

Microenterprise Forgivable Loan Program - CV

National Objectives:

570.208(a)(2)(iii) Low-Moderate Income Limited Clientele

Purpose: To retain jobs for Low- to Moderate-Income individuals affected by the COVID-19 pandemic through Microenterprise assistance

Eligible Activities: 570.201(o)

Payroll – Purchase Business Equipment – Purchase Inventory – Construction costs below \$2000
– Working Capital – Business Lease/Mortgage payment

Ineligible Activities:

Debt Payment – Construction of \$2000 or more – Anything not listed as eligible - expenses incurred prior to signed agreement with the City.

Applicant Eligibility:

- Request must be related to COVID-19 pandemic.
- Must not be a Duplicate of Benefits from other federal assistance programs (eg PPP)
- Business must have 1-5 employees, one of which is the owner.
- Applicant must either create or retain jobs for persons with low to moderate income (LMI) OR qualify as low-moderate income (LMI is defined as 80% of Area Median Income, variable by family size.)
- Funds cannot be used for expenses incurred prior to signed agreement with the City.

Maximum Loan/Grant: \$7,500

Terms: This loan will have a three-year term at a 0% interest rate. If your business is able to create or retain at least ONE low or moderate income job for the first three months after the receipt of loan funds then the loan will be completely forgiven. If your business is unable to provide such documentation, it will not be deemed to have met the requirements to enable it to be forgiven, however repayment will be deferred for the first twelve (12) month period after the loan is administered. Businesses will begin monthly loan repayments on month 13. After repayment begins, businesses shall have two (2) years (Twenty-four (24) months) to complete full repayment of the loan.

Funding Source: CDBG entitlement funding based on funding availability.

Application Process

I. To Apply for a City Loan:

Anyone interested in participating in the City's Loan Programs must submit an application (found on City of Auburn website, Economic and Community Development Department). Any questions or requests for a paper application may be sent to the Economic and Community Development Department (ECD) at zlenhert@auburnmaine.gov. The application period is open as long as funding is available. Economic Development applications are processed on a first come, first serve basis.

Pre-Application: All interested parties must fill out an application found on Auburnmaine.gov under "City Loan and Grant". ECD staff will review the application and documentation to identify for which programs applicant may be eligible.

Application Submission: The following items may be required submissions as part of the application package:

1. An application that is complete and signed by every owner with an interest of 20% or more interest in the business
2. Signed permission to check credit of each individual owner with an interest of 20% or more in the business
3. Financial information from all owners with a 20% interest or more, including: income from all sources (employment income must include 2 months of pay stubs or payroll record); two years of personal and corporate income taxes; two months of personal and corporate bank statements; personal financial statement
4. Other information as requested to determine credit worthiness and eligibility for a loan
5. Addresses of all properties in the City of Auburn owned wholly or in part by the applicant
6. Written description of the specific purpose of funds
7. Income Verification forms for Owner and Employees

Application Processing and Review: Each application will be dated upon receipt in the Economic and Community Development Department offices on the First Floor at City Hall. Only one original application is needed; however, applicants should retain a copy of the completed application. Each program description outlines the type of funding available as well as the maximum funding limit. You may request up to that limit; however, if the ask is not supported by the need, the City may fund at a lower amount. You must meet the individual program and the financial guidelines for program.

Verification of Information: Once the application is submitted, ECD staff will verify all sources of income, assets, and matching sources. Third party written verifications may be needed. Credit reports are obtained to determine credit worthiness of the applicant(s). The City is a credit reporting agency. The majority owners (20% ownership and over) will be required to sign a Personal Guaranty in addition to a Corporate Guaranty.

Outstanding City Assessments or Complaints: City Staff will verify applicant has no outstanding assessments with the city. (Assessing, Finance, Water and Sewer, Treasurers, Code Enforcement and Planning). If there are outstanding assessments or complaints, the applicant will not be eligible for funding until the assessments are paid in full and the complaints cooperatively dealt with. If the applicant is in a payment plan with the City and is current and demonstrates a good paying record, funding may be considered.

Environmental Review: ECD staff will check the Federal, State, and local databases to determine whether or not an environmental review is needed.

II. Risk Analysis and Underwriting Criteria

All loans will be underwritten by staff or contractors of the Economic and Community Development Department.

Underwriting Criteria: The following underwriting criteria will be used to evaluate the financial strength of the borrower and the anticipated success of the project:

1. Gap Analysis: Debt Service Coverage Ratio (DSCR) defined as monthly debt compared to the monthly net income. A private market industry minimum standard DSCR is considered 1.25; the City will accept a DSCR less than 1.24 as indication that the business is ineligible for conventional funding and therefore represents the gap. City will also evaluate whether applicant is ineligible for conventional funding for other reasons including inability to use interest.
2. Commitment of other lenders/Terms of the Commitment/Subordination.
3. Verification that all City Department assessments (taxes, City utilities, etc) have been paid.
4. Business Income Projection Statement

The file will be documented with this information and reviewed by staff to determine whether the project is financially feasible.

Other Considerations: The City may accept or reject any application for funding. The City has an “open window” to accept applications throughout the year. Sometimes a project meets the underwriting criteria but then is not funded by the City.

The following reasons may cause the City to reject an application for funding:

- 1) There is no more funding available through City sources.
- 2) The funding priority may have changed; or
- 3) There are environmental review concerns. Examples may be: the property is in a 100 year flood plain; it’s historic and the cost to rehabilitate the building is no longer cost reasonable for the limited funding the City has available; severe or toxic contamination, etc.
- 4) There was a material change in either the property condition or the owner’s financial condition. If this situation occurs after the loan has been approved but before the closing, City staff may choose to not close the project; if this occurs after loan approval and closing, the City may choose to follow the default remedies under the loan.

III. City Approval/Disapproval

All loan requests that meet program and financing guidelines are presented for review and approval to the Community Development Loan Committee (CDLC).

The actions of the Committee shall be governed by the following rules:

1. A majority of the Committee's members must be present to constitute a quorum.
2. Committee approval of loans will be contingent upon the applicant meeting the ongoing requirements of the program.
3. The Committee has the authority to adjust terms, rates, the match requirement, and underwriting ratios on a case-by-case basis.

Once the CDLC makes a recommendation, the applicant will be notified via telephone by a representative of the Economic and Community Development Staff. If the terms have been modified, the borrower will be given an opportunity to accept the new terms and conditions or request an appeal.

IV. Appeal Process

Applications that have been denied or terms modified may request an appeal to the Community Development Loan Committee for a period of thirty days after the date of rejection. A request for an appeal must be in writing and submitted to the Economic and Community Development Department.

The applicant will be allowed to present his/her case to the Community Development Loan Committee. The Community Development Loan Committee may reconsider their prior vote to denying the application after the appeal review has been completed.

V. General Terms and Conditions for Participation in the City Programs

This section sets forth the general terms and conditions to which an applicant must agree in order to receive a loan through the City.

Once the proposed grant or loan is approved for funding and a Notice of Approval is issued, ECD staff will contact applicant to arrange for closing documents.

The City of Auburn views the documents executed at the loan closing as a contractual agreement between the Borrower and the City. To fulfill this agreement, the Borrower must:

1. Supply Job Creation/Retention Income Verification Forms and/or Owner Income Verification Form.
2. Use funds only as stated in agreement.
3. No money will be disbursed to reimburse the Borrower for expenses incurred before date of agreement.
4. The Borrower agrees to keep such records as may be required by the City of Auburn for a period of seven years. Records may be subject to review by the City or HUD oversight staff. Representatives of the City, HUD, the Comptroller General of the United States, or of other authorized governmental agencies have the right of access to any pertinent records to make audits, examinations, excerpts, and transcripts. (24 CFR 85.10 (e) and 84.53 (e)) Consistent with applicable state and local laws regarding privacy and obligations of confidentiality, the City also must provide citizens with reasonable access to records on the past use of CDBG funds (24 CFR 570.508). This does not include the applicant's right to privacy for Personal Protected Identifiable Information.
5. The Borrower further agrees to abide by all terms and conditions of Federal Regulations.

2020 Income Limits

Low and Moderate Income Limits

Effective Date: April 17, 2020

Median Income is \$75,900

FAMILY SIZE	80% of Median Income	50% of Median Income	30% of Median Income
1 person	\$39,150	\$24,500	\$14,700
2 persons	\$44,750	\$28,000	\$17,240
3 persons	\$50,350	\$31,500	\$21,720
4 persons	\$55,900	\$34,950	\$26,200
5 persons	\$60,400	\$37,750	\$30,680
6 persons	\$64,850	\$40,550	\$35,160
7 persons	\$69,350	\$43,350	\$39,640
8 persons	\$73,800	\$46,150	\$44,120*

*The FY 2014 Consolidated Appropriations Act changed the definition of extremely low-income to be the greater of 30/50ths (60 percent) of the Section 8 very low-income limit or the poverty guideline as established by the Department of Health and Human Services (HHS), provided that this amount is not greater than the Section 8 50% very low-income limit. Consequently, the extremely low income limits may equal the very low (50%) income limits.