

Research Update:

BlueHub Loan Fund, MA Issuer Credit Rating Outlook Revised To Positive From Stable On Above-Average Capital Adequacy

September 22, 2026

Overview

- S&P Global Ratings revised the outlook to positive from stable and affirmed its 'A+' issuer credit rating (ICR) on [BlueHub Loan Fund](#) (BHLF), Massachusetts.
- At the same time, S&P Global Ratings affirmed its 'A+' long-term rating on BHLF's series 2020 and series 2024 sustainability bonds.
- The outlook revision reflects the likelihood that BHLF's capital adequacy will remain above average compared with that of similarly rated peers over the next two years as it focuses on mitigating risk within its lending portfolio and controlling costs of capital, while other key credit factors remain near current levels.

Rationale

Security

The ICR reflects our view of BHLF'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. 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 issuances 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. It used the \$29.3 million tax-exempt series 2024B bond proceeds to provide long-term financing resources to existing charter school loans

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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 highlights

Following a 33% increase in gross loan balance in fiscal 2024, BHLF has since slowed its lending to focus on assessing the current operating environment, mitigating risk within its portfolio, and minimizing its costs of capital while extending the duration of some of its funding sources. The gross loan balance declined in fiscal 2025 by 3%, the first year-over-year decrease since fiscal 2016, while debt outstanding decreased by 6% over the same period. This contributed to one of the strongest S&P Global Ratings-calculated net equity ratios on record for BHLF. While its capital adequacy may weaken slightly over the near term as lending picks up and new debt is incurred, we believe there is a one-in-three likelihood that financial strength will be in-line with that of higher-rated peers. At the same time, based on its renewed focus on underwriting and portfolio monitoring, we expect asset quality will remain stronger than other rated community development financial institutions (CDFIs), and that profitability will remain consistent with BHLF's recent average.

The rating reflects our view of BHLF's:

- Capital adequacy, with a net equity-to-total assets ratio of 24% in fiscal 2025 after debt outstanding decreased while equity increased, and a five-year average ratio of 21.5% that we consider to be in line with that of certain higher-rated CDFIs;
- Above-average return on average assets (ROA) ratio compared with that of other rated CDFIs, averaging about 5% during the past five fiscal years, but a weaker net interest margin (NIM) at about 3% than that of higher-rated peers in fiscal 2025 following a slowdown in lending, although management's strategy of reducing its costs of capital and increasing lending in the near-term may lead to an improved NIM;
- Above-average asset quality, as measured by a nonperforming assets (NPAs)-to-total loans ratio of 1.6% in fiscal 2025, an increase from 0.4% the year prior but still below the median among other rated CDFIs;
- Sufficient liquidity to cover short-term financial needs, with short-term investments accounting for about 33% of assets in fiscal 2025, maturing loan principal exceeding debt service payments over the next two years; and
- Proactive loan-portfolio management, with thorough underwriting guidelines and a strong internal culture centering on risk mitigation, partially responsible for BHLF's record of managing programs, even during difficult circumstances.

Outlook

The positive outlook reflects our expectation that BHLF's near-term balance sheet strategy may lead to a lower capital adequacy ratio, but not below those commensurate with a higher rating. This expectation is based on conversations with management about its lending strategy and focus on mitigating repayment risk among its borrowers. At the same time, BHLF has sought to attract new investors while extending the duration of current investments and lowering their costs. We expect the assumed loan losses in the near term will remain comparable with our current analysis based on management's focus on strengthening its underwriting and portfolio monitoring practices. While BHLF recognizes its profitability during fiscal 2025 was below that of the past two years, one of management's focus areas involves maintaining a consistent spread

on its lending and keeping costs of capital below 5%. As lending picks up in the near term, particularly with the backdrop of higher interest rates, we expect profitability will improve.

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. We expect BHLF's leverage ratio (net equity-to-total debt) will remain neutral, with management using strategic planning related to debt management.

Downside scenario

Although unlikely, we could take a negative rating action if unrestricted equity and other available capital prove insufficient to absorb assumed loan losses over the next two years, bringing our calculated net equity-to-total assets ratio below levels that we consider consistent with the rating. We could also lower the rating if capital adequacy were to decrease significantly beyond our 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 BHLF holds no secured debt, we may consider a negative rating action on the bonds outstanding should BHLF take on a level of secured debt that we do not view as minimal.

Upside scenario

We could consider a positive rating action if BHLF's net equity-to-total assets remain consistent with those of higher-rated peers, while profitability strengthens. In this scenario, asset quality, available liquidity, and our view of management would remain credit profile strengths.

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 2021 and 2025, the net-equity-to-total assets ratio averaged about 21.5%, after adjusting for our assumed loan losses, which is the strongest five-year average since we began rating BHLF. Balance sheet funds available to cover loan losses increased further in fiscal 2025, and our assumed loan losses percentage has decreased materially over the past five years as well, reflecting our view of risk within BHLF's loan portfolio. 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 of bonds. This trend reversed in fiscal 2025 following a slowdown in new originations and pay-down of existing debt outstanding; while we expect net-equity will weaken modestly relative to total assets over the next two years, we believe BHLF's capital adequacy will remain more comparable with our criteria benchmark for the 'AA' category than the 'A' category.

We estimate credit enhancement required for existing loans, as of March 2026, was approximately 9.6% at the 'A+' stress level, which is 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

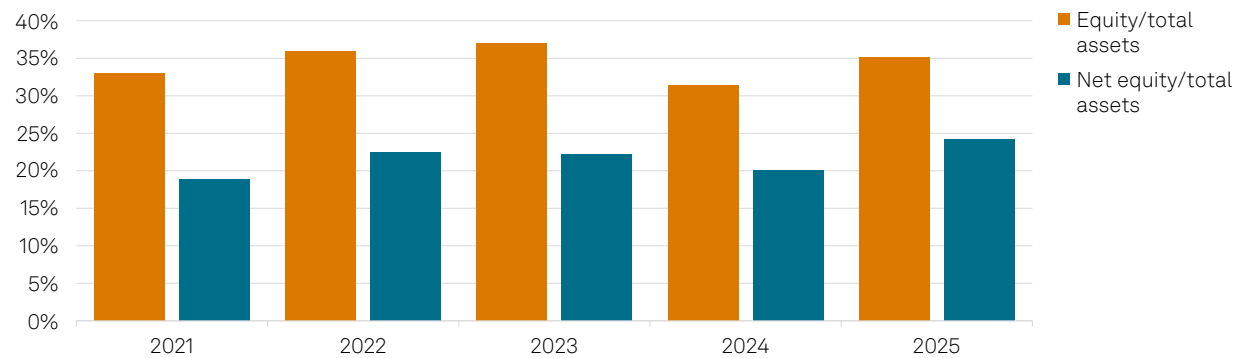
risk. BHLF has received credit enhancement from the U.S. Department of Education to support lending in the charter school sector, as well as grants from the Capital Magnet Fund to help finance affordable housing loans.

Based on our view of unaudited year-to-date June 30, 2026, financials and conversations with management, we expect BHLF will end fiscal 2026 with capital adequacy ratios weaker than that of fiscal 2025 but stronger than its previous five-year average. During the first six months of fiscal 2026, the gross loan balance outstanding increased to \$350 million from \$320 million, although debt was lower than the close of fiscal 2025.

Since the bond issuance in fiscal 2024, management has been focused on managing its cost of capital while extending the length of funding where possible, such as through longer subordinate debt with indeterminate maturities. There are no significant new debt plans prior to fiscal 2029. While debt outstanding could increase before then, we do not expect the scale of such additional leverage will create material credit pressure.

BHLF has managed its debt profile well, in our opinion. Net equity was about 38% of total debt in fiscal 2025, which we view as a neutral 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 equity equivalent investments from local banks and institutions, which is lower from recent years following the issuance of the series 2024 bonds, but we expect this percentage to be higher by the end of fiscal 2026. In addition, we think BHLF sufficiently matches its asset and liability terms; maturing loan principal exceeds annual debt service owed until fiscal 2029, and about 5% of the loan balance carries variable interest rates while 6% of debt outstanding has variable interest rates.

BHLF capital adequacy ratios



Source: S&P Global Ratings.

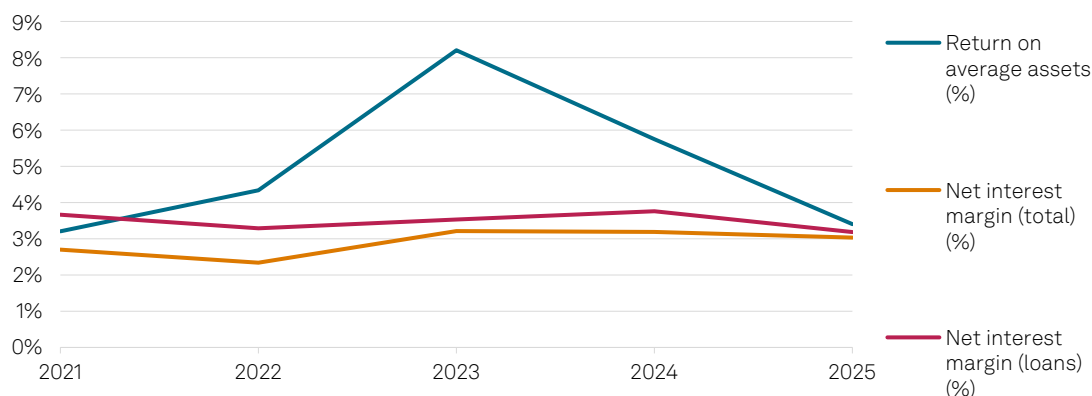
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Profitability

We view BHLF's ROA as stronger than the median for rated CDFIs in fiscal 2025 and over the past five years despite a decline in net income over the past two years. ROA was 3.4% in fiscal 2025 compared with a five-year average of about 5%, driven partly by reductions in donor-restricted grants and contributions, which can fluctuate. The fiscal 2025 ROA also reflects a slower increase in operating expenses than recent years, with the lowest year-over-year increase since fiscal 2022.

At the same time, NIM for loans in fiscal 2025 and on a five-year average exceeds the median for 'A+' rated CDFIs but lags the median for 'AA-' rated CDFIs. Interest expenses increased more than income during fiscal 2025, partly due to slower loan originations than the prior year. Management is focused on maintaining low capital costs and stable lending spread for new loans. Part of this strategy involves negotiating lower rates with new and existing lending partners, which has proven successful so far in fiscal 2026. BHLF is also looking to diversify its funding sources, including through philanthropic funds. Therefore, we expect profitability could modestly strengthen over the next two years.

BHLF profitability



Source: S&P Global Ratings.

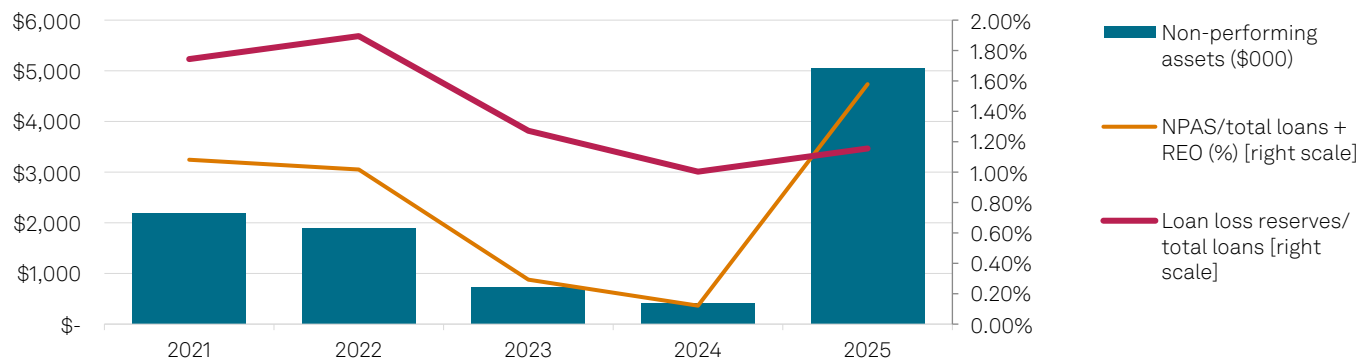
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Asset quality

BHLF's total assets decreased in fiscal 2025 to \$489.5 million, down 1% from the prior year, as the loan portfolio balance decreased. As of March 2026, Massachusetts remained the highest concentration of loans with 22% of the gross balance, down from 25% one year prior, with Tennessee and Texas rounding 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 (34%) and charter school projects (40%) represent most of the balance outstanding.

In our opinion, BHLF's loans performed stronger than most peers, with minimal NPAs during the past five years. Its five-year average NPAs were 1.1% of the loan balance; 1.5% was reported as delinquent past 90 days in fiscal 2025, a significant increase from the 0.12% in fiscal 2024 but still below that of peers and well under our criteria benchmark for our highest rating category. In fiscal 2025, the loan loss reserves were about 1.2% of total loans, not including approximately \$16.1 million in board-designated net assets for general loan losses, below the average for other rated CDFIs.

BHLF asset quality



Source: S&P Global Ratings.

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Liquidity

BHLF, in our view, has sufficient liquidity to meet short-term financial needs. The influx of grants and loan prepayments in recent years led loans to account for 65% of assets in fiscal 2025, down from 79% in fiscal 2020. Short-term assets were 33% of total assets on the balance sheet, and financial assets available to meet cash needs for general expenditure within one year reached about \$151.3 million in fiscal 2025. Management plans to draw down cash in the near term for lending activities, so we anticipate these ratios will decline during the outlook period. By fiscal year-end 2025, there was \$55 million in unused lines of credit from financial institutions for loan-capital purposes. 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. We view BHLF's recent senior leadership changes as thoughtful as they ensure the sufficient experience and expertise to deliver on their mission. 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 for a housing finance agency. As BlueHub Capital prepared for the retirement of its former CFO in 2025, it hired a new CFO in September 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 also hired a senior vice president of climate lending in August 2024, BlueHub Capital hired its first chief information officer in October 2024 as it operates with a forward-looking risk mindset, and BHLF hired a president of managed assets and chief credit officer in April 2026 who

brings more than 35 years of experience to help strengthen underwriting guidelines and deepen its risk culture.

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, demonstrated by limiting delinquencies among its loans and being proactive 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 for BHLF to be nimble in 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.

BHLF key credit ratios

%	2021	2022	2023	2024	2025	Five-year average
Capital adequacy						
Equity/total assets	33.0%	36.0%	36.9%	31.4%	35.1%	34.5%
Net equity/total assets	18.8%	22.5%	22.2%	20.1%	24.1%	21.5%
Equity/total debt	52.0%	59.1%	60.6%	47.4%	55.8%	55.0%
Net equity/total debt	29.7%	36.9%	36.3%	30.4%	38.4%	34.3%
Available Liquid Assets/ total loans	45.6%	75.0%	60.8%	50.3%	37.7%	53.9%
Profitability						
Return on average assets	3.2%	4.3%	8.2%	5.7%	3.4%	5.0%
Net interest margin	2.7%	2.3%	3.2%	3.2%	3.0%	2.9%
Net interest margin (loans)	3.7%	3.3%	3.5%	3.8%	3.2%	3.5%
Asset quality						
NPAs/total loans + REO	1.1%	1.0%	0.3%	0.1%	1.6%	0.8%
Loan loss reserves/total loans	1.7%	1.9%	1.3%	1.0%	1.2%	1.4%
Net charge-offs/average loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity						
Total loans/total assets	71.3%	62.9%	69.3%	66.1%	64.6%	66.8%
Short-term investments/total assets	25.5%	34.6%	29.0%	32.5%	33.0%	30.9%
Total investments/total assets	25.5%	34.6%	29.0%	32.5%	33.0%	30.9%

Footnote: S&P Global Ratings ratios

BHLF five-year trend analysis

	2021	2022	2023	2024	2025
Total assets	278,445,233	289,989,268	353,897,293	494,617,792	489,545,686
% change	2%	4%	22%	40%	-1%
Total debt	176,899,437	176,491,365	215,759,109	327,065,919	308,056,692
% change	-2%	0%	22%	52%	-6%
Total equity	91,992,817	104,325,483	130,739,629	155,132,650	171,885,010
% change	11%	13%	25%	19%	11%
Total net equity	52,458,181	65,201,924	78,407,090	99,382,217	118,169,782
% change	-4%	24%	20%	27%	19%
Revenues	13,470,121	12,417,116	17,145,612	22,672,566	28,488,303
% change	-5%	-8%	38%	32%	26%
Expenses	10,209,661	9,735,665	11,542,813	15,108,865	21,874,557
% change	-7%	-5%	19%	31%	45%
Net income	8,928,247	12,332,666	26,414,146	24,393,021	16,752,360
% change	-24%	38%	114%	-8%	-31%
Total gross loan balance	202,053,003	185,924,928	248,430,764	330,396,635	319,759,899
% change	-7%	-8%	34%	33%	-3%
Nonperforming assets	2,185,230	1,891,245	726,771	401,245	5,048,345
% change	0%	-13%	-62%	-45%	1158%

Footnote: S&P Global Ratings

Ratings List**Outlook Action**

	To	From
Housing		
BlueHub Loan Fund, MA General Obligation	A+/Positive	A+/Stable
BlueHub Loan Fund, MA General Obligation ICR	A+/Positive	A+/Stable

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.

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