

BlueHub Loan Fund, Massachusetts

October 28, 2025

This report does not constitute a rating action.

Credit Highlights

- S&P Global Ratings' issuer credit rating (ICR) on [BlueHub Loan Fund](#) (BHLF), Mass. is 'A+'.
- S&P Global Ratings' rating on BHLF's series 2020 and series 2024 sustainability bonds is 'A+'.
- The outlook is stable.

Rationale

Security

The ICR reflects our view of the obligor's general creditworthiness, focusing on its capacity and willingness to meet financial commitments as they come due. It does not apply to any specific financial obligation because it does not consider the obligation's nature and provision, standing in bankruptcy or liquidation, statutory preferences, or legality and enforceability.

Both the series 2020 and 2024 bonds are unsecured general obligations of BHLF, payable from all legally available revenue and assets, and are not secured by a reserve fund, mortgage lien, or security interest on or in any funds or other revenue or assets of BHLF. Currently none of BHLF's existing debt is secured, and it has no other obligations that may be viewed as senior to the series 2020 or 2024 bonds. In our opinion, the rating on these issues is at the same level as the ICR.

BHLF used the \$60.5 million in taxable series 2024A bond proceeds as working capital, to refinance existing loans, and for other uses consistent with its corporate purpose; these bonds are interest only and carry a bullet maturity in 2029. The \$29.3 million tax-exempt series 2024B bond proceeds were used to provide long-term financing resources to existing charter school loans within BHLF's portfolio, and to better match the duration of the loans with the duration of the bonds; the bonds have a final maturity in 2044 with a \$14 million balloon payment.

Credit overview

BHLF pursued its strategy of expanding its lending capacity in fiscal 2024--driving a 33% increase in its gross loan balance outstanding and 52% increase in debt outstanding, largely driven by its series 2024 bond issue. This resulted in an increase in equity but a modest decline in our key

Primary Contact

David Greenblatt
New York
1-212-438-1383
david.greenblatt
@spglobal.com

Secondary Contact

Kaiti Wang
New York
212-438-0566
kaiti.wang
@spglobal.com

capital adequacy ratio. Given market dynamics and the changing operating environment, BHLF expects its lending volume in fiscal 2025 to be slightly lower than originally expected, and we believe its net equity-to-total assets will remain in-line with the current rating. At the same time, BHLF was able to generate a net interest margin that we believe is comparable with similarly rated peers, while keeping non-performing assets (NPAs) under 1% in fiscal 2024. Although there may be a slight uptick in delinquencies or troubled loans by the end of fiscal 2025, we think it is unlikely that asset quality will weaken such that it will pressure the current rating.

The rating reflects our view of BHLF's:

- Capital adequacy, with a net equity-to-total assets ratio of 20% in fiscal 2024 after debt increased faster than equity, with a five-year average ratio of 20.8% that we consider to be in line with that of other 'A+' rated community development financial institutions (CDFIs);
- Above-average profitability, with a return on average assets (ROA) ratio of above 5% during the past five fiscal years, with continued receipt of grant revenue in addition to operating revenues that increased slightly more than operating expenses, and a five-year average net interest margin (NIM) for loans of about 3.8%;
- Very strong asset quality, as measured by a nonperforming assets (NPAs)-to-total loans ratio of about 0.1% in fiscal 2024 and a five-year average of 0.7%, below the average among other rated CDFIs;
- Sufficient liquidity to cover short-term financial needs, with short-term investments accounting for about 33% of assets in fiscal 2024, and about \$45 million in undrawn external lines of credit; and
- Proactive loan-portfolio management, with thorough underwriting guidelines and a strong internal culture centering on risk mitigation, partially responsible for BHLF's successful record of managing programs, even during difficult circumstances.

Environmental, social, and governance

We have analyzed environmental, social, and governance (ESG) factors relative to BHLF's financial strength, management, and legislative mandate, and view these factors as neutral in our credit analysis. We think BHLF's loan portfolio could have exposure to certain environmental factors, such as climate transition and physical risks, with about 56% of its existing loan balance for projects in Massachusetts, Texas, Tennessee, and New York. We believe BHLF's financial strength, strong underwriting guidelines, insurance requirements, and strategic decision-making mitigate these risks; in the past five years, BHLF has diversified its geographic footprint by moving into new markets in the southern and midwestern region of the country.

Outlook

The stable outlook reflects our expectation that BHLF's capital adequacy will remain in-line with the current rating through periods of market uncertainty while it continues to execute its growth plans that are included within its strategic plan, which runs from fiscal 2022 through fiscal 2026. While BHLF maintains a robust pipeline of loan requests, management anticipates slower lending volume than projected based partially on certain federal policy and funding decisions. Based on our view of unaudited year-to-date June 30, 2025, financials and conversations with management, we expect BHLF to end fiscal 2025 with capital adequacy ratios that average those of recent years and with a generally favorable loan interest spread. Demonstrating prudent debt management, BHLF's capitalization strategy involves matching the duration of assets with

lending capital and maintaining flexible capital to meet borrowers' needs. Further, we expect BHLF's leverage ratio (net equity-to-total debt) will remain neutral, with management using strategic planning related to debt management. At the same time, based on our view of management and the expected characteristics of an expanded loan portfolio, we believe BHLF's profitability, asset quality, and liquidity will remain on par with the current rating.

Downside scenario

We could lower the rating or revise the outlook to negative if unrestricted equity and other available capital prove insufficient to absorb assumed loan losses, bringing our calculated net equity-to-total assets ratio below levels that we consider consistent with this rating. We could also lower the rating if capital adequacy were to decrease significantly beyond our current expectations due to weakening loan performance or fewer net assets, which would demonstrate volatility and impede capitalization and debt. A limitation on its liquidity sources available for short-term needs and weaker profitability propelled by market conditions or lending strategy could also lead us to lower the rating.

While currently BHLF holds no secured debt, we may consider a negative rating action on the bond issues outstanding should BHLF take on a level of secured debt that we do not view as minimal.

Upside scenario

We could raise the rating or revise the outlook to positive if BHLF's net equity-to-total assets strengthen during the outlook period to levels that are more in-line with those of higher-rated peers, while profitability remains above average compared with that of other rated CDFIs. We could also consider a positive rating action due to BHLF's exceptional loan performance, preservation of sufficient capital available to absorb potential loan losses, and strong balance sheet management.

Credit Opinion

Financial Strength

Capital adequacy

We view BHLF as well capitalized with capital-adequacy ratios that are only slightly below the median among rated CDFIs. Between fiscal years 2020 and 2024, the net-equity-to-total assets ratio averages about 20%, after adjusting for our assumed loan losses, which is stronger than the five-year average in our previous review. Balance-sheet equity available to cover loan losses grew by more than 50% between fiscal years 2020 and 2024, and our assumed loan losses percentage decreased materially over that time to reflect our view of risk within BHLF's loan portfolio. Over this time, BHLF benefitted from growth in unrestricted net assets, including an influx of loan prepayments following the onset of the pandemic, and low-cost grants that helped grow its lending capacity including from the CDFI Fund and the U.S. Dept. of Education. The net equity-to-total assets ratio decreased modestly to 20% in fiscal 2024 from 22.2% in fiscal 2023 as BHLF issued about \$90 million.

Following two consecutive years of gross loan balance contraction due to market conditions (e.g., muted loan originations and increased prepayments), BHLF's loan portfolio grew by 34% year-over-year in fiscal 2023, in its biggest loan production year on record. This was followed by a 33%

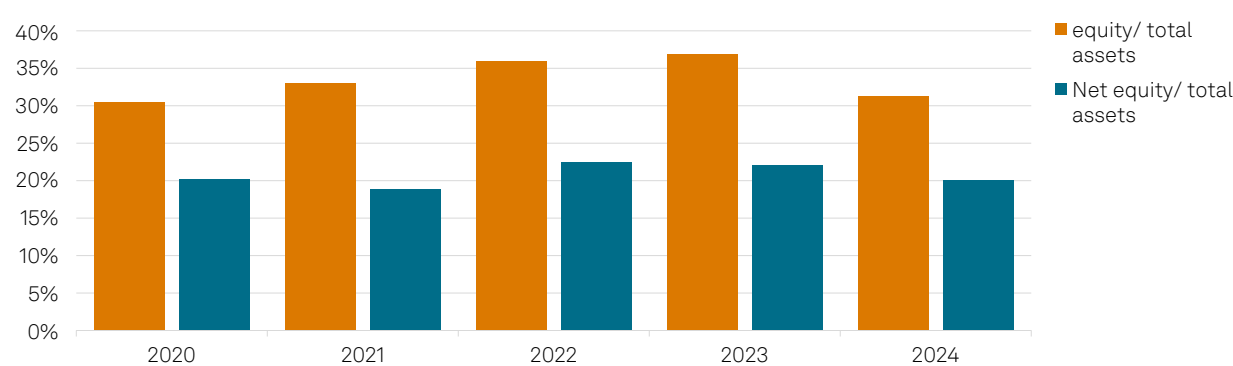
increase in fiscal 2024. The biggest increases were among charter school and multifamily housing borrowers, and an almost doubling of the balance of construction loans outstanding. Since 2019, however, construction loans as a percentage of BHLF's loan portfolio have decreased to about 41% from 47%. Debt outstanding also began an uptick in the past couple of years, with a 22% year-over-year increase in fiscal 2023 and 52% increase in fiscal 2024, largely due to the series 2024 bonds. This subsequently created modest pressure on BHLF net assets with equity falling from nearly 37% of total assets in fiscal 2023 to 31.4% in fiscal 2024.

We estimate credit enhancement required for existing loans, as of March 2025, was approximately 12.2% at the 'A+' stress level, an improvement from the approximately 23% loss we assumed in our previous analysis in 2023. Our loan analysis considers projects' net cash flow and the presence of reserves or other provisions that could mitigate potential repayment risk. BHLF has received credit enhancement from the U.S. Department of Education to support lending in the charter-school sector, as well as grants from the Capital Magnet Fund to help finance affordable-housing loans. We think BHLF has sufficient net equity to cover potential losses at this 'A+' stress scenario.

BHLF has managed its debt profile well, in our opinion. Total debt outstanding rose to \$327.1 million in fiscal 2024. Net equity was about 36% of total debt in fiscal 2023, and moderated to 30% in fiscal 2024, which we view as a neutral rating factor in our analysis and in line with other rated CDFIs. Approximately 8% of BHLF's debt outstanding is fully subordinate with indeterminate maturity dates in the form of EQ2s from local banks and institutions, which is lower from recent years following the issuance of the series 2024 bonds. In addition, we think BHLF sufficiently matches its asset and liability terms: approximately \$32 million in debt service, principal maturities, is due by fiscal year-end 2026 while \$109 million in loan principal matures by that time, and all loans and existing debt carry fixed interest rates. BHLF plans to originate more than \$550 million in loans, averaging \$110 million annually, and finance 200 high-impact community development projects between fiscal years 2022 and 2026; as of June 2025, the loan balance outstanding plus undisbursed loan capital totaled about \$475 million.

Chart 1

BHLF capital adequacy ratios



Source: S&P Global Ratings.

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

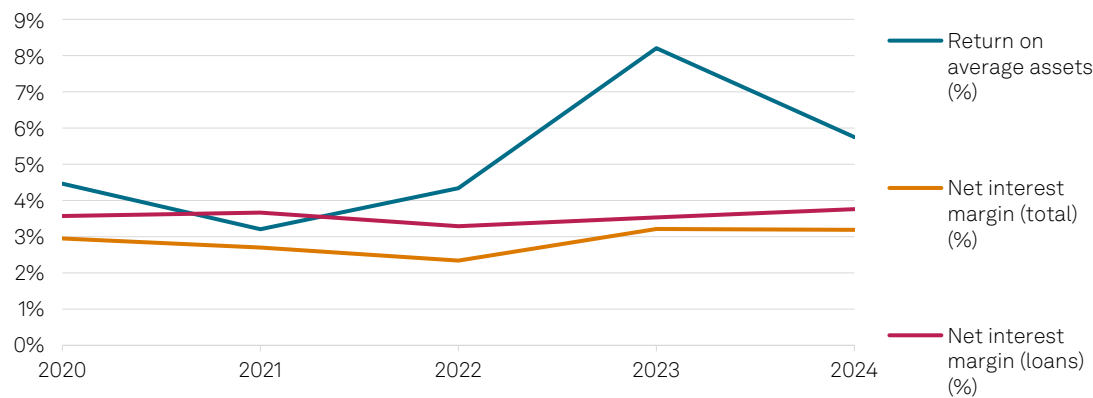
Profitability

BHLF has above-average profitability, in our opinion, with a five-year average ROA of 5.2%, and had spiked to 8.2% in fiscal 2023 while moderating to 5.8% in fiscal 2024, well above our 'A' rating category benchmark. ROA can fluctuate for CDFIs due to changes in the receipt of grants and contributions. During both fiscal years 2023 and 2024, BHLF benefitted from an increase in revolving loan capital from the donor-restricted credit enhancement through the U.S. Department of Education.

At the same time, the five-year average NIM for loans remained relatively stable at 3.6%, which we view as in line with that of other rated CDFIs. NIM strengthened in fiscal 2024, with interest income growing by \$5.4 million while interest expense was only \$2.2 million more. BHLF’s target to cover operating costs is between 2.5% and 3.0%; as of June 2025, the estimated net spread between loan interest received and debt outstanding was about 3.5%. According to its 2022-2026 strategic plan, BHLF is exploring ways to increase and develop new sources of fee income to diversify revenue beyond mainly loan interest income.

Chart 2

BHLF profitability



Source: S&P Global Ratings.

Copyright © 2025 by Standard & Poor’s Financial Services LLC. All rights reserved.

Asset quality

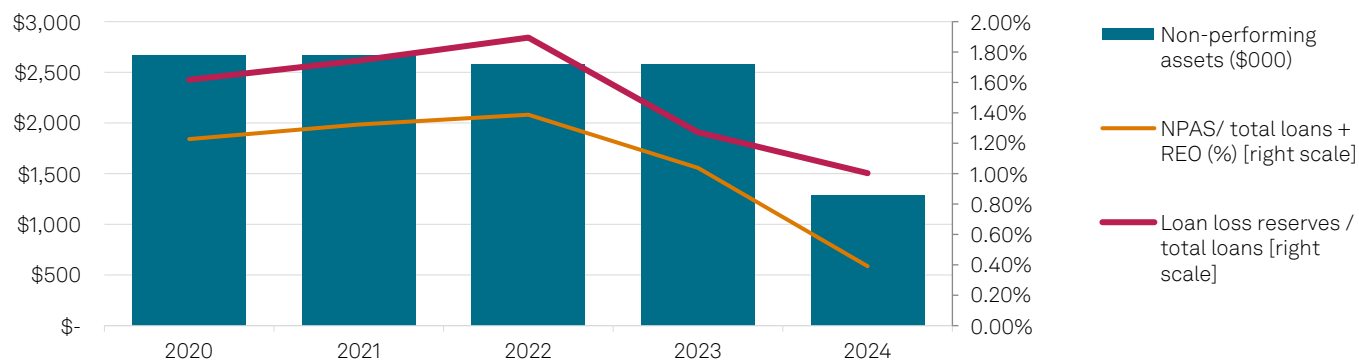
BHLF’s total assets reached a new high in fiscal 2024 of about \$494.6 million, 40% higher than in fiscal 2023, spurred largely by the loan portfolio expansion and receipt of additional lending capital from the bond issue. As of March 2025, Massachusetts remained the highest concentration of loans with 25% of the gross balance, and Texas and Tennessee rounded out the three states with the highest loan balances outstanding. The asset-class distribution in BHLF’s loan portfolio remains relatively consistent with past years; housing (37%) and charter school projects (40%) represent most of the balance outstanding.

In our opinion, BHLF’s loans performed very strongly with minimal NPAs during the past five years. Its five-year average NPAs were 0.7% of the loan balance; 0.12% was reported as delinquent past 90 days in fiscal 2024, still below the average among rated CDFIs. As of Q2 2025, delinquencies over 90 days climbed to 1.22%. BHLF’s loan loss reserves are smaller than those of

other rated CDFIs, not including the approximately \$13.5 million in board-designated net assets for general loan losses. In fiscal 2024, the loan loss reserves were about 1.0% of total loans, below the average among other rated CDFIs. There were no loans that were deemed credit impaired, therefore requiring a troubled debt restructuring, and no write-offs, in fiscal 2024. BHLF experienced a modest increase in delinquencies in the second quarter of 2025 based on project-specific reasons and market conditions, though we believe this increase will not materially pressure our view of BHLF's creditworthiness.

Chart 3

BHLF asset quality



Source: S&P Global Ratings.

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

Liquidity

BHLF, in our view, has sufficient liquidity to cover short-term financial needs. The influx of grants and loan prepayments in recent years led loans to account for 66% of assets in fiscal 2024, down from 79% in fiscal 2020. Short-term assets were nearly 32.5% of total assets on the balance sheet, which could be used for liquidity purposes. Management plans to draw down cash in the near term for lending activities so we anticipate these ratios will decline during the outlook period. In addition, following the full deployment of series 2024 bond proceeds, loans are expected to account for about 80% of assets, although conversely short-term investments are expected to approach 15% of assets, which would lag that of other rated CDFIs.

As part of its liquidity strategy, BHLF structures financial assets to be available as general expenditures, liabilities, and other obligations come due. By the close of fiscal 2024, there was \$45 million in unused lines of credit for loan-capital purposes; as of June 2025, the unused lines of credit totaled \$55 million. We think access to external liquidity, such as these facilities, could be a credit strength should unexpected, short-term needs occur.

Management

We view BHLF's management as strong overall due to experienced and strategic senior leadership. An 11-member board of directors, with an average tenure of service of more than 21 years, oversees BlueHub Capital, including BlueHub Capital's CEO. To ensure all affiliates are working toward shared financial and mission-driven goals, BlueHub Capital and each of its

affiliates, including BHLF, have distinct boards of directors with identical members. The board represents a variety of business sectors and geographic locations.

BHLF has had some turnover and new hires in recent years but has continued to execute on its strategic plan and expand its reach in underserved communities. BHLF's current president, hired in July 2023, has experience as a senior leader for a peer CDFI, as well as in the position of chief business officer of a housing finance agency. As BlueHub Capital prepared for the retirement of its former chief financial officer (CFO) in 2025, it hired a new CFO in Sept. 2024, who brings experience from several organizations over her career--this strategic hiring enables a transition period for the new CFO, which we think can be a strength. BHLF hired a senior vice president of climate lending in August 2024, and BlueHub Capital hired its first chief information officer in October 2024 as it operates with a forward-looking risk mindset.

BHLF's strategic plan fits within its organizational capabilities and expertise, and it is deliberate when committing capital to meet its social mission. Management's ability to resolve difficult situations during its operating history is strong, in our view, evidenced by limiting delinquencies among its loans and proactively working with borrowers to overcome economic-related challenges.

Behind BHLF's loan performance is its active-loan and portfolio management, including management reviews of weekly delinquency, maturity, conversion-date reports, and quarterly portfolio reviews. Active-loan monitoring involves annual reviews and site visits, as needed, typically every three years. Staff also perform loan-level monitoring that involves high-touch relationships with borrowers, ongoing reviews of project progress, financial reports, and risk ratings (assigned at approval and reviewed during the loan's life). Risk ratings support the allowance for loan losses based on a range of loan characteristics.

Economy

In our opinion, the diversity of BHLF's loan activity mitigates risks associated with state and local economic trends, particularly given the geographic expansion of its portfolio in recent years beyond its core market in New England and the Northeast. Sector exposure is also relatively diverse, in our view. This reflects the ability of BHLF to be nimble maximizing opportunities to provide financing opportunities in underserved communities and expand their lending capacity given the greatest need and efficacy. In our opinion, lending in larger areas with more-diverse economies is less affected by economic trends than lending in smaller geographic regions.

Table 1

BHLF key credit ratios

%	2020	2021	2022	2023	2024	Five-year average
Capital Adequacy						
Equity/total assets	30.56%	33.04%	35.98%	36.94%	31.36%	33.58%
Net equity/total assets	20.19%	18.84%	22.48%	22.16%	20.09%	20.75%
Equity/total debt	45.88%	52.00%	59.11%	60.60%	47.43%	53.00%
Net equity/total debt	30.31%	29.65%	36.94%	36.34%	30.39%	32.73%
Available Liquid Assets/ total loans	36.88%	45.65%	75.03%	60.84%	50.29%	37.59%
Profitability						
Return on average assets	4.46%	3.21%	4.34%	8.20%	5.75%	5.19%
Net interest margin	2.95%	2.70%	2.34%	3.21%	3.19%	2.88%

BHLF key credit ratios

%	2020	2021	2022	2023	2024	Five-year average
Net interest margin (loans)	3.57%	3.66%	3.29%	3.53%	3.76%	3.56%
Asset Quality						
NPAs/total loans + REO	1.23%	1.32%	1.39%	1.04%	0.39%	1.07%
Loan loss reserves/total loans	1.62%	1.74%	1.89%	1.27%	1.00%	1.51%
Net charge-offs/average loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Liquidity						
Total loans/total assets	78.84%	71.30%	62.90%	69.31%	66.13%	69.69%
Short-term investments/total assets	17.88%	25.46%	34.58%	28.98%	32.53%	27.89%
Total investments/total assets	17.88%	25.46%	34.58%	28.98%	32.53%	27.89%

Footnote: S&P Global Ratings ratios

Table 2

BHLF five-year trend analysis

	2020	2021	2022	2023	2024
Total assets	271,825,520	278,445,233	289,989,268	353,897,293	494,617,792
% change	7%	2%	4%	22%	40%
Total debt	181,046,203	176,899,437	176,491,365	215,759,109	327,065,919
% change	1%	-2%	0%	22%	52%
Total equity	83,064,570	91,992,817	104,325,483	130,739,629	155,132,650
% change	16%	11%	13%	25%	19%
Total net equity	54,876,357	52,458,181	65,201,924	78,407,090	99,382,217
% change	62%	-4%	24%	20%	27%
Revenues	14,108,678	13,470,121	12,417,116	17,145,612	22,672,566
% change	12%	-5%	-8%	38%	32%
Expenses	11,014,362	10,209,661	9,735,665	11,542,813	15,108,865
% change	16%	-7%	-5%	19%	31%
Net income	11,760,593	8,928,247	12,332,666	26,414,146	24,393,021
% change	9%	-24%	38%	114%	-8%
Total Program MBS and loans	214,309,455	198,529,770	182,401,695	245,270,494	327,082,565
% change	4%	-7%	-8%	34%	33%
Nonperforming assets	2,673,313	2,673,313	2,579,813	2,578,689	1,291,774
% change	779%	0%	-3%	0%	-50%

S&P Global Ratings

Ratings List**Current Ratings****Housing**

BlueHub Loan Fund, MA General Obligation	A+/Stable
BlueHub Loan Fund, MA General Obligation ICR	A+/Stable

BlueHub Loan Fund, Massachusetts

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.