PROP UNDERWRITING GUIDELINES

Loan Terms

1. Total award amounts will range from $500,000 to $5,000,000
2. Minimum loan term of five (5) years; maximum loan term of thirty (30) years (Term will be determined by project type, size, and proposed use of funds)
3. Minimum annual interest rate of 1% (rate determined by project's cash flow, ability to service debt and risk assessment)
4. A portion of the loan may be forgivable based on timely repayment and adherence to agreed upon project performance goals and plans
5. No pre-payment penalty

Underwriting Standards

All award applicants must meet the following minimum underwriting criteria:

1. Satisfactory credit history for all owners
2. Adequate current and/or projected debt coverage ratio (including all new debt service)
3. Personal guarantee of full loan amount is required for all business owners
4. All award applicants must meet the CDBG Underwriting Criteria of 24 CFR 570.209[1]:

   (1) That project costs are reasonable;

   (2) That all other sources of project financing are committed;

   (3) Documentation of need and that CDBG funds are not substituted for non-Federal financial funding or support;

   (4) That the project is financially feasible;

   (5) That to the extent practicable, the return on the applicant's equity investment will not be unreasonably high; and

   (6) That to the extent practicable, CDBG funds are disbursed on a pro rata basis with other finances provided to the project.

A template/guide will be provided by OCD-DRU regarding how underwriting should be conducted for these and any other required CDBG criteria.

[1] Note: there are no objective or absolute measures of satisfaction of these criteria

Use of Funds

Eligible uses of proceeds include:

1. Acquisition, construction, rehabilitation, installation or reconstruction of commercial real estate
2. Purchase of equipment
3. Purchase of inventory

Ineligible uses of proceeds include:

1. Refinancing of State Bridge Loans
2. Refinancing of existing debt
3. Payment of any tax arrearages, governmental fines or penalties
4. Political or religious activities
5. Buying out any stockholder or equity holder in a business
6. Buying out or reimbursing any family member
7. Purchase of instruments or investments for the sole purpose of a return on investment
8. All other activities prohibited in the CDBG regulations in Part 570