

Proposed CLIMBER FUND Products

CLIMBER Product Type	Lender Type	Program Structure and Rules	Meets CLIMBER Loan Terms
Direct Lending Capital	Non-Depository CDFIs & Non-profit Lender	<ul style="list-style-type: none"> • CLIMBER Provides lending capital in the form of low interest loan @2% to originator • Can fund up to 100% of originated loans • Lender has to pay at least 8x% of capital back to CLIMBER • Lender can charge fees of .5 to 1% 	Yes
CLIMBER Credit Enhancement	Bank/Credit Union CDFI & Non-profit Lender	<ul style="list-style-type: none"> • CLIMBER Provides 15 to 25% pooled Loan Loss Reserve Contribution or dedicated collateral, no borrower fee • Accessible after Lender undertakes collection activity • CLIMBER Fund deposits are interest free but must be paid back to state at the end of the CLIMBER Program 	Yes
Loan Participation	Bank/Credit Union CDFI & Non-profit Lender	<ul style="list-style-type: none"> • CLIMBER Fund will purchase 80% of Loans Originated by Lender • CLIMBER Fund can charge fees of .25 to 1% • Lender can charge interest rate of 4.25 to 6.5% to borrower on its retained share of loan • Purchased part of loan must be Pari passu with retained loan regarding collateral • . The originator retained portion of CLIMBER Loans which are participated can also be registered against CLIMBER credit Reserve. 	Yes

Proposed CLIMBER FUND Loan Terms

Term Name	Summary	Details
Loan Amount	\$30,000 to \$500,000	
Length of Term	Revolving/1 to 5 years	Up to lender to decide
Payment Frequency	Monthly	
Payment Deferment	Up to 1 year on principal and interest	Need approval from CHFA to go beyond 6 month deferral of principal
Amortization	Full level to 20% balloon	Need approval from CHFA for not fully amortize
Borrower APR	3.25 to 6.12%	Fixed but varies with length of term and product
Prepayment Penalty	None	
Origination Fee to Lender	.25 to 1% (deducted from loan disbursement)	Varies with product type and term of loan
Ability to Refinance Existing Debt	Yes (minimum 66 34 ratio of new to refinanced debt) 50 50 with approval	CLIMBER Loans Must Be Pari Passu with original collateral and or guarantee and (Need approval from CHFA for 50 50)
Collateral	To be proposed by lender	Need approval from CHFA if no collateral
Personal guarantee	To be proposed by lender	Need approval from CHFA if no guarantee

Rules for Refinancing Existing Debt

Lenders Refinance their Own Debt Using CLIMBER Loans

- Without CHFA's approval lenders must provide at least \$2 dollars of new loans for every \$1 refinanced
- With CHFA's approval lenders can provide \$1 dollar of new loans for every \$1 refinanced
- New Debt Must Be Pari Passu with original collateral and or guarantee
- The Refinanced Loan can have multiple facilities: for example an existing line of credit can be refinanced into a term loan and a new line of credit established

Lenders Refinance Another Lenders Debt

- As long as the CLIMBER Loan is at least 3% lower APR than the existing loan, the lender can provide \$1 of new credit for every \$1 refinanced otherwise they must provide at least \$2 new for every dollar which is refinanced
- CLIMBER Loan Term Must be at least as long as the remaining term on the Refinanced Debt

Proposed CLIMBER FUND Interest Rates and Fees for CLIMBER Compliant Loans

Reference point: *Wall Street Journal Prime Rate* was 3.25% as of 8/21/20

	Loan Term			
Fixed Borrower Interest Rates by Product	1-2 year or Revolve	3 year	4 year	5 year
Direct Lending Capital	3.45%	3.60%	3.75%	3.90%
CLIMBER Credit Enhancement	2.45%	2.60%	2.75%	2.90%
Blended Borrower Rate on 80% Participated Loan	2.45%	2.60%	2.75%	2.90%

	Loan Term			
Borrower Origination Fees Paid to Lender	1-2/r year	3 year	4 year	5 year
Direct Lending Capital	.5%	.75%	1%	1%
CLIMBER Credit Enhancement	0%	0%	0%	0%
Loan Participation	0%	0%	0%	0%

	Loan Term			
APR by Borrower	1-2/r year	3 year	4 year	5 year
Direct Lending Capital (DLC)	3.94%	4.10%	4.26%	4.31%
CLIMBER Credit Enhancement (CLCE)	2.45%	2.60%	2.75%	2.90%
Loan Participation (LP)	2.45%	2.60%	2.75%	2.90%

Direct Lending Capital

- Who Can Use this Option: Non-Depository CDFIs and Non-Profit Lenders
- How It Works:
 - CLIMBER Provides lending capital in the form of low interest loan @1.8% to originator
 - Can fund up to 100% of originated loans
 - Lender has to pay 8X% of capital back to CLIMBER plus interest on that principal
 - Lender can charge origination fees (deducted from loan disbursement) per schedule on other slides
- What it Address for Lenders:
 - Lack of capital/liquidity to make new loans by directly funding the loans
 - Credit risk by allowing non-profit lenders to not be obligated to pay back full loan to fund
 - Loan Margin by allowing larger fees and higher APRs

CLIMBER Credit Enhancement

- Who Can Use this Option: CDFA, Non-Profit Lenders, Banks, Credit Unions
- How It Works:
 - CLIMBER Provides 15 to 20% Contribution, (per table in next slide)
 - Contribution can be used either as pooled loan loss reserve or dedicated cash collateral at lender's choice
 - Lender can mix and match and choose different option for each CLIMBER Loan
 - CLIMBER Contribution available to lender after lender undertakes collection activity
 - CLIMBER Contribution is interest free but unused amount must be paid back to state at program end
 - Only CLIMBER Loans can be registered for CLIMBER Credit Enhancement (CLCE) but CLIMBER Loans can also leverage the existing Colorado Credit Reserve (CCR) pools as a secondary reserve
 - The originator retained portion of CLIMBER Loans which are participated can also be registered against CLCE per table below **[[discuss ...is this...too generous]]**
- What it Address for Lenders:
 - Credit risk by providing pooled loan loss reserve
 - Provides extra risk capital to absorb loan losses so should make regulators more comfortable

Anti-abuse Provisions

- Lender must certify that it would not have made this loan at the terms being offered without the credit enhancement and explain why using its underwriting and interest rate policy.
- CHFA must review and approve lender explanation

CLIMBER Credit Enhancement Contribution Table

Loan Size	\$30,000 to \$74,999	\$75,000 to \$249,999	\$250,000 to \$500,000
CLIMBER Contribution for Pooled Loan Loss Reserve	15%	15%	12% (\$60k cap)
CLIMBER Contribution for Dedicated Cash Collateral	Not Available	Up to 20% depending on shortfall Size	
CLIMBER Contribution for retained portion of participated Loan (either Pooled LLR or Dedicated CC***)	10%	10%	10%

*** Dedicated Cash Collateral or Pooled Loan Loss Reserve contribution only available for 20% prorated portion of collateral shortfall per participated amount of loan

Loan Participation

- Who Can Use this Option: CDFA, Non-Profit Lenders, Banks, Credit Unions
- How It Works:
 - CLIMBER Fund will purchase 80% of Loans Originated by Lender
 - CLIMBER Fund can charge fees of Y%
 - Lender can charge interest rate of Y to borrower on its retained share of loan
 - Purchased part of loan must be pari passu with retained loan regarding collateral.
 - The originator retained portion of CLIMBER Loans which are participated can also be registered against CLIMBER Credit Enhancement.
- What it Address for Lenders:
 - Lack of capital/liquidity by purchasing a big portion of lender originated loans
 - Credit risk by allowing lenders to sell off some portion of loan and using CLCR to created pooled loan loss reserve for un-participated portion
 - Loan Margin by allowing origination fees and the lender to charge higher interest in the unsold portion of the loan