



## **Winooski Small Business Loan PROGRAM GUIDELINES**

### **SECTION 1: GENERAL PROVISIONS**

#### **A. Introduction**

In 2016, the City of Winooski allocated \$250,000 for the purpose of establishing a small business revolving loan fund, the Winooski Small Business Loan Program. An agreement was made between the City of Winooski and Opportunities Credit Union (OCU) for the City to deposit the funds with OCU, and for OCU to service the program.

#### **B. Purpose**

The purpose of the Winooski Small Business Loan (WSBL) program is to assist Winooski businesses in obtaining financing for a wide range of business needs including, but not limited to, equipment purchases, leasehold improvements, and major repairs. The intention is to promote the long-term viability of Winooski-based businesses, which in turn will:

1. stabilize employment opportunities;
2. reduce commercial vacancy rates in the City; and
3. provide goods and services for our citizens;
4. contribute to the economic vitality of the City.

#### **C. Funding Amount**

The maximum loan from this program is \$75,000. The minimum loan amount is \$5,000.

### **SECTION 2: ELIGIBILITY CONSIDERATIONS**

#### **A. Geographic Area**

The area served by the WSBL program shall include the geographical limits of the City of Winooski, Vermont.

#### **B. Eligible Applicants**

The Winooski Small Business Loan program is intended to assist businesses which have insufficient access to conventional sources of credit. In order to determine which loans will qualify for the WSBL program, all loans will be identified by Loan Risk Tiers by OCU using their current Small Business Lending Policy underwriting standards. Tier 1 will represent the least risk and Tier 3 will be the highest risk.

##### Tier 1 – Eligible for WSBL Interest Rate Buy Down Only

These applicants qualify for standard small business loans with OCU with no credit enhancement required. The City of Winooski may choose to offer interest rate buy downs for loans that meet specific criteria.

##### Tier 2 - Eligible for WSBL Credit Enhancements, Guarantees and Interest Rate Buy Downs

These are defined as applicants who qualify for a small business loan using OCU's standard Small Business Lending Policy/underwriting, but require a credit enhancement or loan guarantee for approval.

The City of Winooski may choose to be the lender of last resort for Tier 2 loan credit enhancements and guarantees, after available options through SBA, VEDA, and Gardner funds have been exhausted.



The City of Winooski may choose to offer interest rate buy downs to businesses that meet specific criteria.

**Tier 3 – Eligible for WSBL**

These are applicants who have insufficient access to regular credit markets. “Insufficient access” may be defined as:

1. Application has been identified by OCU as a Tier 3 loan thus not meeting underwriting standards for a loan; or
2. Applicant has been refused a loan by a lending institution for the proposal submitted to the City of Winooski

WSBL program funds will primarily be used to secure loans meeting the criteria for Tier 3.

**C. Eligible Activities**

1. The acquisition of land, buildings and fixed equipment
2. Site preparation and the construction, reconstruction or rehabilitation of buildings, façade improvements, leasehold improvements, and installation of fixed equipment
3. Clearance, demolition, or the removal of structures or signage
4. Activities directly related to improvement of infrastructure/utilities that will bring the place of business up to local and state code compliance or industry standards.
5. Acquisition of equipment, machinery or inventory necessary to the business
6. Startup costs
7. Working capital

**D. Ineligible Activities**

1. Refinancing or consolidating existing debt
2. Reimbursement for expenditures prior to loan approval
3. Line of Credit
4. Other activities as identified by the Loan Review Committee during administration of the program

**SECTION 3: EVALUATION CRITERIA**

Criteria	Score**
Fills previously vacant commercial space	
Improves previously deteriorated commercial space or property	
Creates jobs or retains jobs	
Assists business in complying with City code requirements	



Adds business types currently under-represented or lacking in the City and desired by the community	
Certified MBE or WBE (Minority Owned Business or Women Owned Business)	
<b>TOTAL SCORE</b>	

\*\* Scoring:

- 0 – Does not meet criteria
- 1 – Meets minimum level of criteria
- 2 – Meets high level of criteria

**SECTION 4: TERMS AND CONDITIONS**

Unless otherwise restricted, the loan terms will follow OCU’s Small Business Lending Policy or SBA/VEDA guidelines for the appropriate Tier/loan type.

- A. Maximum Term:** 7 years, unless otherwise provided by regulation, guarantee or OCU Small Business Lending Policy.
- B. Interest Rate:** Determined per MOU with Opportunities Credit Union (Attached, See Rates and Fees). The City may elect to reduce the borrower’s rate as low as 3% by funding the difference in OCU’s published rates and the borrower’s rate for the term of the loan.
- C. Authorization for Release of Information:** OCU will obtain authorization from borrower(s) to allow release of WSBL program information to the City.

**SECTION 5: APPLICATION PROCEDURES**

**A. Preliminary Meeting**

Prior to submission of an application, the potential applicant shall meet with the City of Winooski Community and Economic Development Officer to discuss the proposed project and program requirements.

**B. Application Format**

Applicants shall submit a loan application package consisting of the following information:

1. \$50.00 Application Fee (Checks made payable to Opportunities Credit Union). If approved, the fee will be applied to your closing costs. If approved subject to a SBA guaranty, the application fee will be waived.
2. A completed Opportunities Credit Union Small Business Loan Application.
3. A completed personal financial statement (PFS) for anyone owning 20% or more of the business;
4. Signed 4506-T Form;



5. Signed and dated copies of your last three years' personal and business tax returns;
6. A Year-to-Date Profit & Loss Statement (no older than 3 months) and Current Balance Sheet for the business. Please sign and date all pages.
7. If the business holds Accounts Receivable, please include an A/R list and aging (signed and dated).
8. A detailed description of how you will use the money including any items you are purchasing or collateral offered. Please attach copies of purchase/sales agreements, quotes, receipts or invoices.
9. Start-Up Business (or Major Expansion of existing business)
  - a. A business plan detailing the structure of the business, a description of the product or service offered, a market analysis identifying your marketing strategy, competition, challenges and opportunities, licensing/permits/approvals needed and any other information you think would help us to better understand your business. ***The plan must include a minimum of two years' worth of income and expense projections.***
10. Existing Business (Open 2 years or more)
  - a. A written narrative or business plan that describes your business needs, experience of the principal(s), financial performance to date, and changes in your industry. Describe why the business is requesting the loan and how the funds will be used. The narrative should also contain a brief history of the business, current marketing plan and other information that will help us to better understand your business.
11. Depending on the type of loan requested and/or collateral offered, the following additional supporting documentation may be required:
  - a. Accounts receivable and accounts payable aging if loan is to carry receivables
  - b. Copy of Purchase and Sales Agreement/Bill of Sale
  - c. Copy of vehicle title documents
  - d. Copy of lease agreement
  - e. Copy of real estate deed
  - f. Environmental questionnaire

**C. Application Submittal**

The completed application and all required attachments shall be submitted to: Opportunities Credit Union, 25 Winooski Falls Way Suite 203, P.O. Box 67, Winooski VT 05404. Acceptance of applications shall be subject to the availability of Winooski Small Business Loan Program funds.

**D. Confidentiality**

Each page or section of the application that contains confidential and proprietary material under 1 VSA, Chapter 5 shall be clearly marked by the applicant. Discussion of confidential materials that are deemed exempt under 1 VSA, Chapter 5 shall be discussed in executive session to maintain applicant's confidentiality.



## **SECTION 6: REVIEW PROCESS**

### **A. Opportunities Credit Union Loan Risk Tier Identification**

In order to determine which loans will qualify for OCU's portfolio and programs versus the Winooski Small Business Loan Program Serviced Loan portfolio, OCU will review all loans to identify them by Loan Risk Tier.

1. Tier 1 loan applicants qualifying for OCU's portfolio will only be eligible for WSBL interest rate buy downs.
2. Tier 2 loans requiring credit enhancements or loan guarantees will be eligible for WSBL program loans, and all Tier 2 loans will be eligible for interest rate buy downs.
3. Tier 3 loans fail to meet underwriting standards for OCU's portfolio, and will be eligible for consideration for WSBL program loans and interest rate buy downs.

### **B. City of Winooski Small Business Loan Fund Committee Review and Recommendations**

The City of Winooski shall establish a Small Business Loan Fund Committee to serve as the Loan Review Committee for the WSBL Program. Upon completion of OCU's Loan Risk Tier Identification, all WSBL applications shall be reviewed by the City of Winooski Small Business Loan Fund Committee on a case-by-case basis.

1. The Committee shall meet as needed to review and act on loan applications. A quorum shall consist of a majority of the duly appointed members. It is required that the applicant or his/her agent attends the meeting;
2. During its review, the Committee may recommend adjustments to the loan amount or interest rate buy down being requested by the applicant and it shall clearly communicate the recommended terms to City Council.
3. The Committee will consider availability of funds, level of risk, and evaluation criteria score (Section 3) in making determinations.
4. For each loan application, the Small Business Loan Review Committee will make one of the following recommendations to City Council:
  - a. Approve loan
  - b. Decline loan
  - c. Table loan: pending further information from the applicant, or pending WSBL program funds becoming available.
5. Upon completion of its review, the Committee shall vote whether or not to approve the loan request or to table the loan pending further information or availability of funds. If the Committee votes to recommend approval or denial of the loan, the recommendation will be submitted to City Council for its action. If the loan is tabled, no recommendation will be forwarded to City Council.
6. In accordance with I.V.S.A. § 313 review of loan applications by the Committee will be conducted in executive session.



### **C. Winooski City Council Decision**

1. A Committee recommendation regarding a WSBL Program loan application shall be considered at the next City Council meeting following the receipt of the Small Business Loan Fund Committee's recommendation, subject to the discretion of Council.
2. It is required that the applicant or his/her agent attend the meeting.
3. In accordance with I V.S.A. § 313 review of financial details of loan applications by City Council will be conducted in executive session.
4. The Committee's role is that of an advisory body thus it has no authority to give permission on behalf of the City for outside action. Its vote is a recommendation only. The final disposition of any loan application will be decided by City Council.
5. All WSBL Program loan decisions made by City Council shall be final.