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Case Studies

Launching the MicroBuild Fund

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Building a "world where everyone has a decent place to live."
Vision of Habitat for Humanity International

On the morning of June 22, 2012, Patrick Kelley, the director of housing finance and market development for Habitat for Humanity International (Habitat), sat in his office at the Habitat headquarters in Atlanta, Georgia, eagerly awaiting confirmation of the execution of a loan agreement with the US Overseas Private Investment Corporation (OPIC) that would provide $45 million of debt funding to MicroBuild Fund (MicroBuild), an innovative new impact investment fund sponsored by Habitat. Patrick and his team had been working to make MicroBuild a reality for years, and once this crucial piece of the capital structure fell into place, MicroBuild would finally be ready to launch.

MicroBuild had been conceived as a closed-end impact investment fund with a 10-year term that would provide debt financing to microfinance institutions (MFIs)—financial intermediaries providing microcredit to end borrowers, for housing-related purposes. Although there were other funds investing in microfinance more generally, MicroBuild would be the first to focus specifically on housing microfinance (HMF). Habitat had envisioned MicroBuild as a way to facilitate access to housing capital for the many low-income households around the world that were excluded from the formal housing finance markets but were creditworthy enough for microfinance. To achieve this, MicroBuild had three primary objectives: First, MicroBuild would provide a source of longer-term investment capital to MFIs to expand their HMF portfolios. Second, MicroBuild would demonstrate to the microfinance sector—MFIs and their networks, donors, and the investor community—that HMF could be a viable and scalable product. Finally, MicroBuild would provide leading technical assistance (TA) in the design and refinement of housing products and share best practices, generating a knowledge return for the sector.

MicroBuild's legal structure is composed of MicroBuild I, LLC, a for-profit Delaware limited liability company formed on July 15, 2011, and its wholly-owned Dutch subsidiary, MicroBuild I, B.V. As fund sponsor, Habitat would hold the majority equity stake in MicroBuild and had committed to funding and managing the complementary TA services. In addition, a few Habitat lead donors had pledged to provide the financial support for the standby letters of credit serving as a credit enhancement for the debt investment that OPIC was now making in MicroBuild. The rest of MicroBuild's equity investment would be provided by Omidyar Network Fund (ON), as anchor investor, and Triple Jump (TJ) as MicroBuild's fund manager.

As he reflected on the MicroBuild structuring process that had unfolded over the past few years, Patrick thought about some of the major milestones along the way. It had taken some socialization for the Habitat board of directors at that time to embrace this new income-generating venture, which had earlier, smaller precursors, but was now on a scale much larger than anything Habitat had previously done. Even after Patrick had gotten the board approval to go ahead with an HMF-focused investment fund, it was no simple feat to design a financial structure that worked for the various needs and interests of Habitat, a US 501(c)(3) public charity; its high net worth individual donors; ON, a US private foundation with an impact investment focus; OPIC, the US government's development finance institution (DFI); and TJ, a Dutch for-profit impact-focused investment manager with significant previous experience in managing funds that invest in the microfinance sector.

The Global Affordable Housing Challenge

The basic human need for safe and affordable housing has become increasingly challenging and urgent. McKinsey estimates that, based on trends in urbanization and income growth, by 2025, at least 1.6 billion people worldwide will be living in substandard housing or will be so financially stretched by housing costs that they forgo other basic needs like food, healthcare, and schooling for children.[1] Recognizing the scale and complexity involved in ensuring access to safe and affordable housing given these global conditions, the United Nations included "making cities and human settlements inclusive, safe, resilient and sustainable" as Goal 11 of the 17 Sustainable Development Goals, which set out universal objectives to meet by 2030 that address the urgent environmental, political, and economic challenges facing the world today.[2]

Traditional methods such as government subsidies, income support, or resettlement of slum dwellers have not been able to solve the global affordable housing gap.[3] In addition, most people around the world cannot use existing formal housing financial products like the traditional mortgage to acquire new developer-built housing; on average, only 3% of the population in developing economies has an outstanding mortgage.[4] This is partly due to the fact that although households often have some kind of permanent access to land based on an informal arrangement with a local authority or private land owner, they lack the formal evidence of land tenure security (e.g., land title) that traditional housing products often require.[5] In addition, low-income clients often derive their income from informal sources that is difficult to track and prove in ways acceptable to traditional financial institutions. Accordingly, these clients are viewed as higher credit risks and thus are charged high interest rates that make these traditional products too expensive.[6]

Finally, formal housing financial products do not reflect the way in which poor people around the world tend to acquire their housing. Rather than purchasing an entirely new house at one time, up to 90% of residential construction in the developing world is done through incremental self-building (e.g., upgrading a dirt floor to concrete, installing roof sheets, or adding a room), as needs change and as resources allow.[7] Resources may include monetary and non-monetary inputs, such as cash savings, saved building materials, and labor and building knowledge provided by household members or sourced from their social network (e.g., informal builders, building materials suppliers or local NGO technicians). This "incremental" or "progressive" housing approach is a household-driven (and not government- or developer-driven) approach that gives people more control over how they meet their current housing priorities within their financial means.[8]

Housing Microfinance

Housing microfinance is the provision of microcredit and other related financial services, such as savings, remittances, and micro-insurance, to help low-income households improve or build their own homes over time, one loan at a time.[9] By providing a series of small loans, the HMF product is designed to better fit this incremental building approach. In addition, by allowing for alternative forms of assessing credit risk and collateral, lack of formal land title is no longer a bar to accessing affordable housing finance. The chart[10] below shows key features of HMF.

Although MFIs are the key distribution channel for microcredit products, only about 2% of overall microfinance products are targeted HMF products.[11] A 2009 Bankable Frontiers study commissioned by Habitat reported that MFIs viewed HMF as a niche product that was primarily used to retain existing customers, and that the lack of dedicated HMF products may be explained in part by the fact that microfinance clients were already diverting microenterprise loans for housing.[12] Estimates of this "leakage" from microenterprise to housing range from 10% to 40% of total microfinance loan disbursements.[13] Pairing that with MIX Market reports of the global microfinance industry results in a conservative estimate that there was at least $580 million in inadvertent HMF funding in 2008, evidence that significant demand exists for housing-specific microfinance products.[14]

Key Features of Housing Microfinance

Size	Varies, but generally 2 to 4 times larger than average working capital loans
Term	Usually up to 36 months for home improvements, and 3 to 5 years for land purchase or construction
Interest	Same as standard working capital loans or slightly lower
Delivery Method	Almost always provided to individuals, rather than to groups
Collateral	Mostly unsecured; co-signers often used; real guarantees may be used; formal ownership of dwelling or land may be required; savings sometimes used as a guarantee (may be compulsory)
Target Clientele	Low-income salaried workers; micro-entrepreneurs primarily in urban areas; poor people
Other Services	Sometimes accompanied by land acquisition, land registration, and construction (including self-help building techniques)

HMF Challenges and Opportunities

However, a number of barriers have made it difficult for HMF to grow beyond a niche MFI product. Two of the most significant challenges identified in the 2009 Bankable Frontiers study were (i) the lack of MFI financing that is appropriately structured for HMF and (ii) capacity constraints that prevent MFIs from offering new products. At the same time, these challenges have revealed areas where "disciplined, intentional investment" into the microfinance sector can help formalize and scale HMF.[15]

MFI Financing[16]

Because wholesale financing to MFIs was designed for microenterprise retail loans that tend to be shorter term than HMF loans, MFIs offering HMF loans have faced liquidity risk associated with potential asset/liability mismatches—i.e., the risk that MFIs will need to repay their funders before receiving payments on the HMF loans funded by the maturing wholesale loans. At the time that MicroBuild was initially conceived, social investors such as foundations and DFIs were a significant source of capital for the global microfinance sector (over $10 billion according to a 2009 CGAP report), of which two-thirds was managed by microfinance investment vehicles. However, these intermediary vehicles were not providing longer-term capital to MFIs due to unfamiliarity with measuring, monitoring, and managing credit risk over the longer periods required by HMF, which revealed a market opportunity for investors willing to structure wholesale financing with terms appropriate to HMF.

MFI Capacity[17]

In addition, the 2009 Bankable Frontiers study found that MFIs that had worked only with group lending methodologies lacked the institutional capacity to structure, offer, and administer individual loan products like HMF. In terms of human resources, loan officers who had never done individual lending did not know how to perform the character and cash flow analysis necessary to assess a borrower's credit risk, or how to integrate multiple loans for clients who may continue to need microenterprise loans in addition to HMF loans. Furthermore, MFIs that had done only group lending lacked the robust core banking systems needed to track, monitor, and report on an individual lending portfolio, and to incorporate the other financial services that their clients may be using. Additionally, some MFIs may have simply felt uncomfortable expanding into areas like housing that are outside of their core expertise. These capacity-related challenges indicated there could be an opportunity for institutional TA services that focus on helping MFIs design HMF products that fit their local markets, and on preparing MFIs to manage and market these new products. To address MFIs' lack of housing expertise, TA could also come in the form of construction advice provided directly to the borrower, which both improves the effectiveness of the HMF loan and increases the likelihood of repayment.

Habitat for Humanity International

Habitat was formed in 1976 by Millard and Linda Fuller and formally incorporated as a Georgia non-profit corporation in 1977. Its mission statement is: "Seeking to put God's love into action, Habitat for Humanity brings people together to build homes, communities and hope."[18] Although Habitat is a Christian organization, it has a non-proselytizing policy pursuant to which it does not require people to convert or adhere to a particular faith as condition of receiving assistance, nor does it work with those who do.

Based on the concept of "partnership housing" that the Fullers had developed, Habitat's traditional construction model allows those in need of adequate shelter to work alongside volunteers to build decent, affordable homes. Generally, Habitat affiliates would provide new Habitat homeowners with an interest-free mortgage to cover the cost of building their house, and these house payments are combined with donations and interest-free loans from supporters to create a "Fund for Humanity" that is used to fund the construction of more homes. Habitat operates as a global network of Area Offices, which are branch offices covering certain geographic regions, and National Organizations (NOs), which are independently run, local nonprofits that have affiliate agreements with Habitat to develop housing programs licensed under Habitat's name and logo. At the time of MicroBuild's inception in 2012, Habitat was working in all 50 US states and approximately 80 countries around the world.[19]

Creative Solutions to International Challenges

Although Habitat's model of building houses in partnership with low-income people was working well in the US, it was not necessarily a good fit internationally. In many places where Habitat was operating overseas, the product offering—a whole house—did not match what people could afford or reflect their practice of improving housing incrementally. Consequently, NOs in those areas were struggling to collect on mortgage payments, which was exacerbated by the fact that many of these NOs lacked the expertise to effectively run mortgage lending operations. In addition, the local law in some jurisdictions prohibited nongovernmental organizations from operating without legal registration and government approval, which could take many years to obtain. This meant that the NOs that wanted to start operating immediately in those places could not follow the traditional Habitat approach of establishing an affiliate office to build houses and provide mortgages.

Habitat found this to be the case in Egypt, so starting in 1989 and continuing throughout the 1990s, Habitat Egypt developed a solution that became the seed from which MicroBuild eventually grew: Habitat Egypt established a partnership with CEOSS, an Egyptian Coptic Christian development organization that not only had the requisite government permission to operate but also had a strong network of local community-based organizations. In this partnership, Habitat relied on CEOSS to identify and mobilize partner agencies that could build the houses from its network of community-based organizations, as well as to track and deploy the funds it received from Habitat to finance mortgage loans for housing construction.[20] Other NOs that faced local legal restrictions on their operations started adopting this local partnership approach, lending a portion of their operating budget to a local partner organization that then provided small home improvement loans to the end borrowers.

Frustratingly, some NOs that wanted to pursue this local partnership approach found that they were also prohibited under local law from providing loans due to their legal registration as community-based organizations, which were only permitted to engage in grant-making and other charitable activities deemed to be "purely charitable" under local law. However, in some jurisdictions, this prohibition applied only to organizations registered in that jurisdiction, but not to foreign charities, so Habitat, as a US-registered nonprofit, could lend directly to the local partner organization. As the parent organization, Habitat collected donations earmarked for each country and distributed them to the relevant NOs. For NOs operating in restrictive jurisdictions, instead of disbursing the full amount of the NO's budget, Habitat would hold back the portion of funds designated for the local partnership and lend it directly to the local partner organization on the NO's behalf.

A Call for Scale: MicroBuild's Origins

In the mid-2000s, Habitat's board of directors challenged the management of Habitat to expand the organization's reach from 80,000 families to 1 million families. However, Habitat was finding scaling difficult using its traditional model, where one dollar fundraised translated into one dollar's worth of services or construction. Historically, Habitat had grown organically by creating more NOs in new countries, but this strategy was also reaching a saturation point. There were only so many countries left to enter, and as a charitable nonprofit organization with mostly donated resources, managing such a sprawling network of NOs while still being a good steward of its donated funds was becoming increasingly difficult. The local partnership approach developed by the NOs offered an interesting and alternative way of scaling that focused on the impact that funding housing finance—and not just housing construction—could have, as collaborating with other organizations outside of the Habitat network could bring additional resources and expertise to bear.

Patrick returned to Habitat in 2006 to lead this nascent microfinance initiative, having previously worked on financial inclusion efforts in Africa at another global humanitarian organization and also on international finance at Habitat. He was drawn to this strategy that went beyond growing Habitat's existing operations and focused on growing the HMF sector as a whole to make more impact. As a single organization, Habitat could only do so much. But by persuading other players in the microfinance sector to participate in HMF, Patrick believed that Habitat could be an effective platform to create change in the various sectors of the housing market that would then make affordable housing more accessible around the world at the scale that was needed.

Over the next few years, Patrick began exploring the possibility of formalizing this approach in the form of a centralized investment fund sponsored by Habitat that would fund MFIs to make HMF loans. Thanks to a grant from the Rockefeller Foundation, Habitat was able to commission a feasibility study, published in early 2009, that generated informative lessons on key ways that investment could be directed to help grow the HMF sector. Specifically, the study found that the "key barriers that MFIs see in providing housing loans are around lack of longer term capital and a gap in specific technical assistance."[21] Also in 2009, Habitat received grants from the United States Agency for International Development and the Inter-American Development Bank to provide TA services to MFIs in India and Latin America, respectively, which not only allowed Habitat to hone its TA expertise but also demonstrated that there were sources of grant funds available to support TA programs aimed at HMF projects. Meanwhile, Patrick had met Bruce Cameron, OPIC's then-deputy director of housing programs, at a financial inclusion working group, and they had been informally brainstorming about how to potentially structure an investment fund that would allow Habitat and OPIC to collaborate. They contemplated a capital structure for a $100 million fund that would comprise 90% debt and 10% equity, with OPIC providing the debt capital for the fund. Because this would be more highly leveraged than the typical capital structure (80% debt and 20% equity) for these types of funds, OPIC needed a credit enhancement from Habitat to offset the increased credit risk. Drawing on the example of other funders of microfinance, such as the Grameen Foundation, this credit enhancement would take the form of standby letters of credit that OPIC could draw on if the fund was unable to make loan payments. In April 2010, Habitat engaged outside consultants to assist with designing the proposed fund in more detail, developing a business plan and creating a financial model for the fund's investment operations.

> **Blended Finance** *is an approach to investing in sustainable development that mobilizes a blend of commercial and impact-oriented capital to achieve social and financial objectives. DFIs play a critical role as the "catalytic" capital that crowds in private sector capital by reducing the overall risk that may otherwise inhibit the private sector's interest in investing in a development project.*

Getting the Habitat Board Onboard

At this point, the investment fund concept, dubbed "MicroBuild," was sufficiently developed to begin socializing it with the Habitat board and a broader group of Habitat staff. Although some Habitat board members were enthusiastic, other directors had concerns about how embarking on this income-generating venture would affect Habitat's mission, and how it would be perceived by the Habitat network and its donors. The main point of resistance was that the fund would be charging interest on its loans to MFIs, which in turn would charge interest on HMF loans made to their end borrowers. This charging of interest on loan products offered to the poor felt taboo, given Habitat's charitable mission, its Christian roots, and its long-standing practice in the US of providing either interest-free or zero interest equivalent mortgages. In the US, the vast majority of Habitat affiliates did not charge interest on its mortgages, and it had avoided the issue so far in its international programs that had to charge some kind of spread to make lending in those markets financially sustainable by using an inflationary adjustment rather than interest.

In addition, Habitat was a 501(c)(3) nonprofit organization, and the proposed fund would require Habitat to assume the role of fund sponsor. This meant that Habitat would be responsible not only for managing its other debt and equity investors' money prudently, but also for repaying these investors with an additional return, while operating in emerging markets facing potential currency risks, political risks, and other risks that made for challenging investment climates. Accordingly, Habitat's relationship with the MFIs that would become investees of the proposed fund would also have to change, as Habitat would not have as much financial flexibility to work with borrowing MFIs struggling financially or operationally as it otherwise might in its more traditional philanthropic activities, or when using only its own money.

There was also the issue of whether engaging in an income-generating venture would jeopardize Habitat's tax exempt status or have other tax implications, such as unrelated business income tax. As a US 501(c)(3) tax exempt organization, Habitat had to ensure that its activities furthered its mission as articulated in its application for tax exempt status, that any private benefit to another organization or individual was insubstantial, and that it did not spend too much of its resources on activities that were unrelated to its charitable purpose. Violating these requirements could result in Habitat losing its tax exempt status, which would severely negatively impact its cash flow and ability to attract donations in the future. During the fiscal year ended June 30, 2010, Habitat received almost $300 million in revenues, of which almost $200 million was in contributions.[22] Operating a $100 million fund would thus be a substantial component of Habitat's overall operations, so understanding its impact on Habitat's tax exempt status was crucial.

Finally, board members raised concerns about how MicroBuild would affect Habitat's NO relationships. Historically, Habitat had always run programs through its NOs, and this would be the first time that Habitat for Humanity International, the central organization, would be operating directly in territories alongside the NOs. Moreover, Habitat would be raising and distributing funds to MFIs outside of the Habitat network, rather than to the NOs themselves. There was a risk that this approach might alienate NOs that felt like they were being cut out of the process.

On the other hand, there were persuasive arguments for pursuing this investment fund approach. Although adopting a more financial return-oriented strategy to the extent and on the global scale contemplated by MicroBuild was new for Habitat, the idea of leveraging capital to provide housing to the poor was entirely consistent with Habitat's mission and values. Habitat had been founded on the idea that the poor did not need a handout; they needed a hand up—instead of giving charity, give capital. In this case, rather than providing capital in the form of a new house, Habitat would be providing capital to finance housing construction or improvements. In addition, MicroBuild was Habitat's first real opportunity to actually do something to support its HMF sector change strategy, which had originally attracted Patrick to Habitat. Up until now, market-based sector change was something that had been discussed and included in Habitat's strategic plan, but no concrete actions had yet been taken. As Patrick saw it, MicroBuild was a chance for Habitat to "put our money where our mouth is" and "support this big, bold initiative that was entirely focused on sector change" as a way to demonstrate to the rest of the microfinance sector that HMF was a worthwhile product, and to create a market in HMF that would allow more people to access affordable housing.

Most persuasive of all was the argument that MicroBuild had the potential to help Habitat to achieve greater scale. Sector change seemed somewhat theoretical and abstract to some board members, but everyone understood and agreed on the need for scale when it came to addressing the global need for affordable housing. It also seemed that Habitat needed to try something new to reach this scale, as progress toward the goal of reaching 1 million families using Habitat's existing tools had been frustratingly slow. If MicroBuild could successfully demonstrate the viability of HMF to the microfinance sector, MFIs might allocate more of their portfolios to housing loans and more investors might fund MFIs to make HMF loans. In this way, Habitat could leverage its own philanthropic capital to crowd in additional capital to funding HMF as a way to extend Habitat's mission without having to raise each dollar itself.

MicroBuild also had influential champions on the board and in senior management working to convince other directors and Habitat staff members, respectively. Mike Carscaddon, Habitat's then-executive vice president for international field operations, and Aaron Lewis, deputy general counsel for Habitat's international operations, together with Patrick, led a collaborative effort between their teams within Habitat to socialize and develop the MicroBuild concept, allowing for staff on their teams to buy into and feel a sense of ownership over this new strategy. On the board, Alex Silva was a key supporter whose opinion on MicroBuild was valued by the other directors because of his extensive experience on the investor side of microfinance. The fact that Alex had spent much of his career building, managing, and guiding microfinance-focused investment funds lent credibility to the idea that MicroBuild could be successful. Because he was a board member and not Habitat staff, Alex could communicate to other directors as a peer, and he played a crucial role in educating fellow board members on how financial inclusion could help Habitat expand its impact: providing access to affordable capital would give people more options for improving their housing beyond their existing alternatives of doing nothing until they had enough sufficient savings or taking out a loan from local moneylenders charging usurious rates.

A pivotal board trip to Macedonia illustrated these points, allowing directors to visit Habitat's MFI partners, contextualize interest rates within the business environment in which these MFIs operated, and see the positive impact of HMF on families firsthand. Two other board members committed early on to put money behind their words of support—Jim Stanard committed to making a $1.1 million donation[23] that Habitat could use toward its equity contribution to MicroBuild, and Ron Terwilliger pledged assets to back a standby letter of credit to be used as a credit enhancement for borrowings by MicroBuild.

Finally, the MicroBuild supporters addressed concerns about the potential for mission drift and associated risk regarding Habitat's tax exempt status by proposing built-in structural safeguards: first, although Habitat planned on attracting other equity investors, Habitat would retain a controlling ownership stake so it could ensure that MicroBuild was operating in a way that was consistent with Habitat's mission and values. Second, Alex Silva would serve on MicroBuild's Board of Directors and on MicroBuild's Investment Committee. Delegating this governance role to Alex so that he could monitor MicroBuild and make sure it was going in the right direction helped Habitat's board members feel more comfortable approving the project.

Habitat board approval for the concept of launching an HMF investment fund was finally secured in June 2010, which allowed Patrick and Bruce to resume in earnest discussions regarding OPIC funding for MicroBuild. See Exhibit A for a timeline setting out the key events in the MicroBuild structuring process.

Engaging Triple Jump

In November 2010, Habitat issued a request for proposals to find a professional fund manager to manage MicroBuild rather than build that capacity internally. Because MicroBuild would be so highly leveraged, bringing in an experienced external investment manager would help mitigate operational risk. Also, as a 501(c)(3) nonprofit that had never sponsored or managed an impact investment fund before, Habitat knew that the involvement of a professional investment manager would give MicroBuild credibility with the investor community beyond being seen as just another "NGO project." In fact, ON made its participation in MicroBuild contingent upon the engagement of an external fund manager. Given how little investors knew about the viability of HMF at that time and the importance of social investors' role in funding microfinance initiatives, it was critical for Habitat to find a fund manager that could serve as a bridge to this investor community.

After considering three different candidates, in February 2011, Habitat engaged Triple Jump, a Dutch for-profit impact-focused investment manager. TJ stood out from the other candidates because of its social mission, global footprint, and established investment pipeline in the microfinance sector. Having spun out of Oxfam Novib, Oxfam's Dutch affiliate, in 2006, TJ's social impact orientation was part of its approach to investing from its inception. This mission alignment was an important selection criterion for Habitat to help ensure that MicroBuild would be managed in a way that was consistent with Habitat's mission and values. In addition, because TJ already managed a number of microfinance investment funds, it had investments in many MFIs around the world, as well as field workers on the ground who had already built relationships with these MFIs. This gave Habitat confidence that TJ had a strong global investment pipeline from which it could source investments for MicroBuild. See Exhibit B for more information about TJ.

Key Parties

As a charitable organization with decades of experience in the housing sector, Habitat had a strong reputation as a "world leader in addressing the issues of poor housing conditions" and deep expertise in housing and construction. However, it needed to find partners that could provide additional capital to finance MicroBuild and the commercial expertise to manage an investment fund. The diagram below highlights some of the key organizations that Habitat partnered with to create MicroBuild.[24]

Habitat for Humanity International
Fund Sponsor
US 501(c)(3) nonprofit organization

Interested in growing HMF as a scalable way to make affordable housing accessible around the world

"Omidyar Network uses the transformative power of people, markets, and technology to drive empowerment and accelerate solutions equal to today's challenges"

MICROBUILD FUND

Global HMF impact investment fund

OPIC
Debt Investor
US DFI

Saw HMF as an innovative and promising complement to OPIC's existing formal housing finance and microfinance initiatives, and particularly interested in knowledge return and technical assistance aspects

"[OPIC's] mission is to mobilize private capital to help address critical development challenges and in doing so, advance U.S. foreign policy and national security priorities."

Omidyar Network
Equity Investor
US private foundation

Wanted to test hypothesis that increasing access to capital for housing-related purposes, like making home improvements and purchasing property rights documentation, could indirectly improve land tenure security

Triple Jump
Fund Manager
Dutch for-profit investment manager

Brought professional investment expertise and credibility with investor community, mission alignment and social impact orientation, and established investment pipeline and global footprint with existing investments in, and field staff with relationships with, MFIs worldwide that potentially could be MicroBuild investee

"Triple Jump's vision is to invest in entrepreneurship that will unlock the potential to overcome global challenges such as poverty, inequality and climate change. Our mission is to go where investing capital empowers people and improves lives."

Omidyar Network, Land Tenure, and MicroBuild

Land tenure security represents the right of an individual or group to occupy or use a piece of land without fear of eviction, such as through formal legal title.[25] Although ON agreed with the financial inclusion aspect of MicroBuild that aimed to fill the gap in the housing finance market, it was the potential for impact on property rights that made MicroBuild a compelling investment for ON. ON believed that investing in MicroBuild would help further its Property Rights initiative by indirectly improving land tenure security and by facilitating the collection of information about property rights of MicroBuild's end borrowers.

ON's theory of change was that a blended finance approach like MicroBuild that made more capital available for housing improvements would also lead to better land tenure security as governments would be less likely to evict end borrowers who could show investment and improvements to their homes and structures. In addition, the information sources that MicroBuild's MFI investees use to assess the credit risk of end borrowers (e.g., evaluation of the current condition and location of the home, conversations with neighbors about the length of time the end borrowers have lived there, information about the end borrowers' employment and general behavior) are also relevant to assessing land tenure security and risk.

Because MicroBuild's MFI investees would already be doing site visits to conduct due diligence for the credit risk assessment, ON thought it would be possible to collect this land tenure information at little additional cost using "STAT Cards," an assessment tool designed to track information on property and tenure condition. The idea was to have the MFIs complete STAT Cards for their loan candidates, with the hope that this would not create additional technical, logistical, or financial burdens on the MFIs. Accordingly, one of ON's social metrics was a requirement that at least 60% of MicroBuild's MFI investees complete STAT Cards for their loan candidates. In addition to assisting with information collection, ON thought that people might even be able to use these STAT Cards as additional proof of land tenure because it was produced by an MFI with good standing in the local community and could be used to file a formal claim with the land registry.

ON is a hybrid vehicle comprised of Omidyar Network LLC, a limited liability company, and Omidyar Network Fund, Inc., a 501(c)(3) private foundation.[26] ON's equity investment in MicroBuild was made through its foundation. US private foundations are subject to a minimum distribution requirement under US tax regulations that imposes an excise tax if the foundation does not annually distribute at least 5% of its assets that are not being used directly in carrying out its exempt purpose.[27] For its equity investment in MicroBuild to count toward this 5% requirement, ON structured its investment in MicroBuild as a "program-related investment" (PRI). For an investment to qualify as a PRI, it must meet several criteria: (i) its primary purpose must be to accomplish one or more of the foundation's exempt purposes, (ii) it must not be used for lobbying or political campaigning, and (iii) income generation or appreciation of property must not be a significant purpose of the investment.[28] ON negotiated to include certain provisions in the legal documentation to signal its characterization of its MicroBuild investment as a PRI and to build in the ability to exit the investment if MicroBuild engaged in activities that violated PRI rules.

Fund Size

In terms of fund size, MicroBuild needed to be big enough so that the transaction costs would not overwhelm the size of the fund. A larger fund would be better able to take advantage of economies of scale with cost savings and have a better likelihood of a higher return than a smaller fund, which went directly to the likelihood of successfully realizing the demonstration effect that MicroBuild was aiming to achieve in the microfinance sector. Based on its impact investing experience, ON pushed for MicroBuild to be capitalized with $100 million initially. However, as a 501(c)(3) nonprofit organization, Habitat generally deployed its cash on programming and was not in the practice of maintaining significant cash reserves. This meant that Habitat would have to raise funding to cover its controlling share of the 10% equity investment in MicroBuild, as well as for the standby letters of credit and an additional TA fund that would each be up to 10% of the overall fund size (each described further below). Due to concerns about fundraising this entire amount upfront, Habitat opted to start MicroBuild as a $50 million fund, which lowered its initial fundraising needs to approximately $13 million ($2.55 million equity contribution, $5 million for letters of credit, and $5 million for the TA fund).

Microfinance Investment Market Context

The proposition that MicroBuild start as a $100 million fund was in line with other microfinance-focused investment funds in the market at that time. According to the 2012 Symbiotics Microfinance Investment Vehicle (MIV) Survey, the MIVs that responded to the survey reported ***average total assets of $95 million*** *as of December 2011.*

Fund Structure

The MicroBuild Fund structure includes an equity component, a debt component, standby letters of credit, and TA services. See Exhibit C for a structure chart showing the relationships among the various parties and the components of MicroBuild's capital structure.

Equity

The equity component of MicroBuild's capital structure constitutes 10% of the overall fund size and is composed primarily of philanthropic capital. Because MicroBuild started out as a $50 million fund, the initial equity contribution from its investors totaled $5 million, split among Habitat (51%), ON (40%), and TJ (9%). It was important for all of the parties that TJ take an equity stake in MicroBuild so that TJ's interests would be aligned with those of the other investors to ensure the financial success of MicroBuild over the fund's entire life.

Debt

The debt component of MicroBuild's capital structure constitutes 90% of the overall fund size and is composed of $45 million of debt capital from OPIC. This $45 million commitment could be drawn down over a period of four years, with each disbursement represented by a promissory note.

As explained below in the "Financial Returns" section, the interest on this debt was bifurcated into a quarterly interest rate component that was lower than OPIC's typical rate and a deferred interest component that was contingent on a certain level of financial performance. In addition, OPIC agreed to structure the repayment terms so that the principal amount of each promissory note would be payable in a bullet payment upon its own maturity date, with a final maturity date not later than 10 years after the first disbursement. Although the bullet principal payment terms and the deferred interest concept described in "Financial Returns" below were being used in transactions done by OPIC's Investment Funds Department, they were still considered relatively unusual for the Small and Medium Enterprise Finance Group at OPIC that structured the MicroBuild investment. Nevertheless, Bruce thought it was worth trying out these terms for MicroBuild because of the demonstration aspect—by deferring as much of the principal and interest payments as possible until later in the fund's life, OPIC could take some of the cash flow pressure off of MicroBuild in its critical early years, as only the interest payments at the lower rate would be due then.

Standby Letters of Credit

The standby letters of credit represent 10% of the overall fund size. Because MicroBuild was so highly leveraged with a 9:1 Debt to Equity ratio, OPIC required Habitat to provide a credit enhancement to offset some of the credit risk OPIC was bearing as the sole debt investor. This was accomplished in the form of a back-to-back standby letter of credit structure supported by philanthropic capital (see Exhibit D for a diagram illustrating this structure). In this structure, select Habitat donors pledged assets to back a letter of credit issued by each donor's bank in favor of Habitat's bank. This letter of credit from the donor's bank would then back a letter of credit issued by Habitat's bank in favor of OPIC that OPIC could then draw on if MicroBuild were unable to make its loan payments. As the fund sponsor, Habitat agreed to pay the fees required to keep these letters of credit outstanding, both at the donor's bank and at Habitat's bank.

Technical Assistance Services

The TA services represent a contributed value of 10% of the overall MicroBuild fund size. Based on the feasibility study findings that MFIs needed the expertise to design, offer, and administer HMF products in addition to longer-term capital to on-lend, Habitat committed from the beginning of the MicroBuild structuring process to building in a complementary TA sidecar that would provide this expertise. The idea was for Habitat to leverage its deep experience in the housing industry to provide TA services through its local Area Offices and NOs that would target MFIs (institutional technical assistance, or ITA) and end borrowers (construction technical assistance and housing support services, or CTA). ITA would focus on helping MFIs overcome capacity constraints preventing them from offering successful HMF products (e.g., conducting market studies, developing product prototypes, piloting and monitoring new products and services, and training key staff and loan officers), whereas CTA would focus on helping end borrowers overcome construction-related challenges

Role of Technical Assistance

The TA sidecar was instrumental in gaining OPIC's support for MicroBuild due to its key role in:

- *De-risking credit and operational risks:* TA would help improve the overall lending process and increase the likelihood of repayment by supporting MFIs' lending process and successful construction by supporting the end borrowers' use of loan proceeds.

- *Contributing to long-term sector change:* TA would help create investment-ready MFIs, as well as track and disseminate lessons on impact that would facilitate the growth of the HMF sector.

In fact, TA was such a big selling point for OPIC that it helped to justify the lower interest rate on the MicroBuild loan, and Habitat was required to memorialize its commitment to providing TA in a separate letter to OPIC that had to be executed before OPIC was required to disburse any funds to MicroBuild (see Exhibit G).

(e.g., training end borrowers in building techniques and financial education, referring end borrowers to reputable suppliers of quality construction materials, and providing construction oversight or advice from engineers or architects). In addition, MicroBuild's TA function would also include monitoring, evaluation, and learning processes to better understand MicroBuild's impact and to serve its purpose of generating a knowledge return about HMF to the microfinance sector.

Financial Return Considerations

OPIC Interest Rate and Deferred Interest

OPIC set the interest rate for the MicroBuild loan by taking a specified US Treasury benchmark rate and adding a spread on top. OPIC agreed to a spread that was lower than its typical spread, resulting in an interest rate that was lower than its typical rate. This interest would be payable on a quarterly basis. To compensate for this lower-than-typical spread, OPIC also negotiated a deferred interest payment that would be payable only if, at the end of the fund's life, it turned out that MicroBuild actually exceeded its own financial performance projections, as measured by an agreed metric. In that case, OPIC would be entitled to a certain percentage of the excess earnings. Thus, this deferred interest would be payable only upon the fund's liquidation if the fund's financial performance exceeded original expectations.

This deferred interest concept was one of the most challenging issues to negotiate, as it affects the distribution waterfall that determined the timing and amount of payments to MicroBuild's various investors upon liquidation. OPIC's view was that deferred interest was simply a way to catch up on the below-market spread in the interest rate if MicroBuild ended up being more financially successful than its original projections. However, this meant that OPIC, as a debt investor, not only would have priority relative to the equity investors in having its loan to MicroBuild and any accompanying interest repaid out of MicroBuild's assets, but it would also be entitled to receive some of the financial upside of MicroBuild's performance before the equity investors received any distributions. From the equity investor's perspective, this deferred interest payment would put the equity investors an additional step back in priority of payment, as well as decrease the amount that each equity investor eventually received. Ultimately, Habitat accepted the argument for deferred interest as compensating OPIC for taking a below-market spread upfront, and resolved the issue by agreeing in a side letter with OPIC that Habitat alone would pay OPIC the deferred interest out of Habitat's share of the financial returns, up to a certain amount.

MicroBuild Hurdle Rate

For MicroBuild to make a financial return, it has to charge MFIs an interest rate that would allow MicroBuild to at least cover its cost of capital from OPIC, its administration and overhead costs, and a buffer for the various risks that could negatively impact its ability to recoup its investments. Anything MicroBuild receives on top of the threshold rate that covered these costs would then go toward its profits. MicroBuild determines this threshold rate, referred to as the "hurdle rate," by taking the interest rate on the OPIC loan and adding a spread that includes an amount to cover MicroBuild's administrative and overhead costs, as well as a risk premium that addresses the credit, geographic, political, and other risks that could affect the investment. As the fund manager, TJ is responsible for assessing MicroBuild's overall portfolio performance relative to this hurdle rate and determine how to price individual MFI loans, tailoring interest rates to the circumstances of each investment but also with an eye toward maintaining an overall return relative to the hurdle rate. The interest rates charged on MicroBuild loans to individual MFIs, however, ultimately must be approved by the MicroBuild Investment Committee, further described in the "Governance" section below.

Social Metrics

To quantify its demonstration effect objective, MicroBuild set an ambitious goal of increasing the share of microfinance portfolios allocated to HMF in the microfinance sector overall from 2% to 10% by the end of the fund's life. Habitat estimated that this shift would result in giving more than 15 million families access to over $4 billion of capital for affordable housing. MicroBuild would assess its impact over time pursuant to a Monitoring and Evaluation Framework that would help MicroBuild measure the overall performance of HMF at both the MFI and end borrower level, improve and refine its ITA services, determine whether the market is responding to HMF, and meet reporting obligations to its various investors and stakeholders.[29] The box to the right provides examples of social metrics used by MicroBuild that are also publicly reported.

Publicly Reported Impact Metrics

- Number of institutions financed
- Amount disbursed
- Number of HMF borrowers served
- Number of individuals impacted
- Percentage of rural clients
- Percentage of female clients

Governance

Based on their experience working with investment funds, both ON and TJ provided input on governance best practices and structures. For starters, MicroBuild needed its own board of directors and investment committee (IC). Although Habitat had set up an investment committee to govern its direct lending decisions with the NO/local partnerships, MicroBuild needed its own governance bodies so that investors other than Habitat were adequately represented, to minimize the likelihood of conflicts of interest and to provide a broader range of perspectives and expertise to draw on. In addition, it was important to have independent directors on MicroBuild's board and IC with industry expertise relevant to its purpose of providing debt financing to financial institutions in the developing world to be on-lent to poor households to improve their housing conditions.

MicroBuild Board of Directors

As initially constituted, the MicroBuild board was composed of seven directors, designated as follows: (i) four directors designated by Habitat, as long as Habitat holds an equity interest of at least 50%, (ii) one director designated by ON, as long as ON holds an equity interest of at least 20%, and (iii) two independent directors with relevant industry expertise mutually designated by Habitat and ON. Any investor with at least 20% equity interest would be entitled to designate one director to the board, with the number of board seats being increased as necessary to accommodate this. Finally, TJ would be entitled to designate a board observer who could attend board meetings and receive the same information as the directors received, but who would have no voting rights. Other than certain specified corporate decisions that required approval by equity investors holding a supermajority of the equity interests, the MicroBuild board would have the power and authority to manage the business and affairs of MicroBuild.

MicroBuild Investment Committee

The MicroBuild board established the IC as a board committee to which it delegated the authority to review and decide on investment proposals that meet the investment guidelines established by the MicroBuild board regarding new loans or guarantees, extensions or adjustments of outstanding loans or guarantees, temporary changes to specific terms, recalling outstanding loans, and recovery terms and costs, all as set out in the Investment Committee Charter. This Charter also charged the IC with considering both financial and social impact factors when making its investment decisions, including risks, HMF performance, social and environmental performance, and compliance with MicroBuild's governmental and contractual requirements, as well as other relevant factors impacting MicroBuild's mission and operations. As initially constituted, the MicroBuild IC comprised five members, designated as follows: (i) three members designated by Habitat, as long as Habitat holds an equity interest of at least 40%, (ii) one member designated by ON, as long as ON holds an equity interest of at least 20%, and (iii) one independent member mutually designated by Habitat and ON. In addition, ON and TJ would each be entitled to designate an observer who could attend IC meetings and receive the same information as IC members, but who would have no voting rights.

Portfolio

To determine which MFIs to invest in, MicroBuild created a comprehensive investment pipeline development process that took into account OPIC's requirements, as well as MicroBuild's own selection criteria that assess an MFI's financial and TA needs. MFIs may enter the MicroBuild pipeline based on TJ's existing investment network or through a referral from Habitat.

Pre-Clearance Process

Once an MFI has been identified as a prospect, TJ and Habitat would jointly conduct a pre-clearance process. Using the MicroBuild selection criteria (see feature box to the right) TJ would assess the MFI's creditworthiness and ability to effectively deploy a financial investment from MicroBuild (investment readiness), and Habitat would assess the MFI's existing HMF activities and potential need for TA in developing HMF products (HMF readiness). These assessments would then be quantified into investment readiness and HMF readiness scores that are checked against the Pre-Clearance Matrix below to determine whether the MFI would be a potential candidate for a MicroBuild investment, TA services, or both.

MicroBuild Investee Selection Criteria

- Institutional and Financial Criteria
  - Operational self-sufficiency > 100%
  - Portfolio at risk and write-offs < 10%
  - Reasonable leverage of debt/equity
  - Strong social performance
  - Audited financials of more than 3 years
  - Strong management and good corporate governance
  - Gross loan portfolio > $2M
- Housing Microfinance Criteria
  - Management commitment to HMF
  - HMF as an identifiable and separate product in management info systems
  - Growing HMF portfolio of > $300K
  - Interest in supporting end clients to build quality homes/home improvements

OPIC Requirements

As a US government agency, OPIC has certain restrictions on which countries, institutions and individuals can receive its funds, and thus OPIC must run country and US embassy checks on potential MicroBuild investees to make sure these requirements are met. Because MicroBuild was structured as an open global fund, its investments could not all be identified upfront. So, OPIC and MicroBuild created a rolling pre-approval process in which TJ would send OPIC a monthly pipeline report with a list of MFIs that may be considered for loans in the next three months (i.e., those that were deemed sufficiently investment-ready in the pre-clearance process described above) with the relevant country locations, and OPIC would approve the MFIs that were acceptable once it had run the requisite checks. Making this part of the pre-clearance process meant that it would be one of the first steps in the pipeline development process and ensured that MicroBuild would not spend unnecessary resources further assessing MFIs that were ineligible to receive OPIC funding.

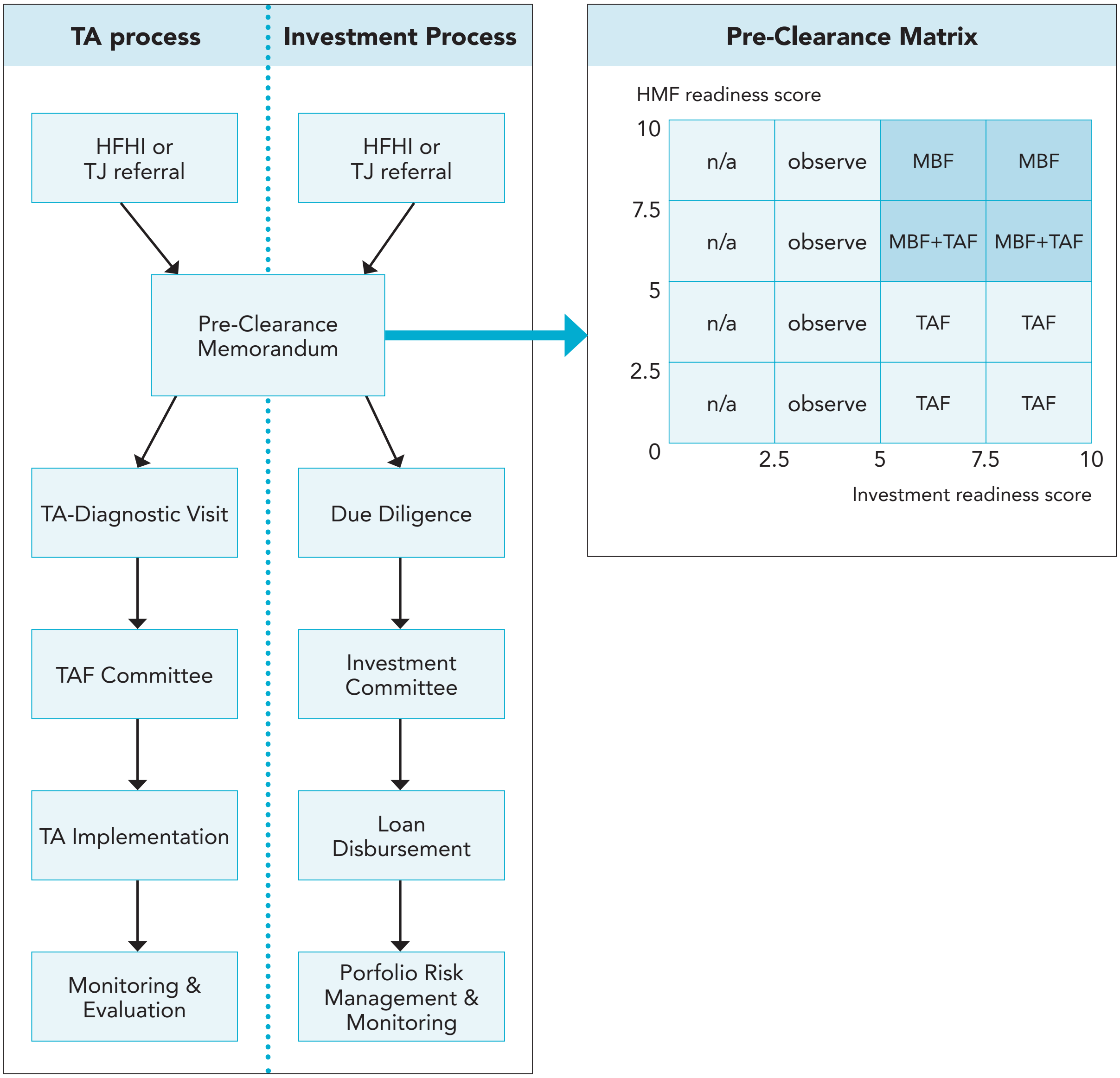
Use of Proceeds Requirements in the OPIC Loan Agreement

OPIC imposed a number of requirements for MicroBuild's use of the OPIC loan proceeds that addressed both financial and social impact considerations. First, MicroBuild had to meet certain financial ratios to ensure that it was not over-leveraged, was not making overly risky investments, and had a certain amount of cash available to service its debt. In addition, OPIC imposed limits on the amount of any single loan made by MicroBuild to an MFI, as well as the amount of outstanding loans in any single country, which not only helped to diversify credit risk and political risk across MicroBuild's portfolio, but also contributed to the demonstration effect—as a global fund, having a more geographically dispersed portfolio would facilitate MicroBuild's ability to learn which regions HMF was working in. Finally, MicroBuild had to ensure the MFIs' loans to end borrowers complied with OPIC requirements regarding loan type (HMF loans only) and size (less than $15,000 per loan). With these use of proceeds restrictions, OPIC used loan size as a proxy for poverty to make sure that its funds were reaching end borrowers who were actually poor. In addition, MicroBuild had to ensure that MFIs complied with OPIC's policy provisions, which prohibited the loan proceeds from being used for purposes that OPIC deemed to be environmentally or socially harmful. One way in which MicroBuild was able to fulfill its obligations to OPIC in ensuring the MFIs complied with the OPIC requirements on use of proceeds was to include these requirements in MicroBuild's own loan agreements with the MFIs.

Parallel TA and Investment Assessment and Implementation Processes

Upon receiving OPIC consent, TJ and Habitat would conduct more detailed due diligence on the MFI, including on-site visits, and discuss an indicative term sheet with the MFI. Then, TJ would prepare an investment memorandum and Habitat would prepare a TA fact sheet that includes its HMF assessment and a TA plan for the MFI, both of which would be included in the investment proposal to be submitted to the MicroBuild IC for investment approval. Although the TA fact sheet would be included in the IC's materials, the IC would only have the authority to make MicroBuild financial investment decisions, and not TA decisions, as the TA facility will be administered solely by Habitat. Instead, Habitat created a separate TA Committee to make the decisions about TA resource allocation. If the investment and TA proposals were approved by the two respective committees, TJ would then finalize loan contract negotiations with the MFI and handle loan disbursement, while Habitat would negotiate a TA contract with the MFI and move forward with the TA implementation process. See the diagram on page 20 for an illustration of the MicroBuild pipeline development and investment process.

MicroBuild Pipeline Development and Investment Process



Conclusion

It had taken the MicroBuild team years to put together the various pieces of the capital structure, design the business plan and operational processes of MicroBuild, and negotiate the legal documentation that memorialized the relationships among the various institutions that had come together in this ambitious experiment to grow the housing microfinance sector: Habitat, ON, OPIC, and TJ. Now that the structuring process was finally drawing to a close, Patrick felt both excitement and nervousness about what lay ahead. Was this the right way for Habitat to achieve impact? Habitat's brand and reputation had been built on its role as direct service provider. People knew and loved Habitat for the Habitat builds that brought people together to construct houses for those in need of decent, affordable housing. However, the MicroBuild approach required Habitat to see itself differently, as a facilitator and consultant to the MFIs that would be the ones engaging directly with local communities. Would the public understand this shift in Habitat's role, or would Habitat lose their support? And speaking of Habitat's role in MicroBuild as the TA provider, did Habitat have the expertise to add value or had it gotten in over its head? Finally, Patrick was worried about resistance from the NOs to MicroBuild's business model of funding MFIs, rather than keeping the funding within the Habitat network. Would the NOs be willing to move past this and step into their role in providing TA services?

At the same time, Patrick was excited about the potential for scale that MicroBuild presented. It was by far the largest single project Habitat had ever done, and it could help millions of people around the world improve their housing, which would lead to other benefits, like better health and increased productivity. In addition, Habitat had historically struggled to translate its success in the US into its international programs, but as a global fund focused on funding MFIs around the world, MicroBuild offered a chance for Habitat to make a significant international impact. Finally, it was exciting to be part of something cutting edge—as a blended finance vehicle that brought together diverse parties representing different types of capital and expertise and supported by a TA facility, MicroBuild represented an innovative way of financing development. As he reflected on what the future might have in store for MicroBuild, a new email alert from Patrick's computer brought him back to the present moment. The OPIC loan agreement had finally been signed, and MicroBuild was one step closer to helping realize Habitat's vision of a world where everyone has a decent place to live.

Habitat's Press Release Announcing OPIC Loan[30]

OPIC providing $45 million in financing to support expansion of housing microfinance by Habitat for Humanity's MicroBuild Fund

ATLANTA (Sept. 4, 2012) —The Overseas Private Investment Corporation (OPIC), the U.S. Government's development finance institution, is providing 45 million in financing to enable Habitat for Humanity International (HFHI) to expand housing microfinance lending and help thousands of low-income families around the world build, improve and maintain decent homes.

"We are very excited to see this microfinance partnership with OPIC move forward," said Jonathan Reckford, CEO of Habitat for Humanity International. "In a world where 95 percent of families in developing countries have no access to a home loan, we are eager to see the financial sector provide services and financing for affordable housing so that more families will have a decent place to live."

MicroBuild, a subsidiary of Habitat for Humanity International, will use proceeds of the OPIC's investment to lend to selected microfinance institutions around the world, which in turn will make housing microfinance loans to individual families for the purpose of home improvement, incremental housing, land acquisition and new construction. The program is designed to meet the housing needs of low-income families with little or no access to the formal banking sector or mortgage loans. MicroBuild will mobilize funding at the lowest possible cost and select intermediaries committed to fair pricing and sustainability.

Habitat for Humanity International has made housing microfinance a strategic focus and intends to use MicroBuild as a vehicle to expand decent housing to the world's poor, in part by drawing other investment into the sector.

Omidyar Network, a philanthropic investment firm, is co-investing alongside Habitat for Humanity into the MicroBuild Fund. The initiative will provide capital and technical assistance to local financial service providers to help them develop housing and property-related products to households in countries such as Bolivia, Tajikistan, Uganda and Lebanon. Habitat for Humanity will also provide construction and land tenure support to households.

MicroBuild is managed by Triple Jump, a Dutch investment management company established by the Dutch Oxfam affiliate to manage its investments in microfinance institutions (MFIs). Triple Jump is currently managing five funds with more than 400 million invested in 152 MFIs.

Carl Valenstein, a partner at Bingham McCutchen LLP, led a team of lawyers at Bingham and students at the International Transactions Clinic at the University of Michigan School of Law in representing Habitat and MicroBuild on this transaction.

Habitat for Humanity worked with Citi Commercial Bank and Citi Microfinance in establishing the MicroBuild Fund and support to OPIC to facilitate its debt financing.

"Access to appropriate home finance for low-income communities, whether to build, purchase or improve housing, remains one of the most challenging areas for achieving equitable financial and social inclusion," said Bob Annibale, Citi global director of microfinance and community development. "Habitat for Humanity's Microbuild Fund will stimulate microfinance institutions to develop and provide innovative housing financing that responds to the needs and aspirations of low-income families, improving access, quality and security of housing for many communities."

About OPIC
OPIC is the U.S. government's development finance institution. It mobilizes private capital to help solve critical development challenges and in doing so, advances U.S. foreign policy. Because OPIC works with the U.S. private sector, it helps U.S. businesses gain footholds in emerging markets catalyzing revenues, jobs and growth opportunities both at home and abroad. OPIC achieves its mission by providing investors with financing, guarantees, political risk insurance and support for private equity investment funds.

Established as an agency of the U.S. government in 1971, OPIC operates on a self-sustaining basis at no net cost to American taxpayers. OPIC services are available for new and expanding business enterprises in more than 150 countries worldwide. To date, OPIC has supported more than 200 billion of investment in more than 4,000 projects, generated an estimated 75 billion in U.S. exports and supported more than 276,000 American jobs.

About Habitat for Humanity International
Habitat for Humanity International is a global nonprofit Christian housing organization that seeks to put God's love into action by bringing people together to build homes, communities and hope. Since 1976, Habitat has served more than 500,000 families by welcoming people of all races, religions and nationalities to construct, rehabilitate or preserve homes; by advocating for fair and just housing policies; and by providing training and access to resources to help families improve their shelter conditions. For more information, to donate or to volunteer, please visit www.habitat.org, or follow us at www.facebook.com/habitat or at www.twitter.com/habitat_org or join Habitat's blog community at www.habitat.org/blog.

Exhibits

A.

Timeline of Key Events in MicroBuild Structuring Process

B.

Excerpts from Triple Jump's 2018 Impact Report

C.

MicroBuild Structure Chart as of Launch

D.

Standby Letters of Credit Structure Chart

E.

Redacted Loan Agreement among MicroBuild I, LLC, MicroBuild I, B.V. and Overseas Private Investment Corporation, dated as of June 22, 2012

F.

Amended and Restated Limited Liability Company Agreement of MicroBuild I, LLC, dated as of June 29, 2012

G.

Technical Assistance Undertaking Letter from Habitat for Humanity International, Inc. to Overseas Private Investment Corporation dated June 20, 2012

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