

**The Village of North Aurora
Small Business Loan Program
General Loan Policy**

PROGRAM DESCRIPTION AND PURPOSE

The Small Business Loan Program (SBL) is administered by the Village administrator's office. These guidelines as set forth in the following manual provide the eligibility criteria, program design, rules and policies, which govern the SBL. The SBL is aimed at providing financial assistance to businesses whose project needs our assistance. The project must also include the creation and/or retention of jobs that are made available to low/moderate income people as defined by the Department of Housing and Urban Development.

APPLICATION PERIOD: Open

FUNDING: Approximately 60 days after full application received

ELIGIBLE USE OF FUNDS:

- Leasehold Improvements
- Machinery & Equipment
- Building/Site acquisition
- Renovations/Construction
- Limited Working Capital
- Moving Costs

INELIGIBLE USE OF FUNDS:

- Vehicles
- Incorporation and Organization Expenses
- Any Financing Fees (i.e. loan packaging fees, application fees)

ELIGIBILITY CRITERIA:

- A. The subject property **must** be located in the Village of North Aurora.
- B. You must demonstrate the need for financial assistance. This can be done by one of the following ways:
- 1) Submit a letter from two financial institutions denying or limiting credit.
 - 2) Submit a letter from a financial institution stating the maximum amount of credit available.
 - 3) Submit a letter that clearly states without Village of North Aurora funding the project would not exist.

C. You must in good faith determine how many new jobs will be created and/or retained that 60% will be made available to low/moderate income people. Job creation time frame is two years. You must be willing to take referrals and/or get household income certifications.

D. You must demonstrate ability to repay debt.

AMOUNT OF PARTICIPATION: Generally 75% of project cost is funded privately, either through a private lender or equity (this may vary depending on situation.).

BORROWER: Any legal borrowing entity that provides a good or service for sale.

TERM: Determined by needs of the project, the term of other lenders, or the economic life of the asset being financed.

RATE OF INTEREST: Negotiable as determined by project need, and the current market.

COLLATERAL: Subordinated mortgage, lien on assets or first mortgage, depending on project.

GUARANTEES: Personal guarantees from company owners (greater than 20% ownership)

FEES: Usual bank & closing costs associated with the loan.

APPLICATION PROCEDURES:

All requests for SBL assistance must be made on application forms provided by the Village of North Aurora. Applications will be reviewed in accordance with the eligibility criteria set forth in the document. The Village administrator or appointed staff will review all applications. If eligible, it will be referred to and recommended to the Executive Board for approval. Once approved by the Executive Committee it will be recommended for approval onto the Village Board.

The administrator or appointed person will initially meet and interview potential applicants to:

- Complete phone prospect checklist.
- Do a preliminary evaluation of eligibility.
- Completed interview and client checklist with client.

No initial interview will be conducted unless client can provide:

- Project cost estimates
- Company financial statements and projections
- Completed application form

DOCUMENTATION

Applicants must submit the following documentation along with their completed application: (NOT ALL DOCUMENTATION WILL BE REQUIRED IN ALL INSTANCES)

- One page project description including all expected costs
- Business financial statements (Company should provide the last three years historical financial statements including both balance sheet and income statement and an interim statement less than 60 days old. **Minimally** the borrower must provide the latest fiscal statement.)
- Current personal financial statement of all business owners.
- Personal tax returns (last 3 years)
- Business tax returns (last 3 years)
- Financial needs outlined (include proof of your contribution, bank letter of commitment and your financing gap)
- Three formal written estimates/proposals for renovations and/or equipment purchases (Include Davis/Bacon Wage Rates)
- Photographs and/or drawings, blueprints of proposed renovations.
- Copy of lease (should be 5 years or more)
- Letter from property owner for permission to do renovations
- Copy of deed or sales contract
- Current appraisal
- Valid Business license
- Tax ID number
- Zoning verified for operating use.
- Building Permits and/or electrical/sign permits
- EPA clearance if property purchase involved
- Signed authorization for credit check
- Corporate resolution authorizing loan application

ENVIRONMENTAL REVIEW

Order photos and complete an Environmental Review request. Within 14 days an Environmental Clearance will be issued unless otherwise stated.

EVALUATION/FOLLOW-UP INTERVIEW

The following will then be done:

Determine eligibility and go over documentation with the Village:

Determine Project feasibility:

- Evaluate proposed costs (cross check with Industry Standards)
- Verify and maximize private sources of funding. (source of funds committed and ability to deliver)

- Determine need for CDBG/HUD/CDAP assistance:
 1. Review Financial Statements
 2. Determine financing gap:
 - Copies of letters from bank determining maximum amount of loan to be granted and/or denial letters or cash flow projection.

A. Determine amount of loan based on the following:

1. Financing Gap
2. Necessary and appropriate to maintain a reasonable rate of return to make project feasible
3. Number of jobs created
4. Amount of public benefit to be achieved

B. If project involves Labor Standards, a meeting will be scheduled with the Labor Relations Coordinator.

APPROVAL PROCESS

The following will then occur:

- Arrange loan committee or executive meeting to discuss loan
- Notification of approval/disapproval in writing

A. If approved a resolution will be prepared for Village Board approval. You should attend this meeting to answer any questions.

FINALIZATION PHASE

Once approved by the Village Board, the following needs to be done:

- Sign the Loan Recommendation Notification. It will then be sent to Village Attorney to start preparation of closing documents. Be sure to provide list of documents needed. Include rates and terms.

MONITORING

A. All applicants will be responsible for the following:

- Complete projects within the time frame of Project Summary and provide documentation (receipts) of completed work and/or purchases.
- Provide proof of hired employees including signed certifications as stated within time frame of Job Creation/Retention Agreement
- Maintain copies of advertisements for job placement ads on file
- Maintain all documentation for a **minimum** of 3 years after the term of note
- Make loan payments as scheduled

LOAN DEFAULT

Late payments may incur a penalty. Defaults will be referred to our Village Attorney.