

Board Action: Allocation of State Funds for First Tranche CLIMBER

Background:

The CLIMBER Fundraising Committee has successfully raised the private capital necessary for the statutorily required match between State and private contributions (1:4). The State’s statutory maximum for first-loss capital in any single tranche is \$10 million. The Board allocated \$3M for the first tranche of the Credit Enhancement portion of CLIMBER on January 21, 2021.

Therefore, the Board may allocate up to \$7 million for first-loss capital for the Direct Lending and Participation products within the first tranche of CLIMBER.

Tranche One Summary

Below is a summary of the small business loan capital for tranche one of the CLIMBER program. The Board has also been presented with the overall budget for the program in a separate document.

CLIMBER Tranche One: Total Small Business Lending Capital=~\$43,125,000

- Loan Participation Tool and Direct Lending Capital for CDFIs Tool: These two CLIMBER tools use capital provided by a combination of the State and outside CLIMBER fund contributors. For loan participations, the fund purchases 80% of CLIMBER loans. For Direct Lending Capital, the fund provides lending capital to CDFI’s to originate CLIMBER loans. The State always has 20% in a first loss position.

Contributor	Amount	
State of Colorado	\$5,625,000	20% of total, first loss
Key Bank	\$5,000,000	
Northern Trust	\$5,000,000	
UMB	\$5,000,000	
Wells Fargo	\$5,000,000	
FNBO	\$2,500,000	
Total	\$28,125,000	

- Credit Enhancement Tool: provides 15-20% credit enhancement in the form of a loss reserve or cash collateral for CLIMBER loans enrolled by lenders across the state. Therefore, the State’s contribution leverages at least 1:4 total CLIMBER loan capital. Loans are enrolled into the program by lenders, then they receive a

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deposit equal to 15% (if loan loss reserve) or 20% (if cash collateral). This tool does not use outside investments from fund contributors.

Contributor	Amount	
<i>State of Colorado</i>	\$3,000,000	Provides 15%-20% credit enhancement for CLIMBER loans
<i>Various originating lenders across the state</i>	~\$12,000,000	
Total	~15,000,000	

Board Action

The Board hereby allocates \$5,625,000 to CHFA, as Loan Program Manager, to be used as first loss capital for the Participation and Direct Lending Capital CLIMBER tools, to be used in accordance with policies previously adopted by the Board.

The Board further allocates \$450,000 to CHFA, as Loan Program Manager, to be used for origination fees paid to non-depository, nonprofit lenders as a part of the Direct Lending Capital CLIMBER tool in accordance with policies previously adopted by the Board.