



**Community First Fund™**

capital powering prosperity

## Loan Review Process

### *Staff Review*

When applications are submitted to the Fund, the Real Estate lender reviews, analyzes and underwrites the applications. Preliminary title reports, environmental reports, appraisals or indicators of value and other third party reports may be ordered. Follow-up information and documentation is frequently requested from the applicant. After underwriting, Fund Staff submits a loan request to Community First Fund's Loan Committee. The loan request describes the applicants and their projects, analyzes various risks and recommends loan terms and conditions.

## Underwriting Guidelines

The fiscal soundness and integrity of the Fund are dependent upon the successful repayment of all the loans made by Community First Fund. The areas of focus when underwriting a real estate loan application are:

1. Will the project be completed successfully?
2. Will the loan be repaid on schedule?
3. Is there adequate loan collateral in the event something goes wrong?

### **I. Project Evaluation**

#### *Community Impact*

Additional consideration is given to projects that are:

- Providing affordable housing opportunities
- Investments in urban or rural locations in Community First Fund's service area
- Projects undertaken by non-profits
- Innovative and creative

#### *Environmental Assessment*

Real Estate Lender determines if there are any environmental hazards located on the property projected as collateral for the loan; if so, the project's budget would need to include adequate funding for remediation.

#### *Development Approval*

Real Estate Lender reviews the land development approvals that are necessary to complete the project to identify and evaluate the risks that the project may not be approved or that the approvals will be delayed significantly. The applicant should provide a clear timeline or schedule that clearly lists the public reviews and approvals that are needed to complete the project, the project's current status, and the dates that reviews and approvals have been and will be received.

### *Project Budgets and Financing*

Real Estate Lender reviews and analyzes the projects pro-forma budgets to determine and evaluate the project's development costs, operating income and expenses, and sale proceeds. The project's key financing commitments are also reviewed and confirmed. Our loans may be conditioned upon receipt of construction or permanent financing.

## 2. Repayment of Loan

### *Borrower's Capacity and Financial Strength*

The borrower's demonstrated ability to complete projects of similar type and scale is an important factor in determining the likelihood of success of the project under consideration by Community First Fund. If borrowers do not have direct experience, the experience of their advisors or other team members will be considered.

Real Estate Lender reviews the borrower's financial statements and/or tax filings for at least the past two years plus the current year to evaluate whether there is sufficient income, equity, and cash flow to undertake, carry out, and successfully complete the proposed project.

### *Sources of Repayment*

During the term of the loan, Community First Fund is concerned that the project or the borrower has sufficient income and cash flow to at least make interest payments on the loan.

For development projects, Community First Fund will consider financing an interest reserve so that these payments can be made.

When the loan will be taken out by investors or permanent financing, Community First Fund will generally want commitments from the source of these funds.

## 3. Loan Collateral

The Fund is concerned that the properties that serve as collateral for the loan have sufficient value to support the loan. The collateral for the loan is not required to be the project that Community First Fund is financing. Up to 100% of the value of the collateral for the loan will be used if there are sufficient indications that the project will be completed successfully and the loan repaid on schedule. Community First Fund will also subordinate its liens to other financing under these circumstances.

### *Other*

The Fund reserves the right to review and consider other matters as part of the review.