

Creating Access to Capital & Credit To Low-Income Communities Across Colorado

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Regulated by the Colorado Division of Real Estate

FUNDING PARTNERS

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FP

FUNDING PARTNERS

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FUNDING PARTNERS, INC

Non-profit 501(c)3,
Community Development
Financial Institution.

FUNDING PARTNERS LENDING, LLC.

Economic & Community
Development Financial
Services.

HOUSING DEVELOPMENT SOLUTIONS

Stand-alone non-profit
housing development and
management agency.

ENERGYSMART PARTNERS, LLC.

Energy efficiency and
renewable energy financial
services.



Who is Funding Partners?

Incorporated in 1996 as a 501c3 non-profit and subsequently certified as a Community Development Financial Institution (CDFI) in 1999 by the Department of the Treasury, Funding Partners (FP) is governed by a volunteer Board of Trustees representing human service providers, housing agencies, public officials, private enterprise and financial institutions.

As a CDFI, FP is charged with creating access to capital and credit within underserved markets and among target populations throughout Colorado. Attracting long term investments from units of government, corporations,

foundations, associations and banking institutions, FP pursues its mission through lending activity which places below-market capital into projects and entities that expand availability of residential units deemed affordable for very low to moderate-income households.

FP residential financing assists homebuyers with down payment and closing cost assistance in conjunction with their first mortgage financing. FP commercial financing, offered through the Mammel Affordable Housing Loan Fund (MAHLF), provides predevelopment, acquisition and gap financing to individuals and organizations that create,

rehabilitate or otherwise preserve both rental and for-sale housing for families below the median income level.

FP also provides third-party loan servicing for other entities seeking to reach the market with greater efficiency at minimal expense. FP provides a highly effective conduit to connect households with traditional financial service providers.

Within limitations imposed by sources of capital, FP loan products are tailored to meet the needs of individual projects and those entities that serve our target markets.

Performance Snapshot

Utilizing balance sheet capital of **\$10.8 million**, FP has delivered significant benefit to low-income communities through efficient use of resources. (12/31/2013)

- Financed **101** project loans, creating or preserving **359** owner-occupied and **3,249** rental units.
- Financed **1,821** consumer loans, including purchase assistance, rehabilitation and efficiency upgrades.

- Cumulative loan default rate across product lines equal to **2.4%**.
- Leveraged over **\$575** million in companion financing and owner equity.
- **52%** of total units financed are reserved for households making less than **50%** Area Median Income (roughly \$14/hour combined household income)
- **13%** of total down payment loans issued to **single-parent households**.

- **604** residential loans originated and serviced on behalf of **30** private employers and other entities.
- Loan capital derived from **30** distinct entities; **44%** from financial institutions; **44%** from governmental units; remainder from private-sector entities.
- Lending activity within **34** Colorado counties encompassing **5,429** housing units.

- Partners**
- Arapahoe County
 - Eagle County Housing Development Corporation
 - Wheat Ridge 2020
 - Garfield County Housing Authority
 - Alpine Bank
 - Yampa Valley Housing Authority
 - Boulder Valley Credit Union
 - Colorado River Water Conservation District
 - Summit Combined Housing Authority
 - Colorado River Water & Sanitation District
 - Pitkin County
 - Town of Eagle
 - Town of Vail
 - Roaring Fork Transportation Authority
 - Mile High Community Loan Fund
 - Mercy Loan Fund
 - Habitat for Humanity affiliates serving Greeley, Loveland, Fort Collins, Longmont & Berthoud
 - USDA Rural Development HUD
 - State of Colorado Division of Housing
 - EnergySmart Colorado
 - Garfield Clean Energy
 - Delta County Housing Authority

Mission Statement

To coordinate, enhance and leverage resources to increase the affordable housing stock attainable to very low to moderate-income families and individuals, our target market. To pursue partnerships and alliances, which optimize affordable housing resources.

- By identifying and developing new funding sources and mechanisms to support affordable housing efforts.
- By leveraging and channeling financial resources to affordable housing providers and consumers.
- By encouraging the creation and retention of affordable housing through education, advocacy and the provision of technical assistance.

Expand access to capital and credit among underserved markets to promote long-term economic benefits to our target market.

FP History

Originally envisioned as a revolving loan pool to promote availability of safe, adequate housing, affordable to working households in the Fort Collins—Loveland market, FP received start-up funding and initial loan capital from both cities to leverage private investment from banks and other private-sector entities.

In 1997, development ‘gap’ financing activity was initiated with \$800,000 in loan capital, resulting in \$156,313 in production to preserve 68 housing units.

By 1999, the demand for a similar tool along the Front Range prompted geographic expansion to 11 Colorado counties. As well, FP was successful in achieving recognition from the Treasury Department as a

CDFI, with a subsequent investment of \$650,000 from the CDFI Fund to expand technical capacity and match local participation.

In 1999, the H2O program was introduced as a more flexible option for first-time buyers in need of assistance to acquire their home.

H2O was initially administered through housing agencies as a supplemental resource to federal programs. Since then, the program was brought in-house to enhance uniformity and strengthen portfolio management.

By 2001, the total capital base reached \$5 million though cumulative originations amounted to \$6.5 million by the end of that year.

In 2003, FP expanded its geographic market to include the entire state in recognition of the markets served by bank investors and lack of adequate resources in rural areas. To better utilize sophisticated systems and procedures, FP began offering third-party loan services with the introduction of the Employee Home Ownership Program (EHOP)® and contractual relationships with local housing agencies.

Through 2013, FP loan capital stands at \$10.8 million with \$43.2 million in direct loans and \$12.1 million in third-party activity. FP financing has been used to leverage other funding sources in order to complete aggregated projects in excess of \$575 million, a ratio of 10-1.



Leadership

A volunteer Board of Trustees establishes overall direction and monitors staff performance under a Policy Governance model. A Loan Committee, comprised of industry professionals, recommends policies and procedures to the full Board for adoption, monitors all loan activity and issues credit determinations for most development funding requests. Staff generally retains authority for modest loan requests while the Board considers requests outside standard policy.

Staff includes the Director, charged with management of the business, supported by specialists in strategic areas.

Joe Rowan Executive Director

Joined in April 2001 as Sr. Loan Officer, tapped as Loan Programs Manager in 2003; Director in December 2004. Joe holds a BS degree in Business Administration (Finance & Real Estate) from Colorado State University. 20 years’ experience includes credit, collections, file audit, underwriting, portfolio management and business development. Joe leads extensive consulting services offered by the organization and serves as advisor to several outside organizations, including Federal Home Loan Bank of Topeka, Bank of Oklahoma CDE, and Colorado Housing & Finance Authority.

Susie Murphree Operations Manager

Joined in November 2004 with experience in office management and accounting. Susie oversees operations, compliance and financial reporting. Susie is completing a BS in Accounting from Regis University.

Joseph Zahn Loan Programs Manager

Joe joined Funding Partners in the summer of 2013, as Loan Programs Manager. Joe brings a diverse background in real estate, construction and development and real estate finance. Joe graduated from Montana State University with a BS in Business Administration.

2014 Board of Trustees

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- Bohemian Foundation
- Community Foundation of Northern CO
- Colorado Assn. of Realtors
- Rural Community Capital
- Colorado Housing & Finance Authority
- Fraser Valley Foundation
- USDA Rural Development
- Gates Family Foundation

Principles for Success

Funding Partners is dedicated to serving the needs of households earning less than the median income, often described as our primary workforce where the prevailing wage is \$18 per hour, or less. As a state, Colorado attracts new residents from around the country and throughout the world because of the mild climate, dramatic scenery and vibrant lifestyle. Unfortunately, this dynamic forces the cost of real estate to escalate faster than prevailing wages, ultimately reducing the buying power of the typical family: smaller housing units with fewer amenities. This also causes migration to outlying areas that are farther from work, school, public facilities and service providers, further aggravating an already strained transportation and public infrastructure systems.

This declining sense of community can't be eliminated, but is effectively addressed through FP and complimentary programs.

Learn more and get connected!

Funding Partners Core Values

Funding Partners is committed to expanding access to capital within underserved markets and among target populations, regardless of direct benefit to the organization. FP believes that fulfillment of this ideal can only be achieved where such markets are served by private-sector enterprise in a competitive environment that promotes value and choice. FP alone cannot achieve this objective, nor is our mission best served through the defense of market share.

Rather, FP is obligated to identify products and services, implement delivery systems and demonstrate market potential that can be replicated by private enterprise. As markets attract sufficient competition, FP will shift its focus towards untapped potential in other areas of the market. Repeating the cycle of capital and credit accessibility is a key to the success of our clients.

FP believes it must remain financially viable to achieve its objectives and recognizes that revenue generation is critical to demonstrating the value of its services. FP is a business enterprise that must be accountable to its constituency, where community impact holds priority over profit maximization.

In exchange for favorable treatment under the tax code, FP is able to develop products and services for end-users who are unable to absorb the full cost of the value delivered. Minimizing operating expenses allows the organization to serve those with the greatest need without jeopardizing our financial viability .

Ethical business practice is mandatory to all aspects of organizational behavior and will be demanded of all affiliations. Regard for the economic interests of target

populations takes precedence over the financial interests of FP, its investors, marketing partners and affiliates. Expediency and notoriety are false indicators of success. Organizational success can only be achieved through an undisputed commitment to serving the needs of others first.

Immediate impacts are fleeting without first providing a framework for understanding the rights and responsibilities incumbent upon all participants. Any tool is dangerous when applied incorrectly, regardless of intent. Therefore, knowledge and commitment to improve the conditions within which our activity occurs is critical to enduring benefit.

FP is a catalyst of change. Attracting strong partnerships is one method for sustaining positive direction while promoting accountability within the industry.

As a financial institution, FP lending activity is supported through the attraction of capital from public agencies, private enterprise, social and philanthropic investors and retained earnings.

Traditionally, CDFIs attract long-term investments from banks and thrifts to achieve regulatory compliance with the federal Community Reinvestment Act (CRA). Through a vehicle known as Equity Equivalent Investment (EQ2), banks are able to place capital in a form that resembles a preferred stock placement (i.e. indefinite maturity, no ‘voting’ rights, subordinate claim to secured lenders, defined coupon return rate).

In return, bank investors are able to demonstrate CRA-qualified investment activity without assuming direct credit risk on FP loans. In addition to the interest return, bank investors are also invited to supplement their own lending objectives through companion financing using FP products that ultimately provide

greater leverage for the borrower while retaining prudent loan risk characteristics. Investments can be restricted to market areas served by the institution.

Units of government invest both federally-designated entitlements and discretionary appropriations into FP loan funds to achieve greater community impacts in a form that is more efficient and responsive to changing market conditions. Public investments can be in the form of grants or loans and restricted to the jurisdictional boundary.

Private enterprise is a growing source of capital for FP in recognition of workforce dynamics that make it increasingly difficult to attract and retain highly-qualified employees. As well, corporate citizens recognize the benefits of vibrant economic conditions within the markets they serve. A single investment in FP offers recurring impact, rather than recurring investment for a single impact.

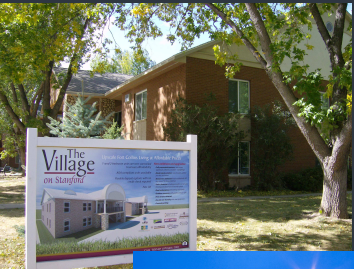
Foundations, Trusts and Trade Associations also represent a significant source of capital to FP, as investments are made in fulfillment of their own mission to achieve community impacts.

The mission-driven nature of FP provides a vehicle for both targeted benefit and cost-effectiveness that promotes social and philanthropic objectives. Investments in FP can be made in the form of a program related investment (PRI), distribution of asset, or structured as a component of the overall investment strategy of the benefactor.

All investments in FP can be highly focused to the desired purpose, as well as geographic and demographic criteria defined by the investor. Periodic reporting to affirm the financial strength of FP, portfolio integrity and community impacts metrics are key elements to our compliance monitoring and reporting regimen and further specified within all investment agreements.



S.A.R.A. Sexual Assault Response Advocates Fort Morgan, CO



Village on Stanford Ft. Collins Housing Authority Fort Collins, CO



Northern Hotel Funding Partners & National Development Council Fort Collins, CO

Marketing Strategy

To maximize impact and with limited resources, FP leverages partnerships with lenders, housing agencies and other real estate professionals to minimize duplication of effort; streamline communications with end-users; affect greater integration of product and service offerings; and promote greater collaboration in serving our target markets. FP also recognizes immense value in deploying technologies that promote simplicity for the end beneficiary, investors, partners and the organization.

Ultimately, FP seeks to make all products and services seamless with complimentary programs offered by other organizations, which promotes greater focus on improving conditions of low and moderate income households. This emphasis is best illustrated by the following example:

Rather than inefficient marketing campaigns to the general populous, awareness is developed through targeted outreach to organizations that serve our target market. Most loan products are

distributed through other financial service providers engaged in the transaction, utilizing the documentation collected to secure companion financing or public investment.

Applicants are screened against eligibility criteria based, in part, upon risk analysis performed by third parties. Uniformity is further enhanced through standardized documentation and debt instrument language, which also promotes the ability to attract loan capital.



Funding Partners Programs & Services

RESIDENTIAL FINANCING

FP DOWN PAYMENT ASSISTANCE

FP has worked extensively with FirstBank in the launch of the FP Down Payment Assistance program, offered to low to moderate income clients participating with FirstBank for their primary mortgage. Down payment assistance available to first time homebuyers with income at or below 80% of family Area Median Income. Assistance up to 5% of the contract purchase price or \$10,000, whichever is less, is available to qualified applicants.

RURAL DEVELOPMENT GUARANTEED HOME LOAN PROGRAM

Funding Partners offers the 502 Guaranteed loan program to applicants statewide, targeting areas of Colorado traditionally underserved by regulated financial institutions, who have household income over the limit for the Direct Program. RD Guaranteed program is income restricted for households earning 115% or less of the area median income for the county and provides financing up to 102% of the appraised value. With radical variations in economic, cultural and social conditions across the state, FP seeks to design and adapt financial products to alleviate market failures within localities underserved by regulated institutions.



EnergySmart Partners, LLC

Energy Efficiency & Renewable Energy Loan Program

Funding Partners offers residential rehabilitation and efficiency improvement financing in cooperation with local contractors and municipalities within defined markets. Rehabilitation financing up to a maximum of \$25,000, including all project management and loan settlement costs, is available to qualified applicants. A comprehensive home energy assessment is available to applicants to pinpoint problem areas and accurately develop a scope of work for efficiency improvements.

EnergySmart Partners assists residents and contractors in making home energy improvements simple and affordable!

COMMERCIAL FINANCING

MAMMEL AFFORDABLE HOUSING LOAN FUND (MAHLF)

Acquisition, Pre-development, Construction & Gap Financing for Qualified Residential & Mixed-Use Projects. The MAHLF program is designed to be highly adaptive to requirements of the individual project, where loan structure, term and pricing are established according to an assessment of multiple risk factors. Generally, loans will have a term of 36 months or less; carry a competitive interest rate; assume a subordinate collateral position; and interest only payments to allow for optimum cash flow.

USDA RURAL DEVELOPMENT INTERMEDIARY RELENDING PROGRAM

In partnership with USDA Rural Development, Funding Partners offers a loan product specifically for community facility and residential projects in rural counties of Colorado. Financing can be used for acquisition, rehabilitation, construction or organizational working capital.

RESOURCESMART FOR NONPROFITS, GATES FOUNDATION

ResourceSmart for Nonprofits, is an energy efficiency improvement program that provides energy efficiency upgrades to nonprofit organizations across Colorado; including social service organizations, charter schools, community facilities, etc.

CONTRACT LOAN SERVICES

EMPLOYEE HOME OWNERSHIP PROGRAM (EHOP)®

Employers establish qualification criteria, and refer eligible employees to the program as long as funds remain available. Employees must be qualified by participating primary mortgage lenders, whereby EHOP is utilized for 3% up to 20% of the purchase price in assistance, depending on the employer guidelines. The EHOP program helps bridge the ever-growing gap between income and home purchase price, especially in markets where cost of living and housing expenses have far surpassed wages for the local workforce.

PRIVATE LABEL LOAN SERVICES

Funding Partners offers loan program design, implementation, management and servicing for individual organizations and their target markets. FP is able to work with public entities, non-profit agencies, and private organizations to provide financial services to a defined market. Due to the cost and complexity of establishing and maintaining an effective program, such entities can rely on FP administration to enhance the overall process. Additionally, clients benefit from faster implementation, greater market exposure and industry acceptance by leveraging FP systems and relationships already in place.

LOAN PROGRAM CONSULTING

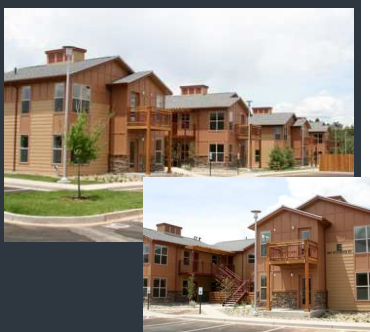
As an established financial institution intimately familiar with regulation and best practices associated with public capital sources, Funding Partners works with local governments, non-profit and quasi-public agencies to refine or develop comprehensive policies and procedures for implementing community lending programs. FP is able to bring expertise to specific issues or top-to-bottom assessment of existing conditions based upon first-hand knowledge of the industry.



Villas at the Bluffs
Delta Housing Authority
Delta, CO



Woodmen Vistas
Rocky Mountain
Community Land Trust
Colorado Springs, CO



Brubaker Place
Housing Authority of the
County of Montezuma
Cortez, CO



For more information about
Funding Partners and
available programs visit:

www.fundingpartners.org

Brochures, loan documents,
and marketing materials are
available to download at
your convenience.

If you are interested in
becoming an investor,
partner, or borrower all
pertinent information is on
the FP website, or call:
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