Lending Policy

2016

EQUAL HOUSING LENDER

BRIDGE INVESTMENT
Community Development Corporation

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Bridge Investment Community Development Corporation, an Illinois nonprofit corporation (the "CDC") seeks to lend and invest to help economically vibrant communities become better places in which to do business and live. The CDC has a national service area, but primarily targets low and moderate income communities and underserved areas in Illinois and Iowa. This policy document outlines the overall lending policies and guidelines of the CDC.

I. NONDISCRIMINATION AND EQUAL OPPORTUNITY

In accordance with federal law and the U.S. Department of Treasury policy, Bridge Investment CDC is prohibited from discriminating against any person on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to contract), or disability, the fact that all or part of the applicant's income is derived from a public assistance program, or the fact that the applicant has, in good faith, exercised any right under the Consumer Credit Protection Act. Further, Bridge Investment CDC will not discriminate in any aspect of lending transactions based on race, color, religion, national origin, sex, familial status, or handicap. The CDC will not deny credit, limit the amount of credit, or increase the finance charge on the basis of these factors, and different application procedures or evaluation criteria based on these factors will not be used.

Bridge Investment CDC will consider applications that align with its mission to create and retain jobs in low and moderate-income and underserved areas. The CDC shall not make any oral or written statement, in advertisement or otherwise, to applicants or prospective applicants that would discourage, on a prohibited basis, a reasonable person from making or pursuing an application.

All advertisements and marketing materials relating to loans shall comply with this Equal Opportunity in Lending Policy and the Fair Lending Policy Statement. The Bridge Investment CDC's advertisements should be chosen to reflect fairly the ages, sexes, races, national origins, religions, and cultures of the people in its community. The Executive Director shall review all advertising and marketing materials before publication.

II. FAIR LENDING COMPLAINT PROCESS

The CDC takes any complaint about its fair lending practices seriously. Should a fair lending complaint be received, CDC management shall take the following steps:

- All complaints will be referred to the Executive Director of Bridge Investment CDC;
- The CDC will send a letter to the customer and appropriate regulatory agency, if applicable, acknowledging the complaint and noting that a formal response will be forthcoming;
- The Executive Director or designee will thoroughly review and investigate complaints;
- The Executive Director will maintain complete documentation concerning the complaint and the results of the CDC's investigation;
- When the investigation is complete, the CDC will send a letter to the customer and, if applicable, the appropriate regulatory agency, revealing the results of its investigation; and;
- If the situation indicates a significant error on the part of the CDC, monetary shortage to the customer, or any other error affecting the customer, a CDC employee will call the customer, explain the situation, offer apologies, and request a meeting to discuss any corrective action and/or compensation for harm caused;
- The CDC will handle each complaint fairly and consistently and within the time frames prescribed by law or within thirty (30) days of the day the CDC received the complaint from the customer, whichever is earlier.

III. PROGRAM PREFERENCES

In all lending activities, CDC policy is to make credit products available to all applicants on a consistent and fair basis as long as they meet the CDC's standard guidelines of providing safe and sounding lending to applicants with projects or businesses that advance CDC initiatives and further its mission to help create economically vibrant communities. In addition to the merits of credit in any given application, the CDC reserves the right to prioritize or reserve funding for projects which advance the following objectives, consistent with its mission:

1. Create or Retain Jobs
2. Serve Low and Moderate Income Communities.
3. Serve Underserved Areas

IV. GENERAL PRINCIPLES OF CREDIT

The CDC's lending activities will be approached in the same manner as its other activities emphasizing the basics and adhering to fundamental lending principles. This will require continuous training, reinforcement, and day-to-day discipline. Five basic elements are used to evaluate the extension of credit, commonly known as "The 5 C's": *Character; Capacity; Capital; Conditions; and Collateral.*

Character refers to the CDC's evaluation of the reputation and general standing of the borrower. All things being equal, good, honest, and highly regarded people are most likely to repay a loan. Character can be identified through three sources:

- Past credit history with other financial institutions (including personal credit bureau reports);
- Past credit history with the CDC or personal knowledge of the borrower or applicant by CDC Management; and
- References from others.

If the integrity, honesty, or reputation of a borrower is questionable, the CDC will refrain from doing business with that borrower.

Capacity refers to the borrower's demonstrated ability to repay the loan. For most loans, the borrower's income stream or cash flow will be viewed as the primary source of repayment. Although the CDC often takes collateral to secure its position, collateral will be viewed only as a secondary source of repayment. The purpose of each loan will be identified and carefully evaluated. Each loan will have a clearly discernible primary as well as secondary source of repayment neither of which is dependent upon optimistic expectations of future events.

Capital refers to the net worth of the borrower, or simply the difference between assets and liabilities. Capital can be looked upon as the amount of cushion available to the lender if the borrower experiences financial difficulty. In evaluating a borrower's capital, the key concept is leverage. Generally, the greater the amount of debt in relation to the borrower's capital, the riskier the loan because the lower the available cushion. While various leverage ratios are used to measure the ability to withstand adversity, the debt/equity ratio is often deemed most appropriate.

Conditions refer to the state of the economy. For example:

- Can the borrower weather a recession within the national economy?
- Is employment stable?
- Does the borrower have adequate reserves?

Collateral generally will not be looked upon as the primary source of repayment for a loan but rather as a secondary source. Often some deficiencies may be found in the CDC's evaluation of the borrower's capacity, capital, or conditions surrounding the loan. Securing the loan with valid, tangible, marketable, and well-margined collateral is recommended to mitigate risk.

Anticipated repayment or support of a weak credit by an interested financially responsible person or organization is an acceptable practice when such person signs the note or provides an unconditional guaranty, and/or, in some cases, pledges collateral to secure the note or guaranty. Generally, loans to privately held businesses will be guaranteed by the owners. Unsecured credit will be reserved for the most creditworthy customers.

V. APPLICIATON REVIEW & APPROVAL PROCESS

Although ultimate authority for all lending activity is vested in the Board, the Board, by ratification of this Policy, delegates the administration of these responsibilities to the Loan Committee of the CDC. The underwriting criteria will include consideration of cash flow, liquidity, debt/equity, credit history, collateral type, along with other factors. In considering any loan, the Loan Committee shall evaluate factors including:

- Name and address of the borrower
- Terms and conditions
- Date of loan application
- Amount of loan
- Source and schedule of repayment
- Interest rate
- Fees
- Detailed use of the proceeds
- Collateral
- Inclusion of appropriate covenants
- Personal/corporate guarantees
- Financial statements
- Debt repayment analysis;
- Aggregation of all debt;
- Approval signatures
- Job Creation & Retention

Applicants are required to submit personal and business financial statements as stated in the application. CDC staff will ensure that all application components are complete and will prepare a Loan Summary. CDC staff will then forward the complete package to the Loan Committee. The Loan Committee shall review each complete application package, shall meet with the applicant if deemed necessary, and make a recommendation to the Board of Directors as to the amount, terms and conditions of the loan. All loan applicants will be notified of action taken on a loan within forty-five (45) days after receipt of a completed loan application.

VI. TERMS OF CREDIT / PERFECTING SECURITY INTEREST

Before extending credit, the borrower's business history, reputation, experience, and management depth and strength will be examined and deemed satisfactory. Full recourse will be customary with limited personal liability considered an exception. The borrower will demonstrate that s/he has adequate financial resources to repay the loan to the CDC along with other expenses/obligations.

The borrower should have: Adequate cash flow and liquidity to protect against reasonable contingencies measured through sufficient cash flow coverage ratios; Adequate debt-to-equity and other leverage ratios; and sufficient working capital and turnover ratios. The guarantor(s) will demonstrate they have a financial interest in the lending transaction and add financial strength to the same.

The Loan Committee will propose repayment terms to the Board of Directors for approval. Security interests will be perfected through the signing of a note and signing/filing of an appropriate security agreement or pledge instrument.

VII. COLLECTIONS / LOAN LOSS

Loans carry recourse provisions, which allow the CDC to pursue collections against the borrower personally if amounts owed cannot be collected through foreclosure or other action taken vis-à-vis the collateral. CDC loan and program policies require that the agency pursue collection of all debt until and unless a lien is extinguished or the amounts owed are otherwise determined to be uncollectable.

Staff may solicit and negotiate agreements with one or more debt collection entities that will pursue debt on the CDC's behalf, and will return to the Board for approval the agreement(s) prior to execution. The contracted entities will retain a specified percentage of the recovered debt in payment for their service. Such agreements would enable the CDC to maximize the amount of debt that can be collected, without requiring an up-front outlay of resources for the services, and would comply with all existing CDC loan and program policies.

VIII. OTHER REQUIREMENTS

Flood Insurance: Federal Law requires the CDC to determine whether the property securing the loan is located in a special flood hazard area. If so, regulation dictates that flood insurance be purchased. If the insurance is required it must be in place at closing.

Appraisal: The Loan Committee reserves the right to waive the requirement for an appraisal of non-real estate property, based on other valuations or financial information obtained from the borrower(s).

Property and Liability Insurance: The CDC will require the appropriate key man, property and liability insurance for each transaction.