressing carbon emissions in their operations and portfolios.[35]

LISC Impact Matrix

LISC has long measured its impact through metrics, such as businesses financed, jobs retained and affordable units developed. LISC also wanted to compare project impact across asset types. How could LISC, for example, compare 100 units of permanent supportive housing in San Diego to a charter school serving 500 low-income students in New York?

To answer this challenge, LISC developed its Impact Matrix. Using qualitative and quantitative data collected during the underwriting process, the matrix leverages the Impact Management Project's five dimensions of impact to assign a numeric impact score to each loan in its on-balance sheet loan fund. Combining LISC's local DNA with industry standards, the LISC Impact Matrix provides a common language and data-informed toolbox to help stakeholders discuss and measure the impact of LISC's lending activities.[36]

It is important for investors to recognize the limitations to quantifying the social or environmental impact of a product or organization. Unlike in the world of financial due diligence, where there is consensus about the value of a financial return on investment, there is no way to capture the true value of an affordable home to a family. While metrics and frameworks play a helpful role in painting a picture of how an investment might drive positive change, that picture is incomplete without local context and nuance.

Closing Considerations

The mainstreaming of ESG and impact investing provides an opportunity for CDFIs to grow their presence in the capital markets. As impact-first issuers, CDFIs provide a natural antidote to accusations of impact washing while addressing systemic risks in investment portfolios posed by problems ranging from climate change to racial injustice to housing insecurity.

CDFIs are continuing to build on best practices, including greater alignment with the ICMA Sustainability Bond Guidelines and UN SDGs, while looking for new ways to align with other frameworks geared toward measuring nonfinancial returns, such as the Partnership for Carbon Accounting Framework for carbon disclosure or the Impact Management Project's five dimensions of impact.[37] While there is growing momentum within the CDFI industry toward adoption of standardized impact frameworks as part of public and private debt transactions, there remains widespread variation in how impact is defined, measured and reported. This reality requires that investors take a nuanced approach to understanding and evaluating how each CDFI's offering helps meet their investment objectives.

As CDFIs consider their capitalization strategies, they continue to need to balance their debt needs with their overall business strategy and product demand. Rated issuance in the capital markets remains an attractive option for CDFIs able to obtain an investment grade rating, but other approaches – including unrated note offerings, private placements, Treasury's Bond Guarantee Program and Federal Home Loan Bank membership – are attractive alternatives or complements to rated issuance.

As impact-first issuers, CDFIs provide a natural antidote to accusations of impact washing while addressing systemic risks in investment portfolios posed by problems ranging from climate change to racial injustice to housing insecurity.

We anticipate the emergence of additional innovations geared toward getting capital and liquidity to a larger segment of the CDFI industry. One of these innovations could be securitization, in which multiple CDFIs sell their loans through a collateralized debt obligation structure. This structure could potentially help smaller, balance sheet-constrained CDFIs access the capital markets and optimize their balance sheet capacity. Outside of potential securitized offerings, unrated note programs will continue to play an important role for CDFIs of all sizes, whether rated or unrated, in attracting the growing number of investors interested in aligning their capital with environmental and social goals.

CDFIs have successfully met the most recent challenge of serving as effective intermediaries in helping corporate and institutional investors meet racial equity commitments through various rated and unrated investment options. CDFIs developed novel ways to raise and deploy capital into communities hardest hit by the compounded effects of Covid-19 and structural racism. It is important to build upon this momentum and position the industry as the epitome of impact investing by speaking about our work through defined frameworks recognized by investors.

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Enterprise

Enterprise is a national nonprofit that exists to make a good home possible for the millions of families without one. We support community development organizations on the ground, aggregate and invest capital for impact, advance housing policy at every level of government, and build and manage communities ourselves. Since 1982, we have invested $64 billion and created 951,000 homes across all 50 states to make home and community places of pride, power and belonging. For more, visit **www.enterprisecommunity.org**.

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 $26.7 billion to build or rehab more than 463,000 affordable homes and apartments and develop 78.5 million square feet of retail, community and educational space. For more, visit **www.lisc.org**.

About the Authors

Elise Balboni is president of Enterprise Community Loan Fund, Enterprise's CDFI arm. Prior to joining ECLF in early 2021, Elise served as managing director for lending for Local Initiatives Support Corporation. 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. Earlier in her career, Elise 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 bachelor's degree from Harvard University and her MBA from the Stanford Graduate School of Business.

Kathleen Keefe is the investor relations and portfolio reporting lead at LISC, where she manages the LISC Impact Notes program and leads analysis and reporting to lenders on LISC's $550+ million loan portfolio. She has experience supporting CDFI investment products at Capital Impact Partners and in local economic development through work with the City of New Haven's Economic Development Administration. Previously, Kathleen worked in development consulting, managing large-scale U.S. Agency for International Development economic growth projects in Eastern Europe, and in domestic policy research. Kathleen holds a bachelor's degree from Wellesley College and a dual MBA and MPP from the Yale School of Management and the Yale Jackson School.

Anna Smukowski serves as ECLF's senior director of capital programs, assisting ECLF's capital and lending teams with capital raising and fund structuring. Prior to this position, she led LISC's $200 million retail note offering, coordinated LISC investor relations and positioned LISC's capital raising within ESG, impact and social bond frameworks. Anna also managed $50 million in LISC's Paycheck Protection Program deployment and has structured and managed affordable-housing and economic-development funds as well as pay-for-success work through a Social Innovation Fund grant award. Anna is passionate about values-aligned investing from the individual to the institutional level and has worked on updating and implementing mission-aligned investment policy statements at LISC and ECLF. Anna started her career as a strategy and operations consultant at Deloitte. Anna holds a bachelor of science degree from New York University Stern School of Business and an MBA from Columbia Business School.

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

Fitch ratings are publicly available through Fitch Ratings | **fitchratings.com**

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:

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- FORGE Inc./ FORGE Community Loan Fund | https://www.forgefund.org/investing/
- Genesis Community Loan Fund | https://genesisfund.org/donate-invest.html
- Homewise | https://homewise.org/individual-impact-investing/
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- Leviticus 25-23 Alternative Fund, Inc.| https://leviticusfund.org/invest/
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- Washington Area Community Investment Fund | https://wacif.org/invest

APPENDIX A

Overview of Sustainability Bond Guidelines & UN Sustainable Development Goals

Sustainability Bonds

The International Capital Market Association ("ICMA") 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 2021 Sustainability Bond Guidelines are aligned with a series of bond principles, which evaluate specific offerings related to:

1. use of proceeds,
2. process for project evaluation and selection,
3. management of proceeds, and
4. reporting.

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.

In its June 2021 update, ICMA added a new category to its Sustainability Bond Guidelines called Sustainability-Linked Bonds ("SLBs"). SLBs look beyond the traditional use of proceeds model and instead allow investors to analyze a bond's performance based on the issuer's predefined sustainability/ESG objectives. The proceeds of SLBs are intended to be used for general purposes, thus promoting the overarching social and environmental responsibility of the bond's corporate stakeholders.

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) circular economy adapted products, production technologies and processes; and 10) green buildings.

Social Projects aim to address specific social issues and target, though 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) people with disabilities; 4) migrants or displaced; 5) undereducated; 6) underserved; 7) unemployed; 8) women and/or sexual and gender minorities; 9) aging populations or vulnerable youth; and 10) other vulnerable groups, including as a result of natural disasters.

UN Sustainable Development Goals

The Sustainable Development Goals ("SDGs"), established in 2015 and adopted by all UN Member States, encourage collaboration among 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.

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 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. ICMA last updated the mapping in 2022 to include guidance regarding the use of Social and Sustainability bonds in addressing Covid-19, as well as to address SDG-linked externalities and gender-lens investing.

APPENDIX B

Offering Document Disclosure & Continuing Disclosure Requirements

TABLE 1 **LOAN PORTFOLIO DETAIL**

	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
Century1	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
Century2	Y	5 audited plus interim	n/a	5 audited plus interim	5 audited plus interim	1 audited plus interim	5 audited plus interim

TABLE 2 **PORTFOLIO PERFORMANCE MEASURES**

	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
Century1	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
Century2	N	N	N	5 audited plus interim	N	N

TABLE 3 **OPERATING MEASURES**

	Statement of Activities	Extended Horizon Statement of Activities	Consolidated Statement of Activities	Unrestricted Statement of Activities	Source of Revenues	Lending Self-Sufficiency Ratio	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
Century1	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
Century2	5 audited plus interim	N	N	N	N	N	N

TABLE 4 **BALANCE SHEET & LEVERAGE RATIOS**

	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
Century1	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
Century2	5 audited plus interim	N	N	N	5 audited plus interim

TABLE 5 **CASH, CASH EQUIVALENTS & INVESTMENTS, LIQUIDITY, ETC.**

	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
Century1	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
Century2	5 audited plus interim	interim	N	2 audited

TABLE 6 **DESCRIPTIONS OF DEBT**

	By Funding Type	By Lender	By Draws & Repayments	By Size	Secured Debt	Senior Debt	Subordinate Debt
LISC	1 audited plus current	N	3 audited plus current	N	N	N	N
RF1	N	N	N	6 audited	1 audited	N	N
RF2	N	N	N	5 audited	1 audited	N	N
ECLF	2 audited	N	5 audited	N	N	N	N
Century1	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
Century2	N	1 audited	N	5 audited plus interim	1 audited plus interim	N	N

TABLE 7 **HISTORIC FINANCIAL STATEMENT DISCLOSURE PERIOD**

	LISC	RF1	RF2	ECLF	Century1	LIIF	RDF	BlueHub	CPC	Century2
Audited Financial Statements	3 years	3 years	1 year	5 years	2 years	5 years	3 years	5 years	5 years	2 years
Interim Financial Statements	12 months unaudited	none	none	6 months	none	9 months	none	9 months	3 months	none

TABLE 8 **CONTINUING FINANCIAL STATEMENT DISCLOSURE REQUIREMENTS**

	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
Century1	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
Century2	Furnish consolidated to EMMA or dissemination agent within 180 days after FYE	Furnish quarterly unconsolidated to dissemination agent within 45 days after FQE

TABLE 9 **CONTINUING APPENDIX A DISCLOSURE REQUIREMENTS**

	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 examples 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
Century1	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
Century1	Post closed loans by product, outstanding loans by county and permanent loans outstanding, sample project summaries with related project impact metrics and loan portfolio detail by individual loan to dissemination agent or EMMA within 180 days after FYE	Not Required	Not Required

Not including "Reportable Events"

APPENDIX C

Bond Guarantee Program

Established by the Small Business Jobs Act of 2010, the U.S. Treasury's Bond Guarantee Program ("BGP") 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, at interest rates reflecting the federal guarantee.

As of September 30, 2022, the CDFI Fund had approved $2.17 billion in bond issuance through four Qualified Issuers on behalf of 28 Eligible CDFIs. Nine CDFIs have participated in multiple bond issuances, bringing the total number of CDFI borrowings through the program to 41. Community Reinvestment Fund has issued the most in terms of dollar amount, $1.04 billion, through eight bond issues on behalf of eight CDFIs. Opportunity Finance Network ("OFN") has supported the greatest number of CDFIs, 17, through five bond issues, and Bank of America has supported three CDFIs through three issuances. In 2022, InBank, a new Qualified Issuer, was approved to issue a $125 million bond on behalf of Capital Plus Financial, to provide single-family mortgage financing and property rehabilitation to low-income Hispanic communities in the state of Texas.

APPENDIX TABLE 10 **BGP AWARDS BY QUALIFIED ISSUER**

Qualified Issuer	$ Amount (Millions)	Number of Issues	Number of CDFIs	Number of CDFI Borrowings
Community Reinvestment Fund	$1,040	8	8	13
Opportunity Finance Network	$702	5	17	23
Bank of America CDFI Funding Corporation	$300	3	3	4
InBank	$125	1	1	1
Total*	**$2,167**	**17**	**29**	**41**

* Clearinghouse CDFI issued both through Opportunity Finance Network and Community Reinvestment Fund.

BGP borrowings are recourse to the CDFI and secured by a first lien on project loan collateral. Issues are in minimum amounts of $100 million, but multiple CDFIs can participate in a single issuance. BGP can be a good option for CDFIs that may not have the scale or capacity to access the capital markets on a cost-effective basis. Two of OFN's issuances had seven or more participating CDFIs with individual CDFI borrowing amounts ranging between $10 million and $30 million. In May 2022, Congressman Emanuel Cleaver's office proposed an amendment to the program through H.R. 7773 – the CDFI Bond Guarantee Improvement Act – allowing issues in minimum amounts of $25 million, which may further increase participation of smaller CDFIs. As of December 2021, $1.34 billion had been drawn for projects in the asset classes in the accompanying table.

APPENDIX TABLE 11 **DRAWS BY ASSET CLASS**

Asset Class	Amount $ (Millions)	Percent
Rental Housing	$369.3	28%
Charter Schools	$364.9	27%
Commercial Real Estate	$263.7	20%
CDFI to Financing Entity	$115.2	9%
Healthcare Facilities	$74.2	6%
Nonprofit Organizations	$65.2	5%
Small Business	$51.2	4%
Senior Living/Long-term Care	$20.3	2%
Childcare centers	$13.0	1%
TOTAL	**$1,337.0**	**100%**

Awards for the ten rounds to date are detailed in the accompanying table. One of the Eligible CDFIs exited the program after award, reducing the total by $20 million.

APPENDIX TABLE 12 **BOND GUARANTEE PROGRAM AWARDS ($ IN MILLIONS)**

Year	Qualified Issuer	Eligible CDFI	Award
2013	Opportunity Finance Network	Clearinghouse CDFI	$100
	Community Reinvestment Fund	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

(continued)

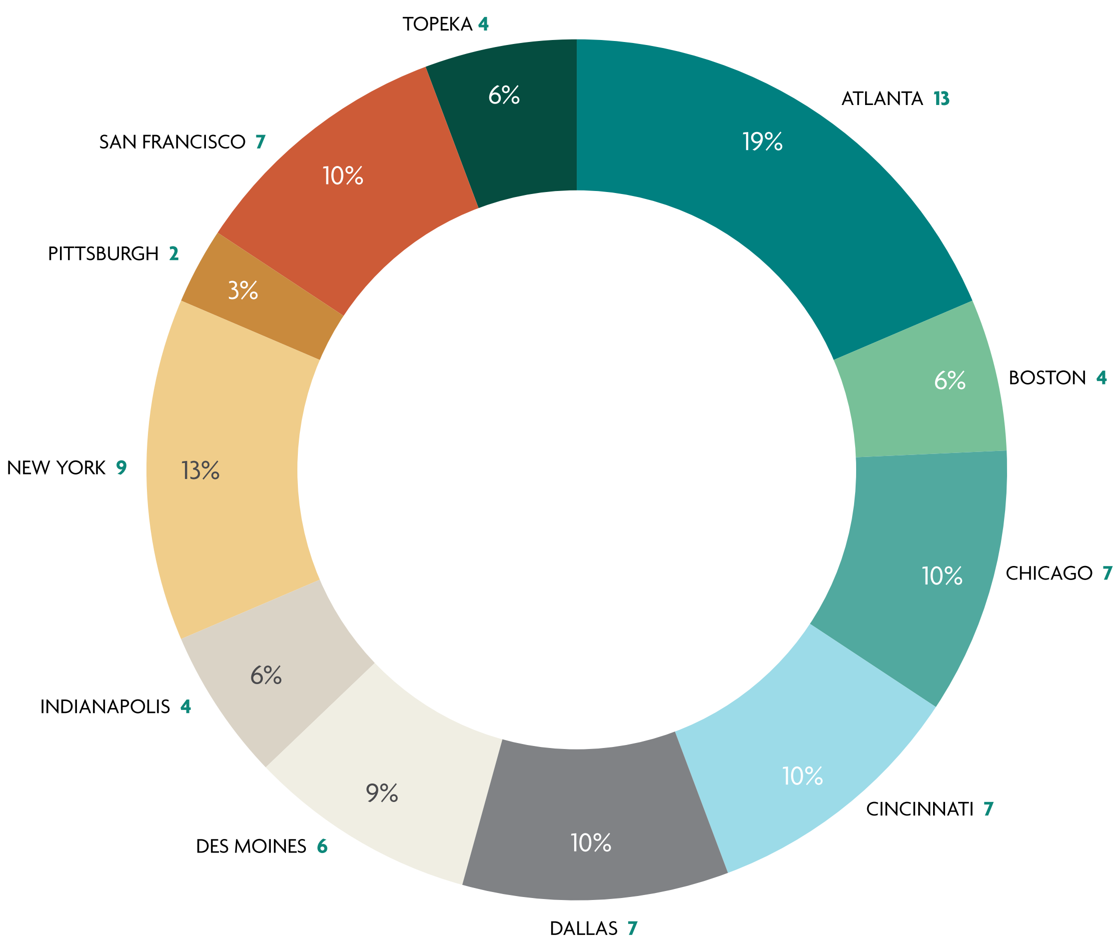
Year	Qualified Issuer	Eligible CDFI	Award
		Kentucky Highlands Investment Corporation	$10
	Sub-Total		$327
2016	Community Reinvestment Fund	Capital Impact Partners	$40
		Low Income Investment Fund	$50
		Reinvestment Fund	$75
	Bank of America	Self-Help Ventures Fund	$100
	Sub-Total		$265
2017	Community 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
	Sub-Total		$150
2019	Opportunity Finance Network	Community Loan Fund of New Jersey	$25
		Federation of Appalachian Housing Enterprises	$20
		Greater Minnesota Housing Fund	$55
	Sub-Total		$100
2020	Community Reinvestment Fund	Clearinghouse CDFI	$100
	Sub-Total		$100
2021	Bank of America CDFI Funding Corporation	Self-Help Ventures Fund	$100
	Sub-Total		$100
2022	Opportunity Finance Network	Community Ventures Corporation	$10
		Charter School Development Corporation	$70
		Greater Minnesota Housing Fund	$50
	Community Reinvestment Fund	Low Income Investment Fund	$100
	InBank	Capital Plus Financial	$125
	Sub-Total		$355
		TOTAL	$2,167

APPENDIX D

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 authorized CDFIs certified by the CDFI Fund to become Federal Home Loan Bank ("FHLB") members. 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 FHLB chapters. For membership, CDFIs apply to a regional chapter based on the location of their headquarters. As of year-end 2022, there were 70 CDFI members of the FHLB, up from 60 at the end of September, 2019. The graph below depicts CDFI membership by regional chapter.

APPENDIX GRAPH 1 **CDFI MEMBERSHIP BY REGION**



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 some level of over-collateralization to incorporate the risk of market depreciation and/or liquidation expense.[38] 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.

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.

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