



Interest Rate and Notching Factors

MnCIFA Staff Investing Team

Core Principles for Interest Rating Methodology

- Aligned to our statute and current public documents (Lending Manual, Investment Strategy, Strategic Plan)
- Easy to understand, with goal of high level public facing explainer
- Standard process for updates
- Use Treasury Rates as our base

*Incorporates lessons learned from Michigan Saves, California iBank, LPO, and other state agencies

Purpose of each rating

- **Scoring Framework:** Scores project against all MnCIFA's objectives, including non-financial
- **Risk Rating:** Determines MnCIFA Financial Risk
- **Interest Rate:** Prices MnCIFA Risk

Spread based on financial Strength and underwriting

- Treasury curve as base

Treasury Curve as of 6/4/2025		Indicative Rate Matrix					
Rates	Base Rate	Rating	Spread	2-year	5-year	10-year	20-year
1	4.12%	AAA	0	3.96%	4.04%	4.46%	5.00%
2	3.96%	AA	25	4.21%	4.29%	4.71%	5.25%
3	3.93%	A	50	4.46%	4.54%	4.96%	5.50%
5	4.04%	BBB	100	4.96%	5.04%	5.46%	6.00%
7	4.23%	BB	150	5.46%	5.54%	5.96%	6.50%
10	4.46%	B	250	6.46%	6.54%	6.96%	7.50%
20	5.00%	CCC	350	7.46%	7.54%	7.96%	8.50%
30	4.98%	CC	450	8.46%	8.54%	8.96%	9.50%
Source: Treasury		C	550	9.46%	9.54%	9.96%	10.50%

Source: https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value=2025

Environmental Justice, Workforce, Geography, and Additionality

Notching Factors	Statute/Source
Located in or benefits an energy justice community: <ol style="list-style-type: none"> 1) Defined as a disadvantaged community by federal government 2) 40% or more of population is nonwhite 3) 35% or more of households in the community have an income that is at or below 200 percent of the federal poverty level 4) 40% or more of the community's residents over the age of five have limited English proficiency 5) The community is located within Indian country, as defined in United States Code, title 18, section 1151 	Subd. 2i
Furthering lending goals to preferred projects creating good jobs: <ol style="list-style-type: none"> 1) Maximize the creation of high-quality employment and apprenticeship opportunities for local workers, especially workers from environmental justice communities, labor organizations, and Minnesota communities, labor organizations, and Minnesota communities hosting retired or retiring electric generation facilities. 2) Certify, for all contractors and subcontractors, that the rights of workers to organize and unionize are recognized 3) Agree to implement a project labor agreement 	Subd. 6a
Geographic Diversity: <ol style="list-style-type: none"> 1) Finance projects in all regions of the state 	Subd. 4a(7)
Leverages private investment that would not have been available but for MnCIFA financing	Subd. 4a(4)/Board

Pricing Risk: Construction, Term, Equity, Position, and Capital Needs

Notching Factors	Satute/Source
New Construction Loan (New buildings, manufacturing sites, long construction schedule. Does not include solar, partial renovations, efficiency installations)	SIT Committee
Term Longer Than 10 Year	Lending Manual
Less than 20% Equity	SIT Committee Recommendation
Subordinate position	SIT Committee Recommendation
Established Technology with good alternative options for financing	Board

Interest Rate Example: 30,000 ft

Project Rating Term	30,000 Feet AAA 2	
Downward Notching Factors (Rate Reductions)		
Located in or benefits an energy justice community	High/Yes	-100
Furtheres lending goals to preferred projects creating good jobs	Low/No	0
Geographic Diversity	Low/No	0
Leverages Private Investment	High/Yes	-50
	Subtotal	-150
Upward Notching Factors (Rate Increases)		
New construction Loan	High/Yes	100
Term 10 years or longer	Low/No	0
Less than 20% equity	Low/No	0
Subordinate Position	Low/No	0
Established Technology with good alternative financing options	Low/No	0
	Subtotal	100
Treasury Base Rate	3.96%	
Treasury Base Rate + Financial Risk Spread	4.21%	
Notching Adjustment	-0.50%	
Indicative Rate	3.71%	

Origination Fees

- MnCIFA will start charging origination fees
- Waiting for CFO to confirm MnCIFA budget, operating costs, and legal fees moving forward
- Starting with a \$10K base for smaller deals
- Will develop a discount methodology for target communities and projects