

REVIEWING LOAN INFORMATION for GCDA RLF PROGRAM

The first task in reviewing a loan request is to determine “eligibility” and “financial feasibility”.

The primary components of RLF eligibility are:

- Type of business- *Public or private non-profit businesses eligible. Can be existing or start-up.*
- Use of Proceeds- *Includes acquisition of real property, infrastructure/site improvements, construction/renovations, utilities, machinery/equipment*
- Size of loan- *Maximum amount generally \$100K, unless project has greater-than-average economic impact (i.e. more than \$20K RLF dollars per job created/retained)*
- Job creation or retention-*At least 51% of the jobs created by the project must be for low and moderate income (LMI) persons, and jobs must be for a period not less than 365 days. LMI jobs are defined as those that are 80% or below of a county's median family income, adjusted for family size. See <https://www.dca.ga.gov/node/4972> for current Glynn County Median Family Income (MFI) data.*
In addition, loans will be given priority if the proposed jobs created/retained exceeds the ratio of 1 job per \$20,000 of RLF loan funds.
- Personal Credit History- *Typically, the minimum credit score acceptable to lenders is 650. This may be waived given extenuating circumstances as designated/explained by the underwriter. If there are any liens, charged-off accounts, or late payments evidenced on the credit report, have the borrower provide a written explanation and/or proof of payment.*
- Character- *Has the borrower ever been convicted of a crime? Is he/she currently on probation/parole? Has he/she ever filed bankruptcy? Have all personal and business taxes been paid current? If he/she has child support/alimony obligations, are they current?*
- Conflict of Interest- *In general, no person who is an elected or appointed official, employee, agent, consultant, officer of any person serving in a similar capacity with any participating public agency, who exercise or have exercised any functions or responsibilities with respect to any RLF activities, can benefit from local RLF activities. Borrower(s) need to sign document stating that they are in compliance with this.*

Financial feasibility components include adequacy of cash flow, adequacy of collateral, structure of the loan, realistic projections, and evaluation of business or business plan.

RLF financial feasibility;

- Repayment Ability- *Business' Cash Flow should reflect a minimum Debt Service Coverage of 1.5:1)*
- Global DSC - *Includes all personal income/debt, as well as the income/debt for all affiliate companies. The Global DSC should be no less than 1.25.)*
- Equity/Down payment- *How much is the borrower willing/able to inject? Most lenders require 10%-20% in the form of cash. If cash is not available, does the borrower have other assets they can pledge in lieu of cash?*

- Evidence of 50% participation from lending institution- *Borrower must provide a commitment letter from a lender, which includes the interest rate, term, collateral and any other requirements as a condition of the loan.*
- Collateral-GCDA (and/or bank) should require a 1st lien on all project assets. Using recommended margins, the collateral coverage should be a 1:1. If there is a shortfall, then other available personal assets should be considered (i.e. 2nd on personal residence, cash surrender value of life insurance, marketable securities, etc.)
 - Make sure the appraisal covers the cost of the land/building
 - Recommended margins for collateral are 85% for CRE, 75% for new equipment, 50% for used equipment, 10% for inventory and A/R, 80% for residential property.
- Borrower is responsible for any CADDA fees.

Below are steps typically followed in the “Review Process”.

- a. Prepare a list of items received from the applicant, and a list of any additional items that are needed to complete a thorough review.
- b. Send follow-up letter for any additional items needed for review.
- c. Pull Credit Report on the borrowers and business (if existing). *Authorization to pull credit should be obtained in the form of a signed “Authorization to Obtain Credit” from the applicant, or a signed Personal Financial Statement (PFS) (preferably both).*
- d. Review PFS for accuracy, signatures, date (should be within 90 days) and source of equity. *Also, verify the CSVLI indicated as some individuals will include the Face Value of the policy as opposed to the cash surrender value.*
 - Review any leases, purchase agreements, franchises/offering circulars, appraisals, environmental studies, corporate documents. *Make sure the term of the lease and the franchise term are equal to, or greater than, the term of the loan. Make sure the environmental assessment indicates either “Low Risk” or “No further action warranted”. Make sure the corporate documents (i.e. Articles of Incorporation, Articles of Organization, By-Laws, etc..) match the names/officers provided by the borrower in the application/business plan.*
- e. Determine “Eligibility” for intended loan program (i.e. type of business, size of loan, uses of proceeds, job creation, adequate equity injection, location of business, past criminal activity, credit issues/previous bankruptcies, compliance with franchise guidelines, and compliance with any other EDA guidelines)
- f. Structure loan according to loan amount/uses of proceeds/collateral/amount of equity
- g. Determine “Financial Feasibility”
 1. Spread Tax Returns/Year-end statements/Projections/Balance sheets
 2. Determine cash flow
 3. Complete Ratio calculations & compare results w/ RMA
 4. Determine Working Capital needs
 5. Prepare Collateral Analysis
 6. Prepare personal Debt/Income ratio (acceptable D/I ratio is 40% or less)
 7. Prepare Debt Schedule on applicant business

8. Prepare Global Cash Flow Analysis (include any other affiliates)
- h. Correspond with applicant or applicant's accountant if any discrepancies surface when comparing the financial information.
- i. Provide copy of "Use of Proceeds/Loan Structure" to applicant and/or participating bank for their review along with a follow-up letter with GCDA's recommendation regarding loan structure and terms.
- j. If the applicant and bank concur with the recommendation, then prepare the credit memo for Loan Review Committee.

Glynn County Development Authority

Checklist for Items needed to review RLF Loan

For All Loan Request:

	Summary of Loan Request
	Type of Project
	Location
	Who's the Borrowing Entity
	Use of Proceeds
	Amount & Source of Down payment
	Amount of Loan
	Day-to-day Manager, etc.
	Business Plan, if start-up (If borrower does not have, refer to UGA Small Business Development Center.)
	History of Business
	When Established
	Number of Employees
	Area of Operation
	Types of Services provided
	Day-to-day management
	Competition
	Personal Financial Statement for all owners with 20% or more ownership. (SBA form 413 attached or https://www.sba.gov/sites/default/files/forms/SBA_Form_413_7a-504-SBG.pdf)
	Resume on all owner(s)/management (Personal Profile form attached.)
	Declaration of Principal Owners, Officers, & Directors (Form attached or https://www.sba.gov/sites/default/files/forms/SBA%20Form%20912%20202-13.pdf . Please note that any "yes" responses require written explanation.)
	Personal Tax Returns: Most recent 3 years on all owners/applicants with 20% or more ownership.
	Corporate Tax Returns: Most recent 3 years on business/borrowing entity
	Current Operating Statement and Balance sheet on business/borrowing entity (no older than 60 days)
	Copies of all notes/obligations of business, with balances corresponding to the current balance sheet being submitted.
	Aging of Accounts Receivable and Accounts Payable (if balance sheet is prepared on "Accrual" basis). This should reconcile to current balance sheet being submitted.
	Corporate Tax Returns on all affiliate businesses-Most recent 2 years. (Refer to Schedule E on Personal Tax Return for companies which SBA will require tax returns.)

Please add the following based on type of project:

Checklist for Items needed to review RLF Loan cont.

If Purchasing Fixed Assets Only:	
	Copy of Sales Agreement on land/building to be purchased
	Copy of most recent appraisal (if available)
	Vendor quote on machinery/equipment to be purchased
	Source and amount of down-payment/equity injection. If portion includes "seller-financing", please provide letter from seller outlining amount and terms.
If Start-up Business:	
	Copy of Business Plan to include the following: (If assistance is needed with business plan, please see www.georgiasbdc.org/www.americassbdc.org .)
	Proposed owners & percentages of ownership
	Projected Operating Statement for first two years, with detailed assumptions. The first year should be on month-to-month basis.
	Details of project cost (i.e. land/building purchase, renovation cost, leasehold improvements, purchase of equipment, inventory, working capital, etc.)
	Source and amount of down-payment/equity injection. If portion includes "seller-financing", please provide letter from seller outlining amount and terms.
	Types of services to be offered & service area
	Competition
	Days/hours of operation
	Proposed management/qualifications & experience
	Copy of Proposed Lease Agreement (if planning to lease space)
	Copy of Sales Agreement (if purchasing land/building)
If requesting Working Capital Only:	
	12-month projected Cash Flow Analysis which justifies the amount being requested. (The company's CPA should be able to assist with this, or you may contact the Small Business Development Center in Brunswick at 912-264-7343 or UGA SBDC-Savannah at 912.651.3200 for assistance.)

NOTE: All loans require a bank willing to fund 50% of the loan in participation with GCDA, or either 20% down payment. Your information can be reviewed by GCDA to determine eligibility and financial feasibility, however, a commitment letter from a bank must be obtained before the application can receive final approval. Should you have any questions, please feel free to contact GCDA at:

Ryan Moore, President
 Glynn County Development Authority
ryanmoore@bwkeda.com
 office: 912-265-6629