

New Markets Tax Credit Equipment Loans

To increase economic activity, we extend intermediate-term loans to purchase major equipment for new and expanding businesses (and non-profit businesses) that create living wage jobs.

Requirement for Community Needs Tracking

- Demonstrated need for job creation and substantial state or local government support is required.
- Periodic reporting is required.

Project/Borrower Characteristics

- Borrower must be financially stable, capable of financially supporting existing or expanded operations and be experienced in, or have support for workforce development.

Other Conditions

- Borrower must be a legally organized entity.
- Business must be located in a qualified New Markets Tax Credit area. Call for information about qualified areas.
- Borrower should demonstrate the financial resources and capacity to carry any projected short-term operating deficit. Borrower must be able to demonstrate and/or provide a minimum of two months interest debt service reserve.
- Projects in communities with substantial unemployment are highly desired.
- Business plan must demonstrate elevated market demand supporting equipment need, from existing market data or current market study. Projections must demonstrate living wage job creation and demonstrate very near-term positive cash flow.
- Debt coverage ratio must be adequate to service the debt being extended and any other existing and potential sources of financing.
- All borrowers must agree to remit loan payments by automated debit payment.
- Underwriting based on borrower's historical and projected financial condition and operations; alternate cash flow sources; potential for equity appreciation; industry experience; and the potential for equity contributions from state or local grant sources. General community support, impact and the economic contribution of the project to the community will be considered in underwriting.

Loan Amounts

Minimum: \$50,000
Maximum: \$2,500,000

Rate Structure

Based on current market conditions and risk analysis; interest rates established at loan closing, generally 2% above 7 year treasuries plus a 25 basis point servicing fee

Maturity Terms

Loans are extended for up to 7 years; if equipment being financed has a useful life of less than 5 years, the loan will amortize within the equipment's useful life

Collateral

1st or 2nd lien on the equipment being financed

Origination Fees

1 to 2% depending on transaction size and complexity

Late Payment Fees

5% to a maximum of \$250 after the 10th day

Prepayment Penalty

No partial prepayments allowed; substantial penalties due to negative tax consequences to funding investors

Loan-to-Value Guidelines

50% for used equipment, 70% for new equipment

Guarantees

Property owners, principals, partners or majority stockholders generally required; parent organization required, if applicable

Acceptable Equity

Existing equity or enhanced real estate equity appreciation based on preliminary appraisal

