Flexible Financing Facility (FFF)
Flexible Repayment Options*

FINANCIAL SOLUTIONS

About the FFF

The FFF offers financial solutions to further borrowers' risk management capabilities in projects, lending programs and asset-liability management strategies. Sovereign borrowers can choose from a menu of embedded options to tailor financial terms of Ordinary Capital (OC) loans. The FFF also offers stand alone hedges to transform risk characteristics of all IDB obligations. These financial solutions address borrowers' changing needs during the life of IDB loans.

The FFF also offers loan tranching −creating sub loans within a single loan− to facilitate project cash flow management. Each tranche can carry different financial structures, such as currency, repayment schedule, and interest rate basis.

Flexible Repayment Options

Borrowers have the option to select by loan signature or during the disbursement period, loan repayment terms to better suit project cash flows and liquidity risk management considerations.

Flexible repayment options may be made available to loans approved under prior modalities, i.e. pre-FFF. This may require loan contract modifications and would be subject to market availability and IDB's operational and risk considerations.

At a Glance

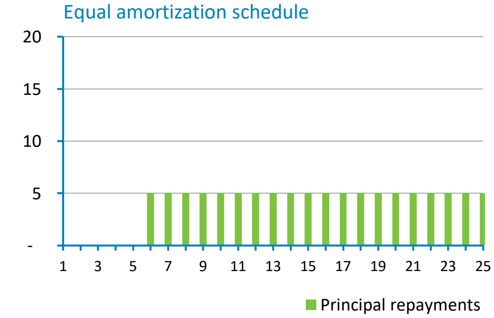
- Repayment schedules designed to fit project and client individual needs.
- Loan tranches can have different repayment schedules within the same loan.
- Choice of amortization schedules subject to maintaining WAL and original maturity.

Standard FFF loans carry a semiannual straight line amortization schedule. Borrowers can also choose from other repayment options including bullet repayment structures, extended grace periods, uneven amortization schedules, and shorter repayment periods. These options are available to borrowers provided that (i) the Weighted Average Life (WAL) of all tranches in a loan do not exceed the loan's original WAL, and (ii) the loan's final maturity, as approved, is not exceeded.

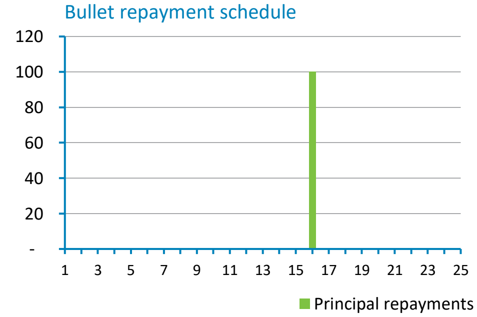
Terms of a standard Investment loan are 25-year maturity and 5.5 year grace period which translate into a WAL of 15.25 years. Terms of a Policy-Based loan (PBL) are 20-year maturity and 5 year grace period which translate into a WAL of 12.75 years.

Examples of repayment schedules with equivalent WAL (15.25 years)

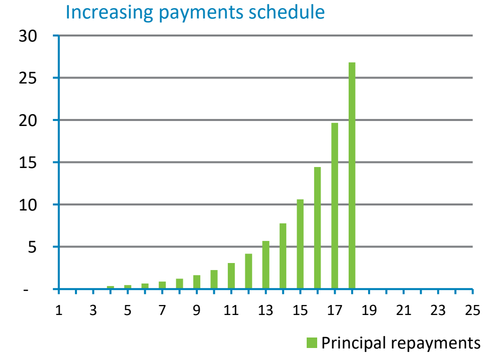
Equal amortization schedule



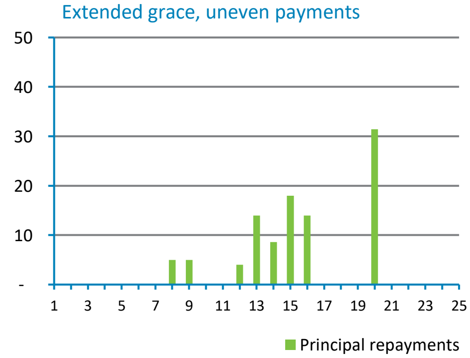
Bullet repayment schedule



Increasing payments schedule



Extended grace, uneven payments



* All loans negotiated after January 1st, 2012, are approved under the Flexible Financing Facility.

Flexible Financing Facility (FFF) | Terms and Conditions	
Currency of loan approval	- US dollars or regional local currencies (LCs) that the IDB can efficiently intermediate.
Maturity, amortization, and WAL	- Investment loans: typically, 25 years final maturity, 5.5 year grace period and semiannual straight line amortization thereafter, corresponding to a Weighted Average Life (WAL) of 15.25 years. - Policy Based Loans (PBLs): 20 years final maturity, 5.5 year grace period and semiannual straight line amortization thereafter, corresponding to a WAL of 12.75 years.
Lending rate	- For US denominated financing, lending rate is SOFR base rate plus IDB lending spread: (i) SOFR base rate is USD SOFR daily overnight compounded rate in arrears +/- IDB's funding margin; plus (ii) IDB's Ordinary Capital (OC) lending spread, periodically determined by the Bank. - For Major Currencies (MC)/LC financing, lending rate is (i) the MC/LC equivalent of SOFR +/- estimated funding margin in USD or actual funding cost at the time of execution, plus (ii) IDB lending spread. - For applicable loan charges and conversion option fees, please refer to www.iadb.org/rates.
Loan tranching	- Refers to sub loans within a single loan, each with different financial structures, such as currency, repayment schedule, and interest rate basis. - For financing in MCs, up to four tranches each of at least $3 million. For financing in LCs, flexible number of tranches to accommodate for market constraints. - Each tranche can be denominated in a different currency.
Currency conversion options	- Conversion options available during the life of the loan for disbursements or outstanding loan balances include: (i) conversion to other MCs; (ii) conversion to regional LCs subject to market availability; and (iii) fixing the exchange rate at a predetermined level on a future date (forward starting swap). - Loan obligation remains in the converted currency. - For non-US dollar conversions, arrears accrue interest at a floating rate of the overdue currency plus 1%. Additional charges assessed, if necessary, consistent with a full cost pass through. This applies for currency in which the IDB does not have treasury operations. - Please consult with us for these and other currency options.
Flexible repayment options	- Standard FFF loans carry a semiannual straight line amortization schedule. Other repayment options include bullet repayment structures, extended grace periods, uneven amortization schedules, and shorter repayment periods subject to: (i) the cumulative WAL of all tranches cannot exceed the loan's original WAL, and (ii) the loan's original final maturity date, which cannot be exceeded.
Interest rate conversion options	- Options available during the life of the loan for partial or full loan conversions include: (i) fixing both or either one of the SOFR base rate components (SOFR daily overnight compounded rate in arrears and/or funding margin); (ii) floating the fixed rate; (iii) converting to an inflation-linked rate; (iv) contracting an option to fix the SOFR base rate at a predetermined level on a future date (forward starting swap); (v) purchasing an interest rate cap and/or collar. - Minimum amounts apply based on operational and market considerations.
Commodity conversions	- Commodity conversion options are embedded in FFF loans and are linked to outstanding loan balances. - Conversion options available during the life of the loan include: (i) buying a call option to protect from commodity price increases; and (ii) buying a put option to protect from commodity price decreases.
Catastrophe Protection Conversions (CPC)	- Through the built-in Catastrophe Protection Conversion clause in the FFF, borrowers have the ability to manage exposure to catastrophe risk (such as, tropical cyclones and earthquakes). - CPC offers cash payouts from the IDB to the borrower if a pre-defined Catastrophe event occurs during the term of the protection.
Principal Payment Option (PPO)	- The PPO allows for a one-time deferral of principal repayments for 2 years given the occurrence of an eligible natural disaster event (currently tropical cyclones and earthquakes). - Available for member countries with a current Contingent Credit Facility for Natural Disaster Emergencies (CCF)
Prepayment	- Full or partial loan prepayments are subject to IDBs ability to unwind its funding operations with the market. - Converted loan amounts under any of the options offered by the FFF are subject to pass through of IDB's cost/gain from redeployment of funds.
Conversion fees	- Fees for currency, interest rate, and/or conversions apply. - For a complete list of transaction fees, please refer to www.iadb.org/rates.

IDB Finance

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IDB
Inter-American Development Bank