

**NEWPORT NEWS
MICRO-LOAN PROGRAM
DESCRIPTION**



**Newport News Department of Planning and Development
Newport News Redevelopment and Housing Authority
Newport News Industrial Development Authority**

I. Program Sponsors

The Micro-Loan Program (MLP) is sponsored by the City of Newport News (City) and administered by the Newport News Industrial Development Authority (IDA) and Newport News Redevelopment and Housing Authority (Authority) and the City's Department of Development.

II. Program Purpose

The Program's primary goal is to provide loans for the establishment, stabilization and expansion of small businesses licensed or to be licensed and located in Newport News.

The intent of this program is to assist business owners and other individuals possessing the capability to operate successful business concerns and to assist microenterprises suffering from a lack of credit due to economic circumstances.

Priority consideration will be given to economically disadvantaged persons qualifying for participation in this program when funds are limited.

III. Eligible Activities

- A. Working capital to include inventory, receivables and operating capital.
- B. Equipment and machinery purchases and installation costs.
- C. Furniture and fixture purchases.
- D. Loan payments may be deferred for periods of 3, 6, and 12 months depending on the projected use of funds.
- E. Collateral will be required for all loans and may include personal guarantees, cosigners, equipment security liens, life insurance pledges, real estate loans and vehicle assignments. Subordinated debt consideration will also be considered. Outside collateral will be permitted to overcome most perceived deficiencies.

- F. Borrowers will be expected to invest a minimum amount of cash equity as part of their project financing. These amounts are generally 10 percent and may be higher or lower if approved by committee.

IV. Financing Policies

- A. Loans will be available at eight percent (8%) fixed interest. Firms within the city's designated enterprise zone districts will receive loans at a seven Percent (7%) interest rate.
- B. The amount of funds provided through the MLP shall be no less than \$2,000 and not exceed \$25,000.
- C. Loan terms will range between twelve months and five (5) years.
- D. Loan payments may be deferred for periods of 3, 6 and 12 months depending on the projected use of funds.
- E. Collateral will be required for all loans and may include personal guarantees, cosigners, equipment security liens, life insurance pledges, real estate loans and vehicle assignments. Subordinated debt consideration will also be considered. Outside collateral will be permitted to overcome most perceived deficiencies.
- F. Borrowers will be expected to invest a minimum amount of cash equity as part of their project financing. These amounts are generally 10 percent and may be higher or lower if approved by committee.

V. Credit Requirements

- A. All loan applicants must be of good character and provide authorization for the City/Authority to secure a credit report and verify all financial information provided.
- B. All loan applicants must possess a favorable credit history with no outstanding judgments, collections or seriously delinquent accounts. Previous bankruptcies will be a consideration for loan approval provided three years have passed and verifiable new accounts have been established.
- C. All loan applicants must demonstrate sufficient management or industry expertise or experience and commitment for a sound successful operation.

VI. Loan Conditions and Requirements

- A. All existing applicants must demonstrate sufficient available capital so that with the Micro-Loan, the business can operate on a stable financial basis and show that probable future earnings will be sufficient to meet the loan repayment terms.
- B. All new business loan applicants must evidence availability of sufficient resources to meet startup expenses and initial operating costs in addition to showing future earnings sufficient to meet monthly Micro-Loan payments.
- C. The project must meet the overall goals of the program
- D. The business currently must employ no more than five (5) full-time or equivalent individuals having full or part-time positions.
- E. Borrower must agree to periodic on site visits and monitoring of records by City, IDA and Authority staff and/or representatives.
- F. The borrower must agree to submit required monthly, quarterly and annual financial reports, employment reports, tax withholding reports, and employee income certification reports as requested, as well as personal and business tax returns and personal financial statements.
- G. The borrower must agree to participate in business training/technical assistance.
- H. The loan must comply with all other terms and conditions of the loan approval and must be consistent with the approved sources and uses of funds.

VII. Application and Borrower Information

Application will be made to the Newport News Department of Development for eligibility screening and processing. The application should include:

- A. Completed application form, including Public Information Disclosure Statement and Credit Disclosure Authorization.
- B. Marketing and business plans, if available.

- C. The applicant's personal and business financial statements for the last two years, or if business has operated for less than a year, most recent financial statement, and checking account statements for the last six months.
- D. Resumes of owners and top management team identifying management expertise and capabilities.
- E. Two-year projected pro-forma balance sheets, income and cash flow statements if available.
- F. Supporting information to substantiate the need for funds, including but not limited to: estimates, quotations, receipts, contracts, orders, invoices, payables, etc.
- G. Copies of last four quarterly withholding tax reports filed and business/personal income taxes filed for previous 2 years.

Upon receipt of the application by the Department of Development, it will be reviewed for further processing. Referrals for subsequent technical assistance will also be made. Should the application satisfactorily meet program guidelines, loan packaging will commence. Completed loan packages will be submitted for review to the Revolving Loan Fund Committee. The Newport News Redevelopment and Housing Authority will then close and service said loan.

VIII. Fee Structure

Application Fee – a \$25 non-refundable fee payable to the City of Newport News will be paid by each applicant once an application has been submitted to the Department of Development.

Legal Fee – fees for review and processing of the documents by the Authority counsel will be incurred by the applicant upon acceptance of commitment letter. These fees will be due and payable at closing. In the event closing does not occur the applicant will be billed for all legal services incurred. Any other fees associated with the project shall be the responsibility of the applicant (such expenses may or may not be eligible to be paid from the loan proceeds.)