

Guidelines

For

Microenterprise Financial Assistance Program

Funded By

City of Fort Bragg

With

Community Development Block Grant

Adopted: ____/____/____

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COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) MICROENTERPRISE FINANCIAL ASSISTANCE PROGRAM GUIDELINES

1.0 INTRODUCTION

The City of Fort Bragg, hereafter referred to as the “Grantee”, has established a microenterprise financial assistance program, hereafter called “the Program”. The Program is designed to stimulate economic growth and create businesses that will improve the living conditions of residents in the community. The Program provides affordable financing to eligible businesses to start up or expand. The Program is useful for small startup businesses as the loan or grant terms are flexible and can be tailored to the needs of the business. These financial assistance guidelines have been formally adopted by the Grantee and approved by the California Department of Housing and Community Development, hereafter called “the Department”. See **Attachment A** for a copy of the adopting resolution.

2.0 MICROENTERPRISE FINANCIAL ASSISTANCE PROGRAM OVERVIEW

2.1 PROGRAM ADMINISTRATION

The Grantee will:

- Originate microenterprise financial assistance loans and/or grants;
- Market the Program;
- Accept and process applications;
- Complete 24 Code of Federal Regulations Part 5 Income Eligibility qualification and document an adequate number of employees;
- Underwrite and recommend approval of loans and grants;
- Ensure a timely loan closing and disbursement of funds;
- Maintain loan files and fiscal records;
- Administer state grants and program income used to fund this program; and
- Work with program participants and ensure compliance with these program guidelines.

The Grantee’s staff will serve as the primary contact with the Department. The Grantee and its Program Operator will follow these adopted program guidelines.

2.2 PROGRAM SERVICE AREA

Financing under this Program is available to all eligible businesses or persons located in the Grantee’s jurisdictional limits. These CDBG funds may not be used in entitlement jurisdictions that receive CDBG funds directly from the federal Department of Housing and Urban Development (HUD) entitlement program. Funds may not be provided to program participants outside of Grantee’s jurisdiction without Department written approval.

2.3 FUNDING SOURCE FOR LOANS AND GRANTS

The Program is paid for with CDBG funds provided by the federal Department of Housing and Urban Development (HUD) to the Department. As such, these funds have a number of federal requirements that must be met, as described below. CDBG funds are either awarded to the Grantee through a competitive NOFA process or originate from local CDBG program income (PI) funds administered under the Grantee's PI Reuse Plan approved by the Department in writing.

3.0 CDBG PROGRAM REQUIREMENTS

3.1 ELIGIBLE PROGRAM APPLICANTS

All eligible applicants must meet the definition of a microenterprise. For CDBG purposes:

- A microenterprise is defined as a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise; or
- Persons developing microenterprises means persons who have expressed an interest in, or who are after an initial screening process, expected to be actively working toward developing businesses, each of which is expected to be a microenterprise at the time it is formed.

Eligible applicants must have a physical business address in the program service area. Individuals wishing to start a new business are also eligible applicants, but they must provide proof that their primary residence is located in the program service area.

Eligible applicants documented as meeting the definition of microenterprise are here after referred to as "program participants".

3.2 INELIGIBLE PROGRAM APPLICANTS

An ineligible existing business applicant is one that has a physical business location outside of the service area. An ineligible person (who does not have an existing business) applying for the program is one with a residence outside of the service area who has not secured an operating location within the service area. Nonprofits are not an eligible microenterprise business. An applicant not currently participating in a microenterprise TA or financial assistance program offered in the same service area as this program is not eligible.

3.3 ELIGIBLE USE OF GRANT OR LOAN FUNDS

The Program Operator will review the project scope of work proposed by the business. The Program Operator and the loan/grant applicant will collect third party cost estimates for all project costs at the application stage. CDBG funds are restricted to certain eligible costs, such as:

- Operating capital for staff salaries or leasing space;

- Purchasing inventory, supplies, computer programs for accounting and inventory control or furniture, fixtures and equipment (FF&E);
- Rehabilitation of owner occupied or leased space (tenant improvements) including engineering, architectural and local permits or fees;
- Equipment purchase (with or without installation costs);
- Refinancing of existing business debt in conjunction with financing other eligible costs, except credit cards; and
- Marketing materials and advertising with website development and servicing.

3.4 INELIGIBLE USE OF FUNDS

Funds under this Program may not be used to reimburse expenses incurred prior to Grantee approval of loan or grant. Program funds will not be used to pay off non business debt, such as personal credit cards not associated with the business. Loan funds may not be used for personal expenses such as buying a new family car or making repairs to a participant's home. CDBG funds may not be shifted from one approved type of cost to another without resubmitting to the Grantee for approval. Funds may not be used to support other businesses in which the borrower may have an interest.

3.5 MICROENTERPRISE TECHNICAL ASSISTANCE AVAILABILITY

All loan applicants for this Program are required to demonstrate management capacity and ability to successfully operate a business. Management and capacity competence will typically be documented through attendance in one or more technical assistance (TA) classes offered by a CDBG microenterprise technical assistance provider; by a Grantee-approved local Small Business Development Center (SBDC), or by another local private for profit/nonprofit business development agency. Each applicant must provide a completed or updated professional business plan and demonstrate development of a defined financial management system as part of the loan approval process. The Program Operator will confirm that the business and the owner are both financially sound and possess the capacity to execute the new business plan in order to be successful with the use CDBG funds.

3.6 MEETING CDBG MICROENTERPRISE DEFINITION REQUIREMENT

Loan applicants for this Program must meet the CDBG definition of a microenterprise business. The CDBG definition is a business that has five (5) or fewer employees, including the owner(s). All employees, part time and full time, on the business payroll at the time of loan application will be counted. The term "employee" includes all owners of the business on the payroll, even if the owner's "salary draws" are not on a regular basis. The Program Operator will require the business to provide third party records documenting the current number of employees on the payroll, including all owners of the business. To be eligible for CDBG microenterprise financial assistance, the microenterprise business owner(s) must also be income eligible per Section 3.7 of these guidelines.

3.7 MEETING CDBG NATIONAL OBJECTIVE REQUIREMENT

Under federal regulations, use of CDBG funds for microenterprise activities must meet the national objective of benefit to low/moderate ("low-mod") income persons under the Limited Clientele definition. As such, all microenterprise owners must be documented as meeting HUD's low/mod income definition prior to receiving any Program services. This is in addition to meeting the "definition" of a microenterprise, as described above in Section 3.6. The Program Operator will verify that microenterprise owner(s) meet HUD's low/mod income requirement by completing the HUD Part 5 income verification process. Financial assistance program applicants must submit documentation to complete the Part 5 income verification process to determine program eligibility. (Separate files will be maintained by the Grantee for each CDBG Microenterprise Program).

As with other microenterprise program activities, if the Grantee and/or Program Operator determines that the applicant income information is not accurate and the program participant is over HUD's income limits, then all program services must cease immediately.

3.8 OTHER CDBG FEDERAL REGULATIONS

There are a number of other federal laws and state regulations that are triggered with use of CDBG funding. The Grantee and/or Program Operator will ensure compliance with these requirements. Any impacts on a proposed project will be explained at the time of loan application screening so that the loan applicant knows and understands how the project might be impacted by these overlays.

An environmental review is required by HUD for each business funded with CDBG monies (24 CFR 58). The review must be completed prior to any project-related activities commencing with the business, and the review must encompass all aggregated project-related activities for the business. The environmental review will comply with HUD's regulations regarding the National Environmental Policy Act (NEPA). The Grantee is required to complete and certify the NEPA review along with any State environmental review under California's Environmental Quality Act (CEQA). The level of environmental review is determined by the type of proposed project and the associated activities. The loan applicant will be informed of any additional loan processing time due to the NEPA review. No costs will be charged to the applicant for this process.

Federal Davis Bacon regulations and related compliance Acts are required when utilizing CDBG funding for construction which may add additional costs to projects. In addition, state prevailing wage may be triggered with the use of CDBG funding. The Grantee and/or Program Operator will work with applicants to ensure that funded business projects are in compliance with state and federal prevailing wage laws. Applicants will be informed of any additional time, costs or administrative work required due to the prevailing wage regulations, and any additional costs may be incorporated into the business loan.

Federal acquisition and relocation laws may be triggered when using CDBG funds (24 CFR 570.606). Acquisition laws, both federal and state, must be followed when CDBG funds are used to assist in the purchase of real property. In the same way, federal and state relocation laws apply if a person or a business is displaced because of the use of CDBG funding. The Grantee and/or Program Operator will work with loan applicants to ensure that the business is in compliance with any state or federal acquisition /relocation laws triggered by the project. Applicants will be informed of any additional time or costs or administrative work required due to acquisition or relocation regulations.

Federal regulations require the use of CDBG program income (PI) first when the Grantee is operating a loan program activity with an open grant that is the same as an existing PI revolving loan account (RLA) activity. The City of Fort Bragg does operate an RLA activity, so funding from a PI-funded RLA is not available.

All businesses receiving funds under this Program will be required to obtain a Dun and Bradstreet DUNS number. The DUNS number is free and can be obtained online. A copy of the printout with the applicable DUNS number will be kept in the program participant file.

Verification must be provided to the Grantee that all businesses and participants are not on the federal debarred list.

The Department requires the Grantee collect certain income and demographic data from all program applicants and participants. The Program Operator will collect this information and keep it in the program participant file.

No conflict of Interest is allowed, in accordance with Title 24, Section 570.611 of the code of Federal Regulations. As such, no member of the governing body and no official, employee or agent of the local government, nor any other person who exercises policy or decision-making responsibilities (including members of the loan committee and officers, employees, and agents of the loan committee, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the CDBG program shall directly or indirectly be eligible for this program.

Grantee and/or Program Operator will verify and require applicant to certify that a conflict of interest does not exist with the business or applicant. Exceptions to this policy can be made only after Grantee's legal counsel makes a written determination that potential conflicts are acceptable.

4.0 PROGRAM OPERATIONS AND LOAN PROCESSING

4.1 PROGRAM MARKETING AND OUTREACH

Program marketing will be conducted by the Grantee and/or the Program Operator. Examples of marketing include media coverage with ads in local

papers and distribution of marketing brochures to local chamber of commerce, and business networking organizations. Presentations may be scheduled for these groups as well as real estate groups, local commercial banks and Grantees. The local Small Business Development Center (SBDC) or other similar entity may be used as a referral agency.

4.2 EQUAL OPPORTUNITY COMPLIANCE

This Program will be implemented in ways consistent with the Grantee's commitment to state and federal equal opportunity laws. No person or business shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG program funds on the basis of his or her religion, religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (number or ages of children), physical or mental disability, sexual orientation, or other arbitrary cause.

4.3 LOAN APPLICATION PROCESSING

Loan applications will be processed on a first come, first served basis after the microenterprise has documented management capacity and ability to successfully operate a business as described in Section 3.5. See **Attachment B** for microenterprise financial assistance application forms. The Grantee and/or Program Operator will accept loan applications. The Program Operator will review for income eligibility, number of employees, and financial viability. Applications that do not meet basic requirements of the Program will be returned with an explanation of needed requirements. The Program Operator will interview the applicants and review the application for funding in combination with these program guidelines. A site visit may be conducted if the business is in operation. The Program Operator will compile a loan package with all the credit, financial, and underwriting information required for loan analysis. All loan documents from application through loan approval and disbursement of CDBG funds will be contained in a project file for future monitoring by the Department.

4.4 PROGRAM LOAN ADVISORY COMMITTEE

T Program loans are presented by the Program Operator to Lender's Loan Advisory Committee (LAC) for review and recommendations for approval or rejection. The LAC's recommendations are forwarded to the City of Fort Bragg City Manager for final approval or rejection. The LAC will include the City of Fort Bragg Finance Director or designee; the City of Fort Bragg Community Development Director or designee, and up to three members of the community to be appointed by Lender staff.

LAC loan review will take place for each loan applicant prior to funding. LAC meetings will be scheduled by Grantee staff once a loan has been underwritten by the Program Operator and is ready for review and approval. LAC members are responsible for reviewing each loan application funding proposals and making recommendations to the Grantee. LAC may request additional information and or attach contingencies for final approval and loan closing before

forwarding to the City Manager for final approval.

4.5 LOAN APPLICANT CONFIDENTIALITY

All personal and business financial information will be kept confidential. Program participant files with personal and business confidential information will be kept in locked secured storage units.

4.6 DISPUTE RESOLUTION/APPEALS PROCEDURE

Any person applying for a financial assistance loan through the CDBG program has the right to appeal if their application is denied. The appeal must be made in writing to the Grantee. A written response to the appeal will be provided to the applicant by the Grantee within 30 days of receipt of the applicant's appeal letter.

4.7 EXCEPTIONS / SPECIAL CIRCUMSTANCES

Exceptions are defined as any action which would depart from policy and procedures stated in the guidelines.

4.8 LOAN CLOSING PROCESS

Upon local LAC and City Manager approval, submittal of the CDBG Loan/Grant Certification Form to HCD and meeting of all special conditions of funding, the Grantee's Program Operator will prepare for the loan closing.

Local title companies may process all loan closings, especially when real property is being secured. The Program Operator will prepare the escrow loan closing documents, title and lien searches, and UCC-1 filings, as appropriate. Escrow loan closing costs may be paid with Program funds. After closing, the Grantee requests funds from the Department or local finance department (depending on the source of funds; open grant or local program income funds).

All agreements and documents will be reviewed by the Grantee's legal counsel, as necessary. See **Attachment C** of these guidelines for the Grantee's Sample Loan and Grant Agreement Forms.

CDBG funds will only be disbursed for reimbursement to the borrower for documented eligible project expenses or may be paid directly to third party vendors for project costs.

5.0 LOAN TERMS AND SECURITY

5.1 TWO TYPES OF FINANCIAL ASSISTANCE

Eligible microenterprise businesses may be awarded up to \$50,000 in loan funds with this Program. Loans made with this Program require repayment. If a loan applicant requires more than \$50,000, the applicant may be eligible for a Business Assistance Program loan, which requires job creation. Eligible applicants will be referred to Lender's Business Assistance Loan Program if funding in that program is available.

Grants funds may also be awarded with this Program. Grants of up to \$10,000 may be provided for eligible microenterprise businesses/owners that are not able to afford or support a loan. An applicant may not receive both a grant and a loan simultaneously with this program. If a business receives a grant and is successful, such that the business documents the ability to support debt, a financial assistance loan application may be processed. Grant applicants receive the same review and analysis of financial feasibility of the business and personal financials, but loan rates and terms with collateral and security do not apply.

5.2 LOAN TERMS AND FEES

Loan terms can range from five to twenty-five years depending on the use of financing and the security being offered by the applicant business. Typically, the loan terms are longer and more flexible than those used by conventional commercial Lenders.

The interest rate for loans will vary based on cash flow needs of business. In certain cases, interest-only payments may be available for up to six months based on the need of the business for cash flow.

A loan servicing fee will be not be charged to the borrower upon close of the loan. Borrowers will be provided with a loan disclosure detailing all fees associated with the loan transaction. There is no loan pre-payment penalty.

5.3 COLLATERAL AND SECURITY REQUIREMENTS

All loans will be collateralized to the greatest extent possible. Both personal and business assets will be reviewed for collateral coverage. Types of collateral may include:

- Liens on real property with Deeds of Trust;
- Liens on machinery, equipment, or other fixtures;
- Lease assignments, as appropriate;
- Grantee Named as Beneficiary on Life Insurance;
- Personal and corporate guarantees; and.
- Other collateral, as appropriate.

5.4 LOAN SECURITY POSITION

All loans will be secured in the strongest possible position to ensure loan repayment in the event of a default. Loans may be secured in a second or third lien position.

5.5 LOAN-TO-VALUE RATIO (LTV)

All loans will be secured to the highest degree possible, up to and more than 100% of collateral value. In some instances the collateral being used to secure the loan may already be fully encumbered by another Lender, in which case the LTV ratio may exceed 100%. The Grantee may choose to lien these assets

although they are over encumbered. Documentation of the loan security and loan to value ratio will be included in the loan approval package.

5.6 DEBT SERVICE COVERAGE

The business must show that the loan payment will be covered by the projected revenue of the business. In addition, the business owner(s) should be able to pay themselves a reasonable living wage. Typical debt coverage ratios for the program are 1.25. That is, there is \$1.25 in revenue to cover each \$1.00 in debt; or revenue totals 125% of debt. Coverage as low as 1.10 will be accepted on a case by case basis.

The debt ratio will be calculated for the borrower's personal financials as well as the business financials. Borrower's personal financials and debt service levels must be reviewed to ensure the existing or proposed microenterprise business is not adversely impacted by negative personal financials. In the same way, the business must contribute to the borrower's financial health. This is necessary because the financials of the borrower and business are closely tied.

6.0 LOAN UNDERWRITING PROCESS

6.1 GENERAL CREDIT REQUIREMENTS

In the private sector, credit scoring is a generally accepted means to underwrite certain loans, particularly small loans where the cost of underwriting can exceed the interest and fee income generated by that loan. The standard in the banking industry is a credit scoring system developed by the Fair Isaac Corporation. This system uses a formula that is applied to raw data in consumer credit files of the three largest credit-reporting bureaus. The result is known as the FICO score. The FICO credit score ranges from 300 to 850 and quantifies an individual's creditworthiness. In general, a credit score of 680 or above is considered an acceptable risk, scores at or below 620 are considered poor risks.

Applicants with FICO scores 620 and below will require targeted analysis, economic impact assessment, and mitigation for the identified credit risk.

6.2 MANAGEMENT AND CAPACITY REQUIREMENTS

A Loan Applicant must show:

- Ability to operate a business successfully;
- Adequate borrowing ability or equity to operate with the new loan payments, on a sound financial basis;
- The proposed loan is of sound value and provides for the current and future needs of the business; and
- The past earning records and future prospects of profits.

6.3 ADDITIONAL PROJECT UNDERWRITING CRITERIA

Each project/business will be evaluated based on how it has performed in the

past and its future financial forecasts:

- The amount of private dollars used as leveraging funds;
- The past financial viability of the proposed project;
- The future financial viability of the proposed project;
- The demonstrated need for the funds; and
- Personal financial strength of borrowers.

7.0 LOAN SERVICING

7.1 LOAN COLLECTION AND SERVICING

The Grantee will act as the loan collection agent for its CDBG economic development loans. The duties of the collection agent will include the following:

- Loan payment collection and accounting;
- Reporting all loan payments and payoffs to appropriate Grantee CDBG staff;
- Provide or otherwise make available quarterly statements on each loan to appropriate Grantee CDBG staff;
- Undertake loan collections, including asset liquidation.

The Grantee may engage services of a qualified CDBG-loan servicing agent to perform required annual verifications and certifications of funded loans. If annual loan servicing tasks are outsourced, borrowers will be notified and provided contact information for the loan agent. Services that may be outsourced include:

- Obtain annual financial statements from each business to assess health of the business and monitor any on-going loan requirements;
- Provide periodic reports to Grantee regarding each loan serviced and compliance with loan terms;
- Recommend and participate with Grantee in any follow up actions with borrowers; and
- Negotiate any change in repayment terms to avoid foreclosure.

See **Attachment C** of these guidelines for samples of the Grantee's sample business loan servicing policies. These policies and procedures include: collection of loan payments, occupancy restrictions and monitoring, changes in title or transfers of title, changes in use, being current on insurance and property tax, default and foreclosure process.

The LAC will be briefed as appropriate regarding any problems or concerns about existing loans. This includes decisions to foreclose and declare defaults. In addition, the governing body will make the final decisions regarding loan collection in conjunction with legal counsel and staff.

Grantee staff will complete required Department CDBG financial reports for program income. Grantee staff will consult and monitor the loan servicing agent in the same way the Program Operator is monitored.

8.0 GRANTS FOR MICROENTERPRISE BUSINESS EXPANSION

8.1 SMALL GRANTS FOR LIMITED EXPANSION ACTIVITIES

The Grantee may make small grants of up to \$10,000 to eligible existing microenterprise businesses. The microenterprise business must be participating or have participated in the Grantee's or other agency technical assistance program. Grant funds may be provided upon documentation of completion of technical assistance activities including satisfactory completion of business/marketing plans and/or achievement of sufficient management capacity.

The grants compliment the training provided by the technical assistance activities provided by the Grantee or other agency. The technical assistance activities focus primarily on development of business/ marketing plans and financial management capacity building. As such, examples of good uses of grant funds to strengthen capacity of microenterprise businesses are: 1) payment for marketing costs such as business cards, logo /branding design and development, flyers and publications/ advertisements, web site enhancement or development; 2) payment for computers and/or software to implement improved financial and accounting systems or software systems to help manage inventory or billings/ invoices.

8.2 UNDERWRITING AND ADMINISTRATION OF GRANTS

The Grantee and/or Program Operator will only make grants available to eligible existing microenterprise businesses that have successfully completed the technical assistance courses needed for expansion of their business. The owners must have credit scores of 620 or above, unless there is a reasonable explanation of negative credit history that shows poor credit occurred for reasons beyond the owner's control (divorce, identity thief, health issues or tragic accident, etc.). The Program Operator will also require documentation that the grant funded activities will have a positive impact on the future profitability and sustainability of the business. This will be done through analysis of future financial projections /proformas for the business that include the impact of the grant funded activities. Lastly, the Program Operator must receive third party cost estimates of the grant eligible costs being requested.

Grant funds will be disbursed to the business as a reimbursement of costs or can be directly to third party vendors. Microenterprise grantees will be required to sign a grant agreement stipulating eligible costs, payment process and reporting procedures.

ATTACHMENT A

GRANTEE'S EXECUTED RESOLUTION ADOPTING GUIDELINES

The Authorizing Resolution will be inserted here upon approval.

DRAFT

ATTACHMENT B
MICROENTERPRISE FINANCIAL ASSISTANCE APPLICATION FORMS

DRAFT



City of Fort Bragg
Microenterprise Financial Assistance
Program
Loan/Grant Application



Date: _____

☐ New ME Client

☐ Previous ME Client

PART I: GENERAL INFORMATION

Note: If there is more than one applicant, please submit one complete application and also complete PARTS I, II and III and all applicable attachments and signatures for each applicant.

Applicant Name: _____ SSN: _____ DOB: _____

Spouse Name: _____ SSN: _____ DOB: _____

Home Address: _____ City: _____ ZIP: _____

Mailing Address: _____ City: _____ ZIP: _____

Business Address: _____ City: _____ ZIP: _____

Home Phone: _____ Work Phone: _____

Cell Phone: _____ E-mail: _____

PART II. APPLICANT DEMOGRAPHICS

Race: (Please check all that apply)

- ☐ American Indian or Alaska Native
☐ Asian
☐ African American or Black
☐ Native Hawaiian or Other Pacific Islander
☐ White
☐ Other Multi-Racial

Additional Information:

- | | | |
|---------------------------|-------------------------------|---------------------------------|
| Gender: | <input type="checkbox"/> Male | <input type="checkbox"/> Female |
| Disabled: | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Senior (62+ years): | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Homeless: | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Latino/Hispanic: | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Single Head of Household: | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

Employment Status:

- | | | |
|---|--|-------------------------------------|
| <input type="checkbox"/> Employed Full-Time | <input type="checkbox"/> Self-Employed Full-Time | <input type="checkbox"/> Unemployed |
| <input type="checkbox"/> Employed Part-Time | <input type="checkbox"/> Self-Employed Part-Time | <input type="checkbox"/> Other* |

*Explain 'Other' responses: _____



**City of Fort Bragg
Microenterprise Financial Assistance
Program
Loan/Grant Application**



PART III: HOUSEHOLD INFORMATION

Household Size (#): _____ people Annual Household Income: \$ _____

	Household Member Name	Relationship	SSN	Date of Birth	Employed (Yes or No)
1					
2					
3					
4					
5					
6					
7					

Additional information about household members:

Name	Occupation	Employer	Other relevant information



**City of Fort Bragg
Microenterprise Financial Assistance
Program
Loan/Grant Application**



PART IV: BUSINESS INFORMATION

Current Business Owner: ☐ Yes ☐ No

Business Name: _____

Federal I.D. #: _____ Date Business Established: _____ DUNS #* _____

* NOTE: IF you do not know your DUNS number, call 1-866-705-5711 or visit www.dnb.com to request one

Current # of Employees: _____ Full-Time (>1750 hours) _____ Part-Time (<1750 hours) _____

Projected # of Jobs Created: _____ Full-Time (>1750 hours) _____ Part-Time(<1750 hours) _____

Projected # of Jobs Retained: _____ Full-Time (>1750 hours) _____ Part-Time(<1750 hours) _____

Business Stage: ☐ Pre-Venture ☐ Start Up (< 1 year) ☐ Business Acquisition ☐ Existing

Home-based Business: ☐ Yes ☐ No

Industry:

- ☐ Construction
- ☐ Manufacturer/Producer
- ☐ Research/Development
- ☐ Retail
- ☐ Service
- ☐ Wholesale

Business Type:

- ☐ Sole Proprietor
- ☐ Partnership
- ☐ Corporation
- ☐ Limited Liability
- ☐ Sub S Corporation

Business Classification:

- ☐ Woman-Owned Small
- ☐ Minority-Owned Small
- ☐ Other Small

Owners/Principals:

	Name	Address(include City State and Zip code)	SSN	Phone Number	% Owned
1					
2					
3					
4					
5					



**City of Fort Bragg
Microenterprise Financial Assistance
Program
Loan/Grant Application**



PART V: PROJECT AND LOAN/GRANT INFORMATION

Total Project Cost: \$ _____

Project Funding Sources:

Funding Uses:

CDBG Request:	\$	Acquisition of Machinery & Equipment	\$
Owners Investment:		Inventory/Materials Purchases	
Other:		Working Capital	
		Other:	
Total:	\$	Total:	\$

Narrative History of Business and Description of Project

Note: City Micro-enterprise Financial Assistance Program Guidelines require submittal of a Business Plan

Please provide a brief description of your history with your business, significant events that have affected the firm's development, why program loan funds are necessary for the success of your project, how funds will be used, and future impacts of loan funds on your operations, plans for growth, etc.



**City of Fort Bragg
Microenterprise Financial Assistance
Program
Loan/Grant Application**



**PART VI: MICROENTERPRISE ASSISTANCE LOAN PROGRAM
APPLICATION ATTACHMENTS CHECKLIST**

- ☐ Loan/Grant application – signed by all parties
- ☐ Business Plan
- ☐ Form 4506-T, signed (one for each tax filer in applicant's household)
- ☐ Credit report authorization (one for each adult in applicant's household)
- ☐ Copy of current business license
- ☐ Verification of home address (such as: utility bill; other correspondence; check stub)
- ☐ Last 3 years tax returns (full sets)
- ☐ Latest 2 months pay-stubs (not applicable for self-employed individuals)
- ☐ Last 6 months bank statements (checking and savings, all pages)
- ☐ Personal history/resume of applicant(s)
- ☐ Monthly personal budget (one for each applicant)
- ☐ Personal financial statement (one for each applicant)
- ☐ Business financial statements: last 3 full years and most current period and year-to-date, including Balance Sheet, profit and loss statement, and statement of cash flows if appropriate.
- ☐ Business debt schedule
- ☐ Current Aging of Accounts Receivable and Accounts Payable
- ☐ Any non-financial information or supporting information necessary to substantiate the application, including, but not limited to: estimates, quotations, receipts, contracts, orders, invoices, leases, sales agreements, documentation from architects, engineers, contractors, suppliers, or others involved in the sale, lease, or construction of fixed assets, if any, for applicant's project including schedules of implementation



**City of Fort Bragg
Microenterprise Financial Assistance
Program
Loan/Grant Application**



PART VII: CERTIFICATIONS and ACKNOWLEDGMENTS

I certify that this eligibility information provided in this application package is correct, and I understand that the information I have provided regarding my household income is subject to verification by authorized representatives of the City of Fort Bragg, its Program Operator, the State of California Department of Housing and Community Development, and HUD. My signature authorizes verification, and verification will occur prior to any financial assistance. If this information is found to be incorrect, the applicant may be barred from receiving services from this program.

Applicant Name	Applicant Signature	Date
Co-Applicant Name	Co-Applicant Signature	Date

My (our) signature(s) acknowledge(s) receipt of this form, that I (we) have read it and that I (we) have a copy for my (our) files. My (our) signature(s) represent(s) my (our) agreement to comply with the requirements that the City of Fort Bragg and/or its authorized representatives make in connection with the approval of my (our) loan request. My (our) signature(s) also represent(s) written permission, as required by the Privacy Act, for the City of Fort Bragg and/or its authorized representatives to release any information in my (our) loan guaranty application to the Governor of my (our) State or the Governor's designated representative in conjunction with the State's processing of my (our) application for assistance under the Loan Program. The undersigned applies for the loan guaranty indicated in this application to be secured by real and/or personal property as hereafter agreed and the undersigned further represents that all statements made in this application are true and are made for the purpose of obtaining this loan guaranty. Verification may be obtained from any source named in the application. The original or a copy of this application will be retained by the guarantor, even if the guaranty is not granted. I (we) fully understand that it is a federal crime punishable by fine or imprisonment or both to knowingly make any false statement/concerning any of the above facts as applicable under the provisions of Title 18, United States Code Section 1041.

SIGNED: _____ DATE: _____

PRINTED NAME: _____

SIGNED: _____ DATE: _____



**City of Fort Bragg
Microenterprise Financial Assistance
Program
Loan/Grant Application**



PRINTED NAME: _____

CERTIFICATION: Applicant certifies that the information provided on and with this form, is complete and correct. Applicant authorizes **City of Fort Bragg and/or its authorized representatives** to obtain credit reports (including personal credit reports), copies of tax returns, and other information from the IRS and other taxing authorities, and to take such other steps as **City of Fort Bragg and/or its authorized representatives** deem appropriate to verify (and from time to time to re-verify) the information provided with this form. Applicant further agrees to execute and deliver to **City of Fort Bragg and its authorized representatives** such other forms, and take such other action, as **City of Fort Bragg and/or its authorized representatives** requests in furtherance of the foregoing. **City of Fort Bragg and/or its authorized representatives** will retain information received in relation to this credit request as long as **City of Fort Bragg and/or its authorized representatives** deem necessary to do so. Applicant authorizes **City of Fort Bragg and its authorized representatives** to release credit information concerning same to other creditors, guarantors (including agencies of the federal and/or state government), credit bureaus, credit reporters, sureties, and to **City of Fort Bragg and/or its authorized representatives'** agents and subsidiaries. Applicant agrees to promptly notify **City of Fort Bragg and/or its authorized representatives** in writing of any change in name, address, or location of assets. Applicant agrees that funds drawn on the credit facilities provided by **City of Fort Bragg and/or its authorized representatives** will only be used for business purposes.

I/We certify under penalty of perjury, that the information provided herein is true and correct and that all subsequently provided information will be a true and correct representation of the facts relating to my application:

SIGNED: _____ DATE: _____

PRINTED NAME: _____

SIGNED: _____ DATE: _____

PRINTED NAME: _____

Program Operator Use Only:

☐ Reviewed Date: _____ By (Staff Person): _____

☐ Denied Date: _____ By (Staff Person): _____

Method of Notification: ☐ Mail ☐ Phone Call ☐ Fax ☐ E-mail

Microenterprise Financial Assistance Program Application

Page 7 of 7

ATTACHMENT C

City of Fort Bragg CDBG Business Loan Programs

LOAN SERVICING POLICIES AND PROCEDURES

The City of Fort Bragg, here after called “Lender”, has adopted these policies and procedures in order to preserve its financial interest in properties whose “Borrowers” have been assisted with public funds. The Lender will, to the greatest extent possible, follow these policies and procedures, but each loan will be evaluated and handled on a case-by-case basis. The Lender has formulated this document to comply with state and federal regulations regarding the use of these public funds and any property restrictions that are associated with them.

The policies and procedures are broken down into the follow areas 1) loan repayments; 2) required payment of taxes, assessments, liens and insurance; 3) required Request for Notice of Default; 4) required noticing and limitations on any changes in title, occupancy, use, or location of property; 5) requests for subordination; 6) process for loan foreclosure in case of default on the loan.

1. Loan Repayments

The Lender will collect monthly payments from those borrowers who are obligated to do so under Installment Notes that are amortized promissory notes, or Lender may use a designated loan collection company to collect payments. Late fees will be charged for payments received after the assigned monthly date as described in loan documents. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower’s obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower’s making fewer payments.

For Notes that are deferred payment loans, the Lender may accept voluntary payments on the loan. Loan payments will be credited to interest first and then to principal. The borrower may repay the loan balance at any time with no penalty.

2. Payment of Taxes, Assessments, Liens and Insurance

In general, as part of keeping a CDBG loan from going into default, borrower must maintain all-risks insurance coverage with respect to collateral or other property as designated in the loan documents and related commercial security agreements, naming the Lender as loss payee in first position or as additional insured if the loan is a junior lien. Lender may file a UCC financing statement to perfect Lender’s security interest. If borrower fails to maintain the necessary

insurance, the Lender may take out forced place insurance to cover the property while the Borrower puts a new insurance policy in place. All costs for installing the necessary insurance will be added to the loan balance at time of installation of Borrower's new insurance.

When real property is located in a 100 year flood plain, the Borrower will be required to carry flood insurance. A certificate of insurance for flood insurance, if applicable, and for any other insurance required per terms of the loan will be required at close of escrow. The Lender will request verification of insurance coverage on an annual basis as long as the debt is outstanding.

Property taxes must be kept current during the term of the loan for property acquired with loan proceeds or for property designated as security for the CDBG loan or other activity debt, as described in the loan documents. If the Borrower fails to maintain payment of property taxes, then the Lender may pay the taxes and add the balance of the tax payment plus any penalties to the balance of the loan.

3. Request for Notice of Default

When the Borrower's CDBG loan is in second position behind an existing first mortgage, it is the Lender's policy to prepare and record a "Request for Notice of Default" for each senior lien in front of Lender's loan. This document requires any senior lien holder listed in the notice to notify the Lender of initiation of a foreclosure action. The Lender will then have time to contact the Borrower and assist the Borrower in bringing the first loan current. The Lender can also monitor the foreclosure process and go through the necessary analysis to determine if the loan can be made whole or preserved. When the Lender is in a third position and receives notification of foreclosure from only one senior lien holder, Lender may contact any other senior lien holders regarding the status of loans.

4. Required Noticing and Restrictions on Any Changes of Title, Occupancy, Use, or Location of Collateralized or Secured Property

In all cases where there is a change in title or occupancy or use or location of property that directly or indirectly relates to any agreements between Lender and Borrower, the Borrower must notify the Lender in writing of any change. No change in Borrower's name or principal residence will take effect until after Lender has received notice. All such changes are subject to the review and approval of the Lender's Loan Committee and may also require City Manager approval.

5. Requests for Subordination

When a Borrower wishes to refinance property financed in whole or in part with CDBG funds, Borrower must make a subordination request to the Lender. The

Lender may consider subordination of the loan when there is no “cash out” as part of the refinance. Cash out means there are no additional charges on the transaction above loan and escrow closing fees. There can be no third-party debt pay-offs or additional encumbrance on the property above traditional refinance transaction costs. Furthermore, the refinance should lower the debt costs of the business with a lower interest rate, and the total indebtedness on the property should not exceed the current market value.

Upon receiving the proper documentation from the refinance lender, the request will be considered by the Loan Committee for review and approval. Upon approval, the escrow company will provide the proper subordination document for execution and recordation by the Lender.

6. Process for Loan Foreclosure

Upon any condition of loan default, including: 1) non-payment; 2) failure to comply with or perform other terms, obligations, covenants or conditions contained in the Note or related documents; 3) false statements; 4) death or insolvency of borrower; 5) creditor or forfeiture proceedings; or 6) any other event of default as described in the promissory note, Lender may declare the entire unpaid principal and interest balance immediately due. Upon loan default, Lender will send a letter to Borrower notify Borrower of the default situation.

When a senior lien holder starts a foreclosure process and the Lender is notified via a Request for Notice of Default, the Lender as the junior lien holder may cancel the foreclosure proceedings by “reinstating” the senior lien holder. The reinstatement amount or payoff amount must be obtained by contacting the senior lien holder. This amount will include all delinquent payments, late charges and fees to date. Lender must confer with Borrower to determine if, upon paying the senior lien holder current, Borrower can provide future payments. If this is the case, then the Lender may cure the foreclosure and add the costs to the balance of the loan with a Notice of Additional Advance on the existing note.

If the Lender determines, based on information on the reinstatement amount and status of Borrower, that bringing the loan current will not preserve the loan, then Lender must determine if it is cost effective to protect the Lender’s position by paying off the senior lien holder in total and restructuring the debt. If the Lender does not have sufficient funds to pay the senior lien holder in full, then the Lender may choose to cure the senior lien holder and foreclose on the property. As long as there is sufficient value in the property, the Lender may be able to pay for the foreclosure process and pay off the senior lien holder and retain some or all of the Lender’s investment.

If the Lender decides to reinstate, the senior lien holder will accept the amount to reinstate the loan up until five days prior to the set “foreclosure sale date.” This “foreclosure sale date” usually occurs about four to six months from the date of

recording of the “Notice of Default.” If the Lender fails to reinstate the senior lien holder before five days prior to the foreclosure sale date, the senior lien holder would then require a full pay off of the balance, pus costs, to cancel foreclosure. If the Lender determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the Lender’s lien may be eliminated due to insufficient sales proceeds.

DRAFT

ATTACHMENT D

CDBG MICROENTERPRISE LOAN/GRANT CERTIFICATION FORM

DRAFT

STATE OF CALIFORNIA
Community Development Block Grant (CDBG)
Microenterprise Financial Assistance Program
Loan/Grant Project Certification Form

DATE SUBMITTED TO CDBG:

GRANTEE (JURISDICTION) REPRESENTATIVE		
GRANTEE:	NAME OF GRANTEE'S REPRESENTATIVE PREPARING FORM:	
GRANTEE DEPARTMENT NAME:	PHONE:	EMAIL:

GRANTEE'S PROGRAM ADMINISTRATOR	
ORGANIZATION NAME:	STAFF NAME:
PHONE:	EMAIL:

BUSINESS AND BUSINESS OWNER(S)	
BUSINESS NAME:	BUSINESS PHYSICAL ADDRESS:
NAMES OF BUSINESS OWNER(S) / BORROWER(S): 1. _____ 2. _____ 3. _____	
DUNS NUMBER:	

BUSINESS LEGAL STRUCTURE	PURPOSE OF LOAN OR GRANT
SOLE PROPRIETORSHIP: <input type="checkbox"/> Yes <input type="checkbox"/> No	START UP: <input type="checkbox"/> Yes <input type="checkbox"/> No
PARTNERSHIP: <input type="checkbox"/> Yes <input type="checkbox"/> No	EXPANSION OR RETENTION <input type="checkbox"/> Yes <input type="checkbox"/> No
CORPORATION: <input type="checkbox"/> Yes <input type="checkbox"/> No	
TOTAL PROJECT COSTS: \$ _____ TOTAL CDBG FINANCING: \$ _____ TOTAL OTHER SOURCES: \$ _____	SOURCE OF CDBG LOAN / GRANT FUNDS: Contract No: _____ \$ Program Income RLA: \$ _____
LIST OTHER FINANCING SOURCES AND AMOUNTS: 1. _____ \$ _____ 2. _____ \$ _____ 3. _____ \$ _____ 4. _____ \$ _____	

CDBG GRANT INFORMATION OR LOAN TERMS
GRANT? <input type="checkbox"/> Yes <input type="checkbox"/> No
If "Yes", then GRANT AMOUNT \$ _____
GRANT APPLICANT MET REQUIREMENTS IN ADOPTED PROGRAM GUIDELINES? <input type="checkbox"/> Yes <input type="checkbox"/> No

CDBG Microenterprise Financial Assistance Program
Loan/Grant Project Certification Form (Continued)

LOAN AMOUNT: \$	NUMBER OF MONTHS:
LOAN INTEREST RATE: %	MONTHLY PAYMENT: \$
INTEREST ONLY PAYMENTS: <input type="checkbox"/> Yes <input type="checkbox"/> No	
If "Yes", then deferral will be FOR MONTHS.	

CDBG MICROENTERPRISE DEFINITION AND NATIONAL OBJECTIVE	
<p>PROJECT SATISFIES LOW/MODERATE-INCOME (LMI) BENEFIT NATIONAL OBJECTIVE BY PROVIDING DIRECT FINANCIAL ASSISTANCE TO AN ELIGIBLE MICROENTERPRISE:</p> <ul style="list-style-type: none"> Number of business employees <i>(including owner(s) is five or fewer?</i> Business owner(s) is certified as Low/Mod family using 24 CFR Part 5 process (Department's Income Manual was used)? <p>Comments: _____</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>

CDBG ELIGIBLE ACTIVITIES	
DATE OF MOST RECENT MICROENTERPRISE FINANCIAL ASSISTANCE GUIDELINE APPROVAL: _____	
<p>PROJECT COMPLIES WITH GRANTEE'S MICROENTERPRISE PROGRAM GUIDELINES:</p> <p>Comments: _____</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>PROJECT IS WITHIN JURISDICTIONAL BOUNDARIES:</p> <p>Comments: _____</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>

CDBG FEDERAL OVERLAY REQUIREMENTS	
<p><i>By signing this document, the Grantee's Authorized Representative certifies that a proper CDBG NEPA REVIEW has been COMPLETED ON FULL SCOPE OF PROJECT?</i></p> <ul style="list-style-type: none"> Is complete original of signed Environmental Review Record (ERR) in project file? <p>Comments: _____</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p><i>By signing this document, the Grantee's Authorized Representative certifies that all FEDERAL LABOR STANDARDS REQUIREMENTS will be satisfied on this project?</i></p> <p>Comments: _____</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p><i>By signing this document, the Grantee's Authorized Representative certifies that all FEDERAL RELOCATION REQUIREMENTS will be satisfied on this project?</i></p> <p>Comments: _____</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p><i>By signing this document, the Grantee's Authorized Representative certifies that all FEDERAL ACQUISITION REQUIREMENTS have been satisfied on this project?</i></p> <p>Comments: _____</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>

**CDBG Microenterprise Financial Assistance Program
Loan/Grant Project Certification Form (Continued)**

By signing this document, the Grantee's Authorized Representative certifies that the PROJECT FILE contains DOCUMENTATION REGARDING COMPLIANCE WITH FEDERAL DEBARRED REQUIREMENTS?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Comments:	

SOURCE DOCUMENTATION	
The Grantee certifies that all source documents associated with the grant or loan will be maintained at the Grantee's location for future monitoring.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Comments:	

LOAN/GRANT COMMITTEE	
DOES THE GRANTEE USE A LOAN/GRANT COMMITTEE AS PART OF THEIR LOAN/GRANT APPROVAL PROCESS (MICROENTERPRISE GUIDELINES MUST INDICATE THE LOAN/GRANT APPROVAL PROCESS)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If "Yes", date of Loan/Grant Committee project approval: (This date must be before submittal of Loan/Grant Certification Form to the Department)	
LOAN/GRANT COMMITTEE APPROVAL MEMBERSHIP:	
Name:	Title:
Name:	Title:
Name:	Title:
Name:	Title:
Name:	Title:

CDBG BENEFICIARY AND ACCOMPLISHMENT DATA		
BUSINESS OWNER(S) RACE/ETHNICITY DATA:		
<u>Race</u>	<u>Not Hispanic</u>	<u>Hispanic</u>
White	<input type="checkbox"/>	<input type="checkbox"/>
Black/African American	<input type="checkbox"/>	<input type="checkbox"/>
Black/African American & White	<input type="checkbox"/>	<input type="checkbox"/>
Asian	<input type="checkbox"/>	<input type="checkbox"/>
Asian & White	<input type="checkbox"/>	<input type="checkbox"/>
American Indian/Alaskan Native	<input type="checkbox"/>	<input type="checkbox"/>
American Indian/Alaskan Native & White	<input type="checkbox"/>	<input type="checkbox"/>
American Indian/Alaskan & Black/African American	<input type="checkbox"/>	<input type="checkbox"/>
Native Hawaiian/Other Pacific Islander	<input type="checkbox"/>	<input type="checkbox"/>
Other Multi-Racial: _____	<input type="checkbox"/>	<input type="checkbox"/>
IS THE HEAD OF FAMILY FEMALE?	<input type="checkbox"/> Yes <input type="checkbox"/> No	

CDBG Microenterprise Financial Assistance Program
Loan/Grant Project Certification Form (Continued)

BUSINESS OWNER(S) AGE RANGE:

- ☐ 0-18 years
☐ 19-24 years
☐ 25-44 years
☐ 45-64 years
☐ Over 65 years

BUSINESS OWNER(S) IS:

- ☐ 80% or less (Low-Income) ☐ 50% or less (Very Low-Income) ☐ 30% or less (Extremely Low-Income)

SIGNATURE OF GRANTEE AUTHORIZED REPRESENTATIVE

(The Authorized Representative has read and certifies all information in this form is true and correct, to the best of their ability.)

NAME:

TITLE:

SIGNATURE:

DATE:

REVISED: 8/27/2013

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