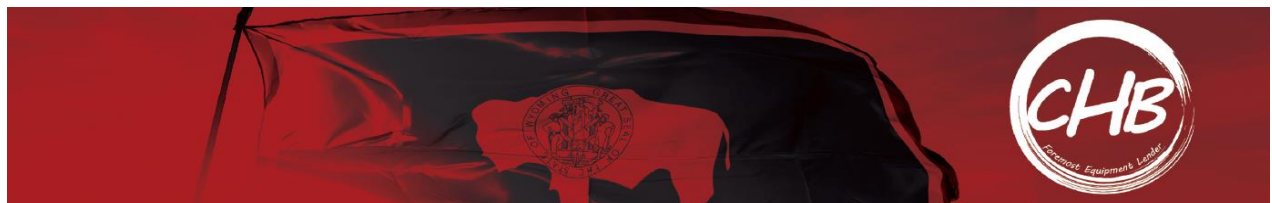




Aircraft Broker Guide

PRODUCT GUIDELINES PROCESS & POLICIES

Vers 9.0 | Effective January 07, 2025





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.

Warmest Regards,

Team CHB



Aircraft Financing Program Guidelines

Published guidelines represent the minimum requirements and are subject to CHB discretion. We use PayNet and Experian or Equifax 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 FAA Parts 61, 91, 133, 135, 137, & 141 financing up to 90% LTV of aircraft's comp value
- ✓ Application only and Banks for small-ticket deals up to \$175k total loan amount for first-time CHB borrowers
- ✓ Total Loan Amount up to \$750k for repeat CHB borrowers & first-time applicants with full Application package
 - For requests >\$175k <\$500k, most recent 2 years' Tax Returns, current P&L and Balance Sheet statements
 - For requests >\$500k, most recent 3 years' business Tax Returns, and EOY business Balance Sheets
- ✓ Pre-Approvals are possible up to \$175k; Signed/dated Credit App, amount, banks, and general aircraft info are needed
- ✓ Cash-out (no lien) financing up to 67-70% of aircraft's value with proof of purchase in past 6 months preferred
 - For all cash-out transactions, Security Agreement & CHB lien filing on the entire aircraft is required
- ✓ First lien buy-out & 2d lien financing are acceptable up to 75% of aircraft's value depending on amount owed on 1st lien
 - Escrow agency is required at applicant/owner's expense and 2d lien must be filed at FAA
- ✓ Refinance requests are considered up to 70%-75% max Loan-to-Value (LTV) for established business (>3 years TIB) on aircraft owned/purchased more than 6 months ago
 - Items required: A) Signed Credit Application; B) Detailed Aircraft Specs; C) Current Airworthiness Certificate; D) Appraisal/Comp value; and E) Evidence of current Annual Inspection
- ✓ Application must include Pilot/Flying experience summary & intended aircraft location (name & ICAO), Hangared Y/N
- ✓ Color copy of valid, state-issued Driver License or other government-issued photo ID card is also required
- ✓ Include aircraft photo(s) with Application
- ✓ **Signed** Application with a Credit Release endorsement is required
- ✓ Applications must contain a Digital or Wet Signature to process/underwrite

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 CBR score is **685** for all applicants/Personal Guarantors; Initial check is a 'Soft Pull'
 - 'Hard Pull' is performed upon receipt of Docs Request and all direct applications
- ✓ 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 – Discharged/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 (if applicable)

- ✓ Satisfactory PayNet Report & 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 higher Down Payments on older aircraft (e.g. pre-1980s may be 15% down or more)
- ✓ Offering other Equipment as Collateral to reduce the Down Payment is generally not accepted; by Exception only
 - Offering Real Estate as Collateral (regardless of equity) to reduce the Down Payment is not acceptable
- ✓ Amortization Periods 96-240 months/8-20 years based-on \$ amount financed; 10-15 years are most common
- ✓ LTVs from 75% - 90% (or lower) of Comp/Appraised Value; 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
- ✓ LLC/corporation 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 score ≥ 685 ...but only 1 (one) business 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 generally 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) / Purchase Agreement & Aircraft Data

- ✓ Purchase Agreement/BoS (signed or draft) from an aircraft dealer/broker is required with the Application
- ✓ Aircraft specifications required with Application: Year, Make, Model, Registration Name, FAA #, Aircraft S/N, # Seats, Total Time on Airframe (TTAF), Engine HP, Engine hours since overhaul (TSOH), Propeller info, Known Damage History Y/N, Logs Complete/Original Y/N
- ✓ **Pre-Buy Inspection** by certified A&P is required Pre-Funding; Logbook entries from the past five (5) years to include the last Annual and any overhaul are required Pre-Docs
- ✓ New Owner/borrower 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 ≤ 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 Decline; Use of Overdraft Protection is acceptable
- ✓ Merchant Cash Advances (MCA) on Bank Statements is Grounds for Decline

Start-Ups (S/U)

- ✓ Are acceptable; CHB is willing to "Preview" all Start-Ups (generally defined < 15 months TIB per 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, Engineer, 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
- ✓ CFIs or Hired pilots are acceptable for investor start-ups with sufficient financial strength and/or Dry Lease/Leaseback agreement with established Pilot Training/Flt School; Assess Flt School's student load/throughput & aircraft use rates
- ✓ 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 \$250k 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 (before full review/underwriting) due to lien, registration & documents complexities
- ✓ Use of Escrow agency is required to file/Register new owner's name and CHB lien with the FAA
- ✓ Buyer and Seller must be an "Arm's Length Transaction" (i.e. not related); Minimum loan amount to Seller is \$50,000



Payments / Payment Due 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 is the norm
- ✓ 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 300 total flight hours and 75 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 start-up cases, a Business Plan and annual Projections are required with the Credit Application; the business may be a part-time venture and not the PG's full-time occupation
- ✓ A Business Plan and Projections are not required for Pilot Training/Flight Schools with >15 months TIB
- ✓ Pilot Training/Flight Schools \geq 18 months TIB (written proof) may be a part-time, non-primary W-2 earning vocation
- ✓ Will consider/finance Flight Simulators for current/previous aircraft borrowers with 6 on-time payments (see below)

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 8-20 years
- ✓ Final/60th Payment is a 'balloon' amount of the remaining principal balance due on Maturity Date
- ✓ Interest is paid down first followed by Principal and then any assessed Fees/Penalties
- ✓ On all deals, CHB charges a 1% Docs Preparation Fee (\$500 min, \$1k max) of the amount Paid to Seller/Dealer
- ✓ Applicant is generally the aircraft owner and must be listed on the BoS/Purchase Agreement and FAA Registration
 - Special Purpose Entity registrations with the FAA are acceptable; a separate Corporate Guaranty is required
- ✓ Escrow use is required on all aircraft deals at buyer's/seller's expense to file CHB's Lien with FAA as Secured Party
- ✓ Will finance avionics upgrades into deal at approved LTV; Invoice required; Escrow holds 50% of funds until complete

Aircraft Operation

- ✓ Borrower/PG must (generally) operate the aircraft \geq 51% of its total use; remaining 49% may be for a Pilot Training/Flight School or Flying Club Dry Lease/Leaseback arrangement; Exceptions possible for well qualified aviators
- ✓ 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 notice to, and permission granted by, CHB and accompanied by acceptable international insurance coverage
- ✓ Aircraft must be ADS-B Out equipped for compatible use with Flight Aware tracking and reporting system

Credit Decisions

- ✓ On receipt of all required info, CHB strives to deliver credit decisions within one business day on deals below \$400k
 - For transactions > \$400k, an extra 2-3 business days is needed for corporate bank review/approval
- ✓ 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

Flight Simulators

- ✓ Will finance a new Flight Simulator \leq \$100,000 for an established (3 years TIB) aviation pilot training/flying club entity
- ✓ Will finance a used Flt Sim (10 years or less) \leq \$75,000 for current Borrowers with an active aircraft loan account and six on-time payments
- ✓ Will consider a new or used Flight Simulator \leq \$100,000 for a former CHB aircraft Borrower with a 'clean' pay history
- ✓ Flight Sims are not amortized more than 10 years and Down Payments of 10% - 25% are required
- ✓ Considerations of PMSI and first position lien/UCC filing will almost always outweigh other underwriting factors



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/LSA only; 1,320 lbs)
- ✓ MOSAIC LSAs (FAA-licensed Sport Pilots)
- ✓ Single & Dual, Piston, Retractable
- ✓ Single Turboprops (at CHB discretion)
- ✓ Fixed & Variable Pitch/Constant Speed
- ✓ Light and Utility, Helicopters
- ✓ Monoplanes
- ✓ Biplanes
- ✓ Experimental not Accepted
- ✓ Home Built/Kit Planes not Accepted
- ✓ Powered, Weight-shift not Accepted
- ✓ Glider & Sailplane not Accepted
- ✓ Airship not Accepted
- ✓ Amphibians not Accepted

\$50,000 to \$174,999

For Finance Requests from \$50,000 to \$174,999

- **Signed** Credit Application with Credit Release Endorsement
- Equipment Invoice / Purchase Agreement 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 Avionics and color Photos
- Permission to conduct the Phone Interview

\$175,000 to \$500,000

For Finance Requests from \$175,000 to \$500,000

- **Signed** Credit Application with Credit Release Endorsement
- Equipment Invoice / Purchase Agreement 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 Avionics and color Photos
- Permission to conduct the Phone Interview

\$500,001 to \$750,000

For Finance Requests \$500,000 and greater

- **Signed** Credit Application with Credit Release Endorsement
- Equipment Invoice / Purchase Agreement with All costs itemized
- PG for anyone with 20% or more business ownership
- 3 years' most recent Filed/Audited business Tax Returns
- Most recent 3 years' end-of-year business Balance Sheets
- 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 Avionics and 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
- Transaction Size \$50,000 minimum - \$750,000 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 2024 // CBR- A.D. Jones // Invoice // Credit App- Smith Pilot Training LLC

CHB Deal Submission/Processing Requirements – 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

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

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)

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 partnership.

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,

Team CHB

