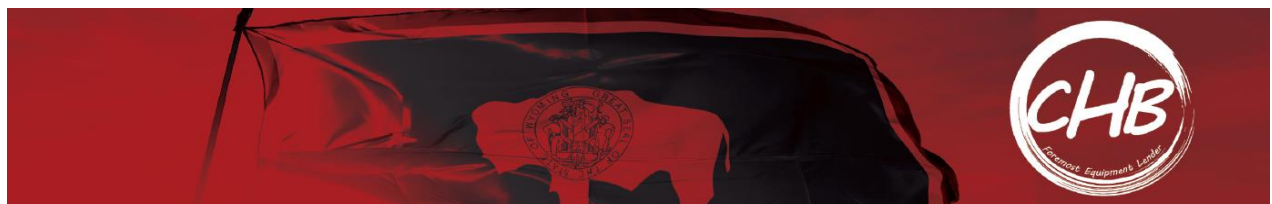




Aircraft Broker Guide

PRODUCT GUIDELINES PROCESS & POLICIES

Version 8.2 | Effective June 1, 2023





Dear Broker Associate,

CHB is grateful for your interest and desire to work with us. We are here to help you finance more deals - to help you build your broker business. You are the most critical link in the process of helping businesses and individuals get the equipment financing they need to start, run, and grow their business. Whether you are a seasoned professional broker or this is your first time in the field, CHB treats its brokers with the utmost respect and dignity. We work hard to ensure that every transaction is handled as smoothly as possible.

What to expect from CHB:

Communication is the Key...and CHB's staff is prepared to do what is needed to make sure that key is used. When you call us, you will talk to a live Wyoming person who is empowered to help you find the correct answer to your unique situation. No phone trees or long hold times and limited use of voicemail!

When you email CHB, that email will be read by a professional who will respond quickly with the relevant information you requested.

You have access to correspond with any one of CHB's Management Team. They will take your calls/emails and talk 'with' you to understand and answer your questions and concerns.

CHB previews deals in a timely manner. If you have questions about a deal, we will take the time (before, during, and after the credit review process has been initiated) to discuss the specifics of the request. We will give you the necessary feedback to ensure the deals you send fit within our 'Credit Box'; this saves you time, energy and effort.

- Your clients are your clients - we do not/will not solicit **Direct Business** from any dealers, individual, or businesses for financing...including CHB borrowers
- One Business Day credit decisions for most new financing requests
- Notification of dual submissions; we work with the Broker who sends the deal first
- Send and receive transaction feedback; plus, we'll preview/discuss new deals
- Funding deals is the priority; our staff focuses its attention toward that objective
- Life-of-Loan servicing - All funded deals remain at CHB (we don't sell portfolios)
- Communications from us along every step of transaction processing

We look forward to a positive and mutually beneficial broker-lender partnership. Please take a moment to review these Guidelines; they contain the information you will need to work productively with CHB...and fund deals.

As questions, concerns, comments come up - please call 307.322.2545 and ask for the business development director.

Warmest Regards,

Business Development Director // Broker Relations - CHB



Aircraft Financing Program Guidelines

Published guidelines represent the minimum requirements and are subject to CHB discretion. We use PayNet and Experian FICO 2 Reports for all baseline scores. All business must be conducted in the USA. We do not underwrite deals from the State of Louisiana.

Lending Amounts & Credit Application

- ✓ Business-purpose, non-consumer FAA Parts 61, 91, 135, & 141 financing up to 90% LTV of aircraft's comp value
- ✓ Credit Application and Banks for small-ticket deals up to \$175k total loan amount for first-time CHB clients
- ✓ Total Loan Amount up to \$500k for repeat CHB borrowers & first-time applicants with full Application package
 - Requests above \$175k, require most recent 2 years' Tax Returns, current P&L and Balance Sheet Statements
- ✓ Cash-out financing to 50%-60% of aircraft's appraised value with proof of purchase within past 6 months
- ✓ Refinance requests are considered for well-established business (>5 years TIB) up to max 67% Loan-to-Value (LTV)
 - Items required: A) Application Package; B) Appraisal or Comp Value; C) Escrow Agency for FAA Registry and Accident/Incident Searches; and D) Current Airworthiness Certificate
- ✓ Application must include Pilot/Flying experience summary & intended aircraft location (name & ICAO), Hangared Y/N
- ✓ **Signed** Application with a Credit Release endorsement is required
- ✓ Applications must contain a Digital or Wet Signature to process/underwrite
- ✓ Color copy of valid, state-issued Driver License or other federal ID card
- ✓ Include aircraft photo(s) with Application

To ensure a quick credit decision, please supply all required info with your request. All Credit Applications must have a wet or e-Signature.

Credit Score(s) and Credit Bureau Reports (CBR)

- ✓ Minimum accepted XPN FICO 2 score is 675 for all applicants/Personal Guarantors; Initial check is a 'Soft Pull'
 - 'Hard Pull' is performed upon receipt of Docs Request
- ✓ No 30/60/90 Days Past Dues on Installment Loans
- ✓ Applicants with score <700: Current History on 2x Term/Installment loans is required with 12 payments each
 - Education & Affirm Loans are not considered as Installment Accounts
- ✓ Any Account with Past Due Balances may be considered as grounds for a Denial
- ✓ Past Dues with Balances are acceptable on Utility, Phone, and Medical obligations only
- ✓ Revolving Credit available generally \geq 50% but no less than 35%
- ✓ 12 Months Clean without any Child Support Delinquencies & any 30/60/90+ days Late Pays on Installment Loans
- ✓ Bankruptcy – Closed over 3 Years Ago is acceptable
- ✓ Fraud/Security Alert on CBR must have a corresponding phone number to verify and process/underwrite
- ✓ Re-submitting deals and Adding Additional Guarantors to "Prop-Up" initial applicants are not Accepted

Business PayNet Report & Score (if applicable)

- ✓ 670 minimum PayNet Master Score & 12 months Clean without any 30/60/90+ days late
- ✓ Repossessions & Write-Offs – None in the last 36 months
- ✓ Time-in-Business (TIB) – PayNet to help determine TIB (if required)

Interest Rates - Down Payments - Amortization & Loan-to-Value (LTV)

- ✓ Fixed 'Sell' Rate on monthly repayments for 60 months / five years term length
- ✓ Down Payments from 5% - 25% of Purchase price amount determined from overall credit worthiness & situation
 - 10% - 20% Down Payments are most common
- ✓ Expect higher Rates and Down Payments on older aircraft (e.g. pre-1980 aircraft will likely be 15% down or more)
- ✓ Offering other Equipment as additional Collateral to Reduce the Down Payment is not accepted; by Exception only
- ✓ Amortization Periods 96-216 months/8-18 years based-on \$ amt financed; 10-15 yrs common; 20 yrs by Exception
- ✓ LTVs from 75% - 90% (or lower) of Comp/Appraised Value (Vref or Controller); Purchase price as back-up
 - 75% LTV required for Start-Up aviation businesses

Business Ownership / Personal Guarantor (PG)

- ✓ Single business entity with one or multiple owners/applicants/PGs is acceptable
- ✓ All Owners \geq 20% of company must Apply under Business Name and be a Personal Guarantor (PG) on the Note
- ✓ Company's Federal Employer Identification Number (FEIN) is required
- ✓ At least one Owner/PG \geq 20% must be a FAA-licensed pilot and operate the equipment (partially or wholly)
- ✓ All PGs must have a CBR FICO 2 \geq 675 ...but only 1 (one) Owner needs to own Real Estate (RE)
- ✓ If Business Ownership is in Question– IRS Schedule K or Articles of Incorporation/Organization may be required
- ✓ No minimum Business (i.e. LLC, Corp) Debt-to-Asset (DtA) Ratio required
- ✓ Individual PGs must have at least 2.0 DtA Ratio and sufficient Net Worth for the amount requested



TIB (Time-in-Business) Requirements

- ✓ No minimum requirement; One year TIB preferred; Considered a Start-up if TIB < 15 months (see below)
- ✓ Current / Unexpired and Non-Suspended Secretary of State (SOS) filed with the State is required for underwriting
 - Businesses which operate as Sole Proprietors are unacceptable
- ✓ Applicant must exhibit competence in their business / profession
- ✓ All Applicants must be regularly involved in operating their Business; day-to-day is preferred / No Absentee Investors

Bill of Sale (BoS) / Invoice & Aircraft Data

- ✓ Purchase Agreement/BoS from a licensed aircraft dealer/broker (preferred) is required with the Application
- ✓ Aircraft specifications required with Application: Year, Make, Model, Registration Name, FAA #, Aircraft Serial #, # Seats, Total Airframe Time, Engine HP, Engine hours since last overhaul, Propeller HP, Damage History Y/N, Logs Complete Y/N, Logs Original Y/N
- ✓ Pre-Buy Inspection by certified A&P and paperwork/documentation from last major overhaul are required
- ✓ Owner must maintain aircraft's Airworthiness Certificate (i.e. Annual & 100-hour inspections)
- ✓ Aircraft escrow-title company will perform the FAA Registration and Lien searches; Accident/Incident Reports by CHB

Citizenship and Real Estate (RE) Ownership

- ✓ Applicant(s) must be USA Citizen or non-conditional 10-year Permanent Resident (PR) Card (aka Green Card) holder
- ✓ 2-year Conditional PR Card holders (i.e. Expiration dates \leq 2 years) are not acceptable
- ✓ With multiple applicants/PGs who are business owners \geq 20%, only one PR is acceptable; others must be Citizens
- ✓ RE ownership by the legal entity company/corporation or Personal Guarantor is required on every deal
- ✓ Single applicant, non-conditional PR Card holder must own Real Estate (RE)
- ✓ Requests with Co-Applicant/PG business owners, only one must be a RE owner

Business Bank Statements (Required for all credit requests)

- ✓ 3 months of complete Business Bank Statements (All Pages)
- ✓ NSF's and Overdrafts are Cause for Denial; Use of Overdraft Protection is acceptable
- ✓ Merchant Cash Advances (MCA) on Bank Statements is Grounds for Denial

Start-Ups (S/U)

- ✓ Are acceptable; CHB is willing to "Preview" all Start-Up requests
- ✓ Defined generally as less than 15 months TIB as measured by the filed SOS
- ✓ Non-Aviation business S/U with less than 15 months TIB are (generally) unacceptable; Applicants with >15 months TIB must demonstrate competence/savvy in their main profession (i.e. Dr, DDS, Legal, CFI)
- ✓ If S/U is an aviation business: A) Applicant/PG must have industry/business experience and be aircraft's licensed pilot (fly the plane); B) 75% LTV required; and C) Investor S/U deals are generally not considered
- ✓ Copy of Business Plan and Projections are required for S/U aviation businesses and Investor deals
- ✓ Applicant (individual PG/PGs') must possess minimum 2.0 Debt-to-Asset Ratio
- ✓ Finance up to 50% of applicant (PG/PGs') Net Worth up to \$200k ceiling (Personal Tax Returns may be required)
- ✓ Real Estate (RE) ownership and most recent 3 Months of Personal Bank Statements are required
- ✓ Minimum Net Worth required is twice the aircraft's Cost or Comp Value (whichever is greater)

Private Party Sales / Seller (PPS)

- ✓ Willing to "Preview" PPS requests due to lien, registration & increased documents complexities
- ✓ "Preview" occurs before full processing and underwriting
- ✓ Aircraft escrow-title company will perform the Registration and Lien search with the FAA
- ✓ Minimum Finance amount to Seller is \$40,000
- ✓ The Buyer and Seller must be an "Arm's Length Transaction" (i.e. Not Related)

Payments / Payment Dates

- ✓ Recurring, regular payments are due on either the 5th or 20th of each month (depending on activation/funding date)
- ✓ First payment is due 4-6 weeks after Loan Account activation / funding
- ✓ Automated Clearing House (ACH) debits from a financial institution account are required for monthly payments
- ✓ Early pay-off without any pre-pay premium/penalty is available after three years / 36 months
- ✓ Early pay-off (or additional principal payments) before three years/36 months post-funding will incur a pre-pay premium of 4%, 3%, 2% of remaining principal balance (or payment) if before 12th, 24th, & 36th month respectively



Pilot Training / Flight Schools

- ✓ Part 61 Start-up Pilot Instruction businesses are acceptable if PG is 100% sole owner of the company/corp and is also the flying CFI with documented 250 total flight hours and 50 hours of flight instruction
- ✓ Multiple PGs are acceptable for Part 61 Start-up Pilot Training businesses with documented proof the flying CFI is at least 20% part-owner of the company/corp, has 400 total flight hours and 125 hours of flight instruction
- ✓ In both cases, a Business Plan and annual Projections are required with the Credit Application and the business may be a part-time venture and not the PG's full-time occupation

Government Loans

- ✓ SBA (Small Business Administration) PPP (Paycheck Protection Program) are Excluded from the Business Balance Sheet (BBS) due to US Federal Government Loan Forgiveness
- ✓ SBA EIDL (Economic Injury Disaster Loans) are included on the BBS (or Personal Financial Statement)

Financing Structure

- ✓ All deals are financed as an Equipment Finance Agreement (EFA) loan with the aircraft as secured collateral
- ✓ EFAs are simple interest Notes calculated using 365/360 basis with 60-month payments amortized to 8-18 years
- ✓ Final/60th Payment is a 'balloon' amount of the remaining principal balance due on Maturity Date
- ✓ Interest is paid down first followed by any assessed Fees/Penalties and then Principal
- ✓ On all deals, CHB charges a 1% Docs Preparation Fee (\$500 min, \$1k max) of the amount Paid to Seller/Dealer
- ✓ Applicant is generally also the aircraft owner and must be listed on the BoS/Purchase Agreement and Registration
 - Special Purpose Entity registrations with the FAA are acceptable; a separate Corporate Guaranty is required
- ✓ CHB's Lien as Secured Party will be filed by the Escrow Agency with the FAA
- ✓ Escrow Agency use is required on all Aircraft deals at buyer's and/or seller's expense

Aircraft Operation

- ✓ Borrower/PG must operate the aircraft for their business purpose 51% or more of its total use; the remaining 49% may be used in a Pilot Training Academy, Flight School and/or Flying Club rent/lease arrangement
- ✓ Aircraft must be registered with the FAA and permanently based in the USA
- ✓ Flight operations within the USA (including Alaska and Hawaii) is the norm; Overseas (i.e. Canada, Caribbean) flight operation is acceptable on an Exception basis with prior written notice to CHB
- ✓ Aircraft must be ADS-B equipped for compatible use with Flight Aware tracking and reporting system

Credit Decisions

- ✓ Credit Requests are adjudicated within one business day from CHB's receipt of all required items
- ✓ Approval notice to Broker accompanied by Terms Sheet with nominal 60 days Expiration and any Contingencies
- ✓ Exceptions to Policy/Procedure possible during underwriting or upon Broker request (i.e. 2d Look)
 - Must be a compelling reason or circumstance for CHB to grant Exception

Aircraft Types



Light, Single engine, Piston, Fixed or Retractable gear



Light, Dual engine, Piston or Constant Speed, Fixed or Retractable gear



Helicopters: Light or Utility, Single engine, Wheels or Skids



Monoplane or Biplane

- ✓ *Light, Single/Dual, Piston, Fixed Gear*
- ✓ *Light, Single, Piston, Sea/Water*
- ✓ *Light Sport (Airplane only)*
- ✓ *Single & Dual, Piston, Retractable*
- ✓ *Fixed & Variable Pitch/Constant Speed*
- ✓ *Light, Helicopter*
- ✓ *Utility, Helicopter*
- ✓ *Monoplanes*
- ✓ *Biplanes*
- ✓ *Experimental not Accepted*
- ✓ *Home Built/Kit Planes not Accepted*
- ✓ *Glider & Sailplane not Accepted*
- ✓ *Airship not Accepted*
- ✓ *Amphibians not Accepted*



\$40,000 to \$174,999

For Finance Requests from \$40,000 to \$174,999

- **Signed** Credit Application with Credit Release Endorsement
- Equipment Invoice / Bill of Sale with All costs itemized
- PG for anyone with 20% or more business ownership
- 3 months most Recent Business Bank Statements
- Need Business/Equipment/Purchase Explanation and Story
- Aircraft Specifications Sheet with color Photos
- Permission to conduct the Phone Interview

\$175,000 to \$500,000

For Finance Requests at \$175,000 or greater

- **Signed** Credit Application with Credit Release Endorsement
- Equipment Invoice / Bill of Sale with All costs itemized
- PG for anyone with 20% or more business ownership
- 2 Years most recent Filed/Audited Tax Returns
- Current Year Interim P&L Financial Statement(s)
- 3 months most Recent Business Bank Statements
- Need Business/Equipment/Purchase Explanation and Story
- Aircraft Specifications Sheet with color Photos
- Permission to conduct the Phone Interview

Deal Submissions/Application Checklist

Published guidelines represent the minimum requirements for each program and are subject to CHB lender discretion.

- To have CHB Preview a Deal / Credit Request – Please contact the Business Development Director
- Minimum Transaction Size \$40,000 - \$500,000 Maximum
- Email Subject Line: New Aircraft Deal: Business Name
- Submit All Required Files to: credit@chbef.com
- The use of online file sharing services are acceptable (i.e. DropBox, Egnyte, MediaFire)
- To Process, the Following items listed below are needed in PDF format:



Dear Broker,

“Speed is of the Essence”

To save time and efficiently processing your Credit Submission(s), please make sure the PDF files you send are complete and ready for credit review and underwriting.

- Verify and clarify the applicant’s business type (i.e. LLC or Corp) and that they are not a “Sole Prop”**
- PDF docs only. All docs need to be converted to PDF format (images included) for handling speed/ease**
- All docs need to be saved as a separate file and labeled/names as to their content**

Examples: Banks- Aug 2022 // CBR- A.D. Jones // Invoice // Credit App- Smith Pilot Training LLC

[CHB Deal Submission/Processing Requirements – credit@chbef.com](mailto:credit@chbef.com)

Business Application

- Signed/dated Credit Application**
- Full complete name of Business**
- EIN (Employment Identification Number)**
- Current Business Physical Address
- Current Business Mailing Address (if different)
- Business Phone Number
- Business Email Address
- PG’s Full Name (anyone with at least 20% ownership)**
- PG’s Social Security Number**
- PG’s Current Physical Address
- PG’s Phone Number
- PG’s Email Address
- Secretary of State (SOS) Business Registration*
- Clarify business type (i.e. LLC, LP, Corp) if unstated*
- Tax Statements (for funding over \$175,000)
- Full Financials (for funding over \$175,000)
- CBR(s) (if you pulled credit)
- Credit App with credit release endorsement giving us permission to pull credit

Aircraft Specs & Invoice/BoS

Equipment Invoice with Cost Breakdown:

- Vendor/Seller Invoice or Bill of Sale (BoS)
- Vendor/Seller address, phone number, and website
- Aircraft Specs to include year, make, model, # seats, engine, prop, avionics, Time SMOH
- Total Flight Hours, Engine Hours
- FAA Registration and manufacturer’s Serial No. (S/N)
- General Condition and Color Photos
- Appraised/Assessed Comp Value (if available)

OR

Pre-Approval/Pre-Qualification:

- Fully completed Credit Application (*as stated at left*)
- Ball-Park Specs Sheet
- 3 months Bank Statements
- 2 years Tax Statements (for funding over \$175,000)
- Current Year Interim P&L Financials (if over \$175k)

Bank Statements

Bank Statements (all pages) 3 months:

- Required for all aircraft deals
- Personal Bank statements in lieu of business statements are acceptable for Start-ups
- To tell the whole “story” send Bank statements from all business related accounts

Increase Speed and Efficiency:

Please Check your file to ensure accuracy and completeness before submitting it to CHB for processing and review. It is important to you and CHB to keep your deal moving through the underwriting process as quickly and efficiently as possible. If information is incomplete, your file will fall behind until the essential, needed information is received. CHB considers all items on this checklist as essential to initially process and fully review your deal in order to reach a credit decision.

***Thank you for your business, your trust, and your confidence in CHB.
It is our pleasure to work with you.***



CHB – Trusted by Brokers

CHB is looking forward to working with you and your business. We are excited to see your broker business grow and wish you the very best of luck in these endeavors. CHB is here, with its available resources, to maintain and grow a long, rewarding, and mutually beneficial relationship.

At any point – Please feel free to share any Ideas...or Inputs you may have.

We look forward to following-up with you.

Wishing you all the BEST,
The CHB Team