

Atlantic County Business Loan Programs

The 108 Loan and Micro Loan Programs

(only available to communities that participate in the Community Development Block Grant program)

The 108 Loan Program is for existing for-profit businesses while the Micro Loan Program is for existing family owned small businesses or start-up businesses. Both programs are intended to create jobs, revitalize communities, and increase the tax base.

The 108 Loan Program:

The 108 Loan Program is for existing for-profit businesses. Loans can be made for up to \$400,000 or 40% of the project cost, whichever is lower. The 108 Loan Program is intended to be combined with funds from the U.S. Small Business Administration's 504 Program or funds from the Federal Home Loan Bank through its member institutions and other conventional and bank lenders.

The 108 Loan Program must create one full time equivalent job for every \$35,000. The loan must be made to businesses located in census tracts with poverty rates of 20% or higher, or documentation must be provided that 51% of all jobs created are low and moderate income persons.

Loan monies are available for a variety of businesses functions as listed below:

- **Working capital.** Working capital may be used for labor and moving costs associated with the expansion or relocation of a project, inventory financing, and receivable financing, training, and marketing financing. Working capital expenses will only be considered in conjunction with the total project and it will not be financed independently. Repayment terms up to a maximum of ten (10) years. Loan to value is 70% for receivables, 50% for inventory.
- **Renovation and new construction of commercial/industrial buildings**
Repayment terms up to a maximum of twenty (20) years.
- **Acquisition of commercial/industrial land and buildings**
Repayment terms up to twenty (20) years. Loan to value up to 100%.
- **Acquisition and installation of machinery and equipment**
Repayment term up to a maximum of the economic life of the machinery and equipment or ten (10) years, whichever is less. Loan to value is 80% for new equipment, and 90% for used equipment.
- **Refinancing of existing debt to an independent institutional lender** (as part of a new project that creates new job opportunities.)

Funds cannot be used to reimburse for costs incurred prior to the Atlantic County Improvement Authority (ACIA) completing a HUD Environmental Review, except for planning costs of the project.

Application Fees and Requirements:

Independent credit investigations are conducted on the applicant and the principal owners and investors. A non-refundable fee of \$200 is payable at the time an application is submitted. The applicant will pay 3% of the total Section 108 loan amount due at the time of closing. The applicant will be responsible for all other fees, including bank, SBA, and institutional lender fees, appraisal and environmental fees, legal fees from outside firms and the ACIA attorney's office, and any other fees. Applicants will receive a Good Faith Estimate of the projected ACIA fees, which may or may not be adjusted at closing.

All proposed projects are subject to an environmental review. All funded projects are required to comply with federal, state and local statutes, regulations and requirements, including but not limited to the Davis-Bacon Act, Workers Compensation, Section 3 of the Housing and Community Development Act, and insurance requirements.

The Micro Loan Program:

Businesses must meet the HUD criteria of low and moderate-income persons wishing to start a business or businesses. The applicant will hire 51% of its new workers from the low and moderate income labor pool. Low and moderate income persons residing in Atlantic County will be given priority.

Preference to borrowers will be given in the following order:

- a. Borrowers with at least one year's experience
- b. Borrowers with at least six months experience
- c. Start-ups

Micro Loan Criteria

1. The maximum amount of a loan shall be \$35,000 and the minimum amount of the loan shall be \$1,000.
2. A borrower is only eligible to receive loans from the Micro Loan fund once. The intent of the program is to enable a business to provide for its future financing needs through conventional lending or traditional government lending sources.
3. Funds shall be available for working capital and fixed asset financing including land and building, renovation, machinery and equipment.
4. Each loan shall require an equity injection, such injection to be determined by the loan officer.
5. Evidence to obtain other financing will be required, and preference will be given to loans that provide gap financing.
6. An administrative fee of \$100, non-refundable, shall be due from each borrower at the beginning of loan processing.
7. Working capital loans shall not exceed a term of seven years and machinery and equipment loans shall not exceed 10 years or the economic life of the machinery and equipment to be purchased, whichever is less.
8. Fixed asset loans for renovations, acquisition, or new construction shall not exceed 20 years or the life of a lease. In the cases of leases, all extensions on a lease must be solely at the discretion of the tenant.
9. In all instances a personal guarantee of the borrower shall be required.

Micro Loan Review

The credit history of a borrower will be evaluated as part of these criteria. Cash flow is the primary tool to measure the repayment ability of a business to repay a loan. In these evaluations, historical financial records are important in gauging success. However, projections in many instances become as important. In traditional lending, rigorous ratios are frequently used to provide a degree of comfort in providing the loan. In the case of micro loans, collateral, while still important, must provide some flexibility so that rigorous ratios are not always applied if there is compelling evidence for the success of the business.

The Program should not provide funds to replace traditional conventional financing, or the use of the personal resources of the borrower and his family members and supporters. Borrowers should clearly demonstrate that they have the skill sets necessary to make the business a success. In those instances in which this is clearly not demonstrated, arrangements for technical assistance must be made available and used prior to the issuance of a loan. Ongoing technical assistance may also be needed, and the willingness of a borrower to accept such assistance is also crucial.

Disclaimer: Businesses involved in gambling, pornography, illicit activities or affiliated with such activities, are prohibited from applying for the program.

**FOR MORE INFORMATION ABOUT THESE PROGRAMS
AND ACCESS TO APPLICATION FORMS, VISIT
www.atlanticcountyimprovementauthority.org
or call Max Slusher, ACIA Economic Development Director
at (609) 343-2157**