



# New Markets Tax Credit Business Loan

The New Markets Tax Credit Business Loan offers qualifying borrowers yet another business financing option that may be the best financial choice. Eligible borrowers can obtain loans with lower interest rates and terms up to 25 years, creating a lower monthly payment and allowing borrowers to keep more cash in their businesses. The New Markets loan enables borrowers to expand and renovate their existing properties, buy the properties outright, or purchase additional property for business expansion.

The New Markets program helps revitalize targeted urban and rural geographic areas through the retention and creation of jobs, the renovation and expansion of vacant business properties, community facilities, and the purchase of major equipment for business expansion.

## LOAN GUIDELINES

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| Use of Funds:         | Takeout or permanent financing for businesses (including non-profit businesses) seeking to purchase, construct (new or expansion), or rehabilitate buildings occupied by their businesses.   |
| NNMR Loan Size:       | Minimum: \$50,000.<br>Maximum: \$1,500,000 unless otherwise specified with NNMR.   |
| Loan Interest Rate:   | Minimum initial rate to the borrower must be based on 7-year Treasury plus 240 basis points. Actual loan rate to the borrower will typically be set two days prior to loan closing. Rate is reset at 7-year anniversary, based on 10-year Treasury plus 300 basis points plus any additional servicing fee.  |
| Loan Term:            | 25-year amortization and term.   |
| Minimum Down Payment: | 10% for loans less than \$500,000. Loans over \$500,000 require 15% equity or other credit enhancement.  |
| Valuation:            | Current appraisal required for financing packages in excess of \$250,000. Appraisal or alternative valuation method (approved by NNMR) required for loans less than \$250,000.   |
| Loan Fees:            | <ul style="list-style-type: none"> <li>• A 1.00% origination fee.</li> <li>• Loan Documentation fee of \$250 for loans of \$250,000 or less.</li> <li>• Loan Documentation fee of \$500 for loans greater than \$250,000.</li> </ul> Transaction costs may include accountant and legal fees reflecting the complex structure and compliance requirements of the program and/or the transaction. |
| Prepayment Penalty:   | No partial prepayments are allowed. Upon a full prepayment prior to the seventh anniversary date, a prepayment penalty will be due which will be calculated as follows: <i>the then current principal balance of the note times initial rate times [(one hundred twenty minus number of months from note date to date of prepayment) divided by twelve] times 0.10.</i>                          |
| Payments:             | All borrowers must agree to remit loan payments by automated payment/debit.  |
| Security:             | Loan must be secured by a first or second lien on the real estate or equipment being financed.   |
| Owner-Occupancy:      | Operating Company must occupy at least 51% of the real estate financed.  |

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| <p>Borrower Requirements:</p>      | <p>Management Expertise — History of present management team. NNMR requires at least two years management experience with company or management experience in the same industry of at least five years.</p> <p>Credit Experience — Good credit experience with positive credit history. No bankruptcy of company and at least one principal of the company within past 10 years. At least one principal with 20% or more ownership must have minimum credit score of 680 (credit report must be less than six months old from application submission to NNMR). No credit score requirement for non-profit borrowing entity.</p> <p>Repayment Ability — Historical cash flow coverage of an average of 1.2 to 1 for the past 3 years (at least 1 to 1 for 2 of the past 3 years), with the pro-forma cash flow for 1 year showing at least 1.2 to 1 coverage.</p> <p>RMA Ratios — Borrower tax returns and recent financial statements must show at least three out of four operating ratios that are higher than the lower quartile for the same SIC code as the borrower: for a) Current Ratio, b) Days Inventory, c) Accounts Payable Days and d) Accounts Receivable Days.</p> <p>Loan-to-Value Ratio — 90% or less for loans less than \$500,000; 85% for loans greater than \$500,000.</p> <p>Borrower Guarantees — Personal guarantees required of all owners with more than 20% ownership of the business and/or property. Exceptions considered on a case-by-case basis. Corporate guarantee of the operating company required if borrower is an LLC or LP.</p> |
| <p>Additional Requirements:</p>    | <p>Borrower must qualify as a Qualified Active Low-Income Community Business (QALICB): at least 50% of employees and at least 50% of tangible property owned and leased by the business must be located in qualifying low-income census tract(s).</p> <p>Commitment by borrower to remain in compliance with New Markets requirements for 7 years.</p>  |
| <p>Documentation Requirements:</p> | <p>Contact NNMR for a complete Submission Checklist.</p> <p>Standard loan documentation, including note, mortgage or deed of trust, and loan agreement.</p> <p>New Markets Tax Credit Borrower Certification Form, provided by NNMR.</p> <p>Title insurance.</p> <p>Evidence of hazard insurance coverage.</p> <p>Most recent three years financial statements (audited if available) and tax returns and minimum one year forecast financial statements.</p> <p>Most recent company prepared interim financial statements.</p> <p>Recent appraisal for all loans greater than \$250,000, alternative evidence of property valuation (approved by NNMR) for loans under \$250,000.</p> <p>Business and/or personal credit report with credit score for company principals.</p> <p>Environmental reports, as required.</p> <p>Organization documents for borrowing entity.</p> <p>Other documents as required.</p>   |
| <p>Other Considerations:</p>       | <p>To be considered under this program, a business must also meet guidelines that demonstrate it serves the community. Community impact must be significant, yielding results that:</p> <ul style="list-style-type: none"> <li>• Create jobs, job retention or increased wages for workers.</li> <li>• Assist businesses owned by lower-income persons or residents of lower-income communities, or that are committed to remain in such communities.</li> <li>• Assist minority- or women-owned businesses.</li> <li>• Assist businesses and non-profit organizations or real estate projects that provide childcare, health care, educational or other benefits.</li> <li>• Facilitate wealth creation or asset accumulation such as home ownership</li> <li>• Provide goods and services to low-income communities.</li> </ul> <p>Borrowers will be required to certify that they will comply with the NMTC Qualifying Business requirements and will be required to submit periodic reports for the full term of the loan in support of this requirement.</p>   |