

SECOND PARTY OPINION

SUMMARY

Kestrel Verifiers is of the opinion that Colorado Housing and Finance Authority's Single Family Mortgage Bonds, Class I Bonds 2021 Series D (AMT) (Social Bonds), Class I Bonds 2021 Series E (Non-AMT) (Social Bonds), and Class I Bonds 2021 Series F (GNMA MBS Pass-Through Program) (Federally Taxable) (Social Bonds) conform with the four pillars of the Social Bond Principles 2020 as follows:

Use of Proceeds

Colorado Housing and Finance Authority ("Authority" or "CHFA") intends to issue Social Bonds to finance mortgage loans (the "2021 DEF Mortgage Loans") through CHFA's mortgage programs. Eligibility requirements for loan recipients include income limits to help ensure the programs serve low- and moderate-income households and the borrower must be a first-time homebuyer, a qualified veteran, or purchasing a "target area residence," as defined herein. The 2021 Series DEF Bonds align with three eligible Social Project categories under the Social Bond Principles.

Process for Evaluation and Selection

All 2021 DEF Mortgage Loans are verified through CHFA's multi-step process as 1) meeting borrower eligibility requirements for the CHFA FirstStepSM and other Qualified Single Family Programs and 2) benefitting target populations.

Management of Proceeds

Proceeds of the 2021 Series DEF Bonds shall be used to acquire the 2021 DEF Mortgage Loans and pay the costs of issuing the 2021 Series DEF Bonds. The proceeds are expected to be deposited in a separately managed subaccount and used to acquire (1) Mortgage Backed Securities ("MBS") backed by first lien 2021 DEF Mortgage Loans, (2) first lien 2021 DEF Mortgage Loans that are not pooled into MBS, and (3) related second lien mortgage loans made for down payment and closing cost assistance.

Reporting

The Authority intends to voluntarily prepare an updated version of Appendix J of the Official Statement with respect to the Bonds, after all proceeds in the 2021 Series DEF Acquisition Account have been originated. The Authority also commits to posting this updated report to the Municipal Securities Rulemaking Board (MSRB) through the Electronic Municipal Market Access (EMMA) system.

Impact and Alignment with UN SDGs

The Authority's bond-financed activities support UN Sustainable Development Goals 1: No Poverty, 8: Decent Work and Economic Growth, 10: Reduced Inequalities, and 11: Sustainable Cities and Communities by increasing access to financial services that enable vulnerable populations to own property.



The
Social Bond
Principles

ISSUER

Colorado Housing and Finance
Authority

OPINION ON

Single Family Mortgage Bonds Class I
Bonds 2021 Series D (AMT) (Social
Bonds), Class I Bonds 2021 Series E (Non-
AMT) (Social Bonds), and Class I Bonds
2021 Series F (GNMA MBS Pass-Through
Program) (Federally Taxable) (Social
Bonds)

SOCIAL CATEGORIES

1. Affordable Housing
2. Access to Essential Services
3. Socioeconomic Advancement
and Empowerment

TARGET POPULATIONS

Low- and moderate-income
populations

EVALUATION DATE

April 13, 2021

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SECOND PARTY OPINION

Issuer:	Colorado Housing and Finance Authority
Issue Description:	Single Family Mortgage Bonds Class I Bonds 2021 Series D (AMT) (Social Bonds), Class I Bonds 2021 Series E (Non-AMT) (Social Bonds), and Class I Bonds 2021 Series F (GNMA MBS Pass-Through Program) (Federally Taxable) (Social Bonds)
Purpose:	Single Family Homeownership
Social Category:	Affordable Housing Access to Essential Services Socioeconomic Advancement and Empowerment
Target Population:	Low- and moderate-income populations
Par:	\$85,000,000
Evaluation date:	April 13, 2021

SOCIAL BONDS SECOND PARTY OPINION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of these bonds to evaluate conformance with the Social Bond Principles (June 2020) established by the International Capital Market Association.

This Second Party Opinion reflects our review of the uses of proceeds and conformance of the bonds with the Social Bond Principles. In our opinion, the Colorado Housing and Finance Authority’s Single Family Mortgage Bonds, Class I Bonds 2021 Series D (AMT) (Social Bonds), Class I Bonds 2021 Series E (Non-AMT) (Social Bonds), and Class I Bonds 2021 Series F (GNMA MBS Pass-Through Program) (Federally Taxable) (Social Bonds) (“2021 Series DEF Bonds”) are aligned with the four pillars of the Social Bond Principles and qualify for Social Bonds designation.

ABOUT THE ISSUER

The Colorado Housing and Finance Authority, a body corporate and political subdivision of the State of Colorado (“Authority” or “CHFA”) was created in 1973 and serves a primary purpose of investing in affordable homeownership, developing and preserving affordable rental housing, and supporting access to capital for small- and medium- businesses in Colorado. The Authority is self-funded, and its generated revenue is reinvested into affordable housing and economic business development in Colorado.

To help meet its mission, the Authority has multiple programs which target very low-, low- and moderate income families and other vulnerable populations for both single family and multifamily housing. In addition to its single family investments, the Authority, as of the date of this opinion, has approximately 73,000, affordable apartment units in its multifamily housing portfolio. The median annual resident income in the Authority’s multifamily housing portfolio is approximately \$18,641 and approximately 48

percent of such residents are older adults. The business development program offers loans to growing businesses to support job creation. Of these loans, approximately 33% were made to woman-owned businesses and approximately 25% were made to minority-owned businesses.

Between 1974 and 2020, the Authority has made investments that have had positive social impacts in Colorado's local communities:

- \$25B invested into Colorado's economy
- 132,043 customers served with CHFA homeownership programs
- 172,885 households supported with CHFA-sponsored homebuyer education classes
- 73,769 affordable rental housing units supported by loans
- 71,596 affordable rental housing units supported by federal Low Income Housing Tax Credits and State of Colorado Affordable Housing Tax Credits
- 7,200 businesses and 77,745 jobs supported with CHFA business finance programs

ALIGNMENT TO SOCIAL STANDARDS

Social Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Social Projects and which are aligned with the four core components of the Social Bond Principles (International Capital Market Association definition).

Use of Proceeds

Proceeds of the 2021 Series DEF Bonds will finance home loans and down payment assistance loans (collectively, the "2021 DEF Mortgage Loans") and pay the costs of issuing the 2021 Series DEF Bonds. The 2021 Series DEF Bonds align with three Social Project categories identified in the Social Bond Principles: Affordable Housing, Access to Essential Services, and Socioeconomic Advancement and Empowerment. The 2021 Series DEF Mortgage Loans will include loans originated pursuant to the CHFA FirstStepSM Program and may include loans originated pursuant to other single family programs financed by CHFA's Single Family Mortgage Bonds (collectively, the "Qualified Single Family Programs"). The popular CHFA FirstStepSM Program offers financing to low- and moderate-income households, including individuals who are first-time home buyers, qualified veterans, or who are purchasing a targeted area residence. Improving access to financing for eligible borrowers increases access to an essential service and promotes social equity. Without the Authority's programs, certain individuals may not be able to achieve homeownership.

Homeownership is a vehicle for building wealth and economic opportunity that can transcend generations. Instead of paying rent to a third party, homeowners build equity. Owning a home has more predictable housing costs over time and can increase financial stability. Ownership can also reduce disruptions associated with rent instability and changes to a rental property that are out of a family's control. Housing wealth (equity) is also a key component of retirement resources for many families because lower housing costs after the mortgage is paid off makes it possible to subsist on the lower income associated with retirement.

Benefits for Borrowers of Qualified Single Family Program Loans, such as CHFA FirstStepSM Loans, include:

- Homebuyer education
- Fixed-rate loans
- Borrowers with no credit score are allowed
- Option to couple with down payment and closing cost assistance (available on most Qualified Single Family Programs)

Many families and individuals are unable to purchase a home due to the major expense of a down payment and closing costs. To alleviate this barrier, the Authority offers down payment assistance (“DPA”). The majority of loans in the Authority’s Qualified Single Family Program are coupled with DPA. DPA associated with the 2021 DEF Mortgage Loans is expected to be similar to previously financed groups of loans (Table 1). The financing may be used for closing costs, down payment, or certain other qualified expenses.

CHFA supports fair lending and is committed to helping Coloradans achieve and successfully sustain homeownership. CHFA requires all participating third-party lenders to comply with nondiscrimination and fair housing laws, as documented in the CHFA Seller’s Guide.

Target Population: The 2021 Series DEF Bonds benefit low- and moderate-income individuals and families in Colorado who are pursuing homeownership. The maximum eligible income is between 100% and 115% of the Area Median Income (“AMI”) for borrowers purchasing homes outside of Targeted Areas (as defined below) and between 120% and 140% for borrowers purchasing homes in Targeted Areas. The distribution of income bands for the borrowers of the 2021 Series DEF Mortgage Loans is expected to be similar to previously financed groups of loans in the Qualified Single Family Program (Table 2). The 2021 DEF Mortgage Loans are also expected to benefit minority populations who are historically under-represented as homeowners, borrowers with disabilities, borrowers who care for individuals with disabilities, as well as households in lower income areas and areas of chronic economic distress.

Targeted Area: It is expected that approximately one third of the 2021 DEF Mortgage Loans will be made to households in Targeted Areas. A Targeted Area is defined as (i) a census tract in which 70% of families have incomes which are less than 80% of the statewide median family income or (ii) an area of chronic economic distress. The designation of an area of chronic economic distress may change over time and is based on several factors including housing demand, demand for financing, area income levels, and/or unemployment rates. An entire county or a smaller area within a county may be designated as a Targeted Area. Currently, there are over one hundred designated Targeted Areas in Colorado.

Table 1. Down Payment Assistance (DPA) provided in conjunction with CHFA’s previously issued bonds for single-family bonds (1/1/2019-3/1/2020)


Down Payment Assistance ("DPA") Provided in conjunction with Qualified Single Family Program	
	\$ / # / %
Total DPA Provided \$	\$57,628,115
Total DPA Provided #	5168
% of Borrowers Receiving DPA %	97.9%
Average DPA Provided per Borrower	\$11,151
Average DPA Provided (% of Purchase Price)	4.1%



Table 2. Income bands of loans in the Authority’s Qualified Single-Family Programs (1/1/2019-3/1/2021). It is expected that the 2021 DEF Mortgage Loans will have a similar income distribution. To be eligible for the Authority’s Qualified Single-Family Programs, such as the CHFA FirstStepSM program, borrowers with an income above 115% AMI (Area Median Income) must be purchasing a residence located in a Targeted Area.

AMI Band	2019		2020		2021		Total	
	\$ of Loans (\$MM)	% of Proceeds	\$ of Loans (\$MM)	% of Proceeds	\$ of Loans (\$MM)	% of Proceeds	\$ of Loans (\$MM)	% of Proceeds
<50%	\$15.15	2.94%	\$22.53	2.88%	\$1.60	1.36%	\$39.29	2.77%
50% - 59%	\$36.80	7.14%	\$46.33	5.91%	\$9.00	7.66%	\$92.14	6.51%
60% - 69%	\$55.94	10.86%	\$75.68	9.66%	\$10.98	9.35%	\$142.60	10.07%
70% - 79%	\$64.06	12.43%	\$98.58	12.58%	\$12.43	10.58%	\$175.07	12.36%
80% - 89%	\$79.37	15.40%	\$121.28	15.48%	\$19.46	16.57%	\$220.11	15.54%
90% - 99%	\$77.61	15.06%	\$104.47	13.34%	\$15.03	12.79%	\$197.10	13.92%
100%+	\$186.38	36.17%	\$314.48	40.15%	\$48.98	41.69%	\$549.84	38.83%
Total	\$515.31	100.00%	\$783.36	100.00%	\$117.47	100.00%	\$1,416.14	100.00%

Homebuyer Education: The Authority contracts with organizations throughout Colorado to provide homebuyer education classes. It is expected that all recipients of the 2021 Series DEF Mortgage Loans will have participated in the Authority’s homebuyer education classes. These classes provide critical education about interest rates, borrowers’ rights, the role of a lender, and more. The courses can help prepare borrowers for the homebuying process and the ongoing responsibilities of homeownership.

STANDARD	ELIGIBLE SOCIAL PROJECT CATEGORIES
	<ol style="list-style-type: none"> 1. Affordable Housing 2. Access to Essential Services 3. Socioeconomic Advancement and Empowerment

Process for Evaluation and Selection

The Authority’s mission, in part, is to increase access to affordable homeownership. To achieve its mission, the Authority will provide mortgages and down payment assistance through the 2021 Series DEF Bonds to households that otherwise may not have access to affordable homeownership. All 2021 Series DEF Mortgage Loans are part of CHFA’s Qualified Single Family Programs. To be eligible for a loan through the Qualified Single Family Programs, borrowers must meet strict criteria. Requirements include:

- Borrower must be a first-time homebuyer, a qualified veteran, or purchase in a Targeted Area (defined above)
- Borrower’s income must meet income limits (low- or moderate-income)
- Purchased home must not exceed purchase price limits
- Purchased home must be the borrower’s primary residence

Eligibility requirements include that a borrower is: (1) a first-time homebuyer (i.e. a borrower who has had no present ownership interest in the borrower’s principal residence at any time during the three-year period ending on the date the mortgage is executed); (2) a qualified veteran (as defined in Section 143 of the Internal Revenue Code) or (3) purchasing a “targeted area residence” (i.e. a residence in an area which is either a qualified census tract or an area of chronic economic distress). One of the Qualified Single Family Programs is intended to benefit persons or parents of a person with a permanent impairment or disability.

Multiple entities are involved in the review processes to confirm that the 2021 Series DEF Mortgage Loans meet the required criteria. Initially, individuals apply and work with CHFA-approved Mortgage Lenders across the state. A Mortgage Lender uses parameters established by the Authority to confirm the borrower's eligibility for the Qualified Single Family Program. Next, the Authority reviews the documented eligibility prior to acquiring the mortgage. The Authority reviews every Qualified Single Family Program mortgage it purchases. Through these steps, multiple eligibility criteria are confirmed, including employment verification, income levels, and other factors. Finally, a third-party compliance audit is also performed on a percentage of the mortgage loans the Authority acquires, including those originated under the Qualified Single Family Programs.

Management of Proceeds

Proceeds from the 2021 Series DEF Bonds will be used exclusively to finance the 2021 DEF Mortgage Loans and pay the costs of issuing the 2021 Series DEF Bonds. The proceeds are expected to be deposited in a separately managed subaccount (the "2021 DEF Acquisition Account") and used to acquire: (1) Mortgage Backed Securities ("MBS") backed by certain first lien 2021 DEF Mortgage Loans (2) other first lien 2021 DEF Mortgage Loans that are not pooled into MBS, and (3) related second lien 2021 DEF Mortgage Loans made for down payment and closing costs assistance. It is expected that the 2021 Series DEF Bonds proceeds will be expended within a few months of issuance.


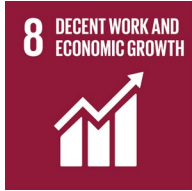


Proceeds may be temporarily invested in accordance with the Authority's Investment Policy and the Master Indenture of Trust dated as of October 1, 2001, as amended, between the Authority and Zions Bancorporation, National Association, as trustee (the "Master Indenture") prior to delivery of the MBS. Allowable temporary investments include, but are not limited to, U.S. Treasury obligations, agency securities, general obligation or revenue bonds from U.S. municipalities, money market funds, highly rated commercial paper, and the Colorado Local Government Liquid Asset Trust. Permitted investments of bond proceeds by the Authority are fully defined by the Master Indenture and investment of the proceeds of the 2021 Series DEF Bonds in such investments would not lead to ineligibility of the 2021 Series DEF Bonds as Social Bonds. The Authority's Finance Department is responsible for tracking and managing disbursements of the proceeds of the 2021 Series DEF Bonds.

Reporting

The Authority intends to voluntarily prepare an updated report once the proceeds of the 2021 Series DEF Bonds have been used to acquire the 2021 DEF Mortgage Loans, and post this report to the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access ("EMMA") system. The updated report is expected to indicate that proceeds in the 2021 DEF Acquisition Account have been spent and provide impact data related the 2021 DEF Mortgage Loans. The voluntary report is expected to be in the form of Appendix J of the Official Statement with respect to the Bonds (the "Official Statement"). So long as the 2021 Series DEF Bonds remain outstanding, the Authority has also committed to submitting annual continuing financial disclosures and notices of certain listed events, all as described in the Official Statement, to the MSRB's EMMA system.

Impact and Alignment with UN SDGs

CHFA’s mission and the 2021 DEF Mortgage Loans support the sustainable and equitable vision of the UN Sustainable Development Goals (UN SDGs). The *2030 Agenda for Sustainable Development* adopted by all United Nations member states in 2015 provides “a shared blueprint for peace and prosperity for people and the planet.” The United Nations’ Agenda describes 17 Sustainable Development Goals (SDGs) and multiple Targets within each SDG. The 2021 Series DEF Bonds directly align with UN SDGs 1, 8, 10, and 11 by supporting homebuyers who may otherwise not have access to financing for homeownership. A comprehensive list of targets and background on the UN SDGs is available on the United Nations’ website: <https://www.un.org/sustainabledevelopment/>

UN SDG Goals	SBP Social Project Category (SDG Targets)	Possible Indicators*
	<ul style="list-style-type: none"> Affordable Housing (Target 1.4) Socioeconomic Advancement and Empowerment (Target 1.4) Access to Essential Services (Target 1.4) 	<ul style="list-style-type: none"> Number of loans serving low- and moderate- income groups Number of people provided with access to financial services
	<ul style="list-style-type: none"> Access to Essential Services (Target 8.10) 	<ul style="list-style-type: none"> Number of people provided with access to financial services (mortgage, down payment assistance, or homebuyer education)
	<ul style="list-style-type: none"> Socioeconomic Advancement and Empowerment (Target 10.2) Access to Essential Services (Target 10.2) 	<ul style="list-style-type: none"> Number of mortgages in Targeted Areas Percent of mortgages for disadvantage groups and target populations
	<ul style="list-style-type: none"> Affordable Housing (Target 11.1) 	<ul style="list-style-type: none"> Number of first-time homeownership opportunities Number of households provided down payment and closing cost assistance in addition to mortgage loan access

*Several example indicators included above are from the ICMA’s reference, *Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals*.

By increasing access to financial services that enable low- and moderate-income populations to own property, the Authority’s Qualified Single Family Program supports interruption of the poverty cycle (Target 1.4) and increases use of valuable financial tools (Target 8.10). The Authority’s down payment assistance and homebuyer education programs lower the barriers to homeownership, thereby increasing social equity (Target 10.2, 1.4) and improving access to affordable housing (Target 11.1).

CONCLUSION

Based on our independent verification, the 2021 Series DEF Bonds conform, in all material respects, with the Social Bond Principles (2020) and are in complete alignment with three eligible Social Project categories: Access to Essential Services, Affordable Housing, and Socioeconomic Advancement and Empowerment. The Authority continues to demonstrate a strong commitment to low- and moderate-income families and individuals seeking homeownership with the issuance of the 2021 Series DEF Bonds.

ABOUT KESTREL VERIFIERS



For 20 years Kestrel has been a trusted consultant in sustainable finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based Women's Business Enterprise.

For more information, visit www.kestrelverifiers.com

DISCLAIMER

This opinion aims to explain how and why the discussed financing meets the ICMA Social Bond Principles based on the information which was available to us during the time of this engagement (March 10, 2021 - May 20, 2021) only. By providing this opinion, Kestrel Verifiers is not certifying the materiality of the activities financed by the Social Bonds. It was beyond Kestrel Verifiers' scope of work to review issues relating to regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the activities or use of proceeds. Kestrel Verifiers relied on information provided by the Authority and publicly available information. The opinion delivered by Kestrel Verifiers does not address financial performance of the Social Bonds or the effectiveness of allocation of its proceeds. This opinion does not make any assessment of the creditworthiness of the Authority, or its ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Bonds. Kestrel Verifiers is not liable for consequences when third parties use this opinion either to make investment decisions or to undertake any other business transactions. This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the issuer or the activities discussed. Language in the offering disclosure supersedes any language included in this Second Party Opinion.