

Holyoke Economic Development and Industrial Corporation Manufacturers Financing Program Overview, Policies and Procedures

Overview:

The Holyoke Economic Development and Industrial Corporation's (HEDIC) Manufacturers Financing Program is for new and existing Holyoke businesses. The program offers gap co-lending and, in some cases, direct financing for eligible manufacturers that have good credit and a strong business plan. These loans are designed to fill a lending gap and help to stimulate business growth.

This document is intended to provide an overview of the program and to explain the administration of the program for prospective borrowers.

- The Manufacturers Financing program offers loans of \$25,000 to \$100,000 with a term of up to 7 years. Loans can be used to finance land or building acquisition, the purchase of machinery and equipment, new construction or renovation, working capital (in limited instances) and business succession expenses.

Example: Holyoke Manufacturing Corp. seeks to acquire a processing machine that costs \$100K. Bank financing will provide \$70K. The Manufacturers Financing Program can provide up to the remaining \$30K to a qualified business so that it can purchase the machine. HEDIC would be subordinate to the bank for collateral. In some instances, the program can provide the entire amount if the company can demonstrate the need, provide sufficient collateral that there is a benefit to the City of Holyoke.

What are the general eligibility requirements for the Manufacturers Financing Program?

- > Open to Holyoke businesses
- > Must be a manufacturer or maker type business.
- > Have been operating for 3 years.
- > Must provide financial documentation satisfactory to HEDIC.

In cases where a potential borrower operates a business that does not meet one or more of the qualifications above, HEDIC staff will consider the circumstances and may suggest alternatives or decide as to whether the business can reasonably be considered eligible to apply.

Applicants will be required to submit all the information listed in the Submission Checklist shown on the last page of this document. At its discretion, HEDIC may consider alternative documentation or extenuating circumstances.

Applicants who pass the initial pre-application screening should be available for a 30-minute interview with HEDIC staff.

Loan Applications Policies and Procedures on the following pages.

HOLYOKE ECONOMIC DEVELOPMENT AND INDUSTRIAL CORPORATION (HEDIC)
MANUFACTURERS FINANCING PROGRAM
BELOW MARKET-RATE FINANCING
POLICIES AND PROCEDURES

- I. LENDING CRITERIA: Loans may be made to a business that meets the following criteria.
- Must be in Holyoke.
 - Must be a for profit manufacturer.
 - Business must have been operating for the last 3 years.
 - Business must provide evidence of a personal equity contribution and / or a commitment from a commercial lender.
 - Must provide financial documentation satisfactory to HEDIC
 - The applicant must document the need for funding and that other financing is not available. The purpose is to ensure that the amount of assistance to be provided to a for-profit business is not excessive, considering both the actual needs of the business and the extent of public benefit expected to be derived.
 - The applicant must be in compliance with all state and local laws and regulations including but not limited to licensing, permits, building codes, zoning, taxes, and environmental rules and regulations.
 - The applicant and the location of the business must be in good standing with the City including property taxes.
 - The applicant must also document the public benefit of the project; i.e., the creation or retention of jobs, the projected increase to the real estate tax base and any other direct tangible benefits.
- II. LOAN AMOUNT: Loan amounts of between \$25,000 and \$100,000 are available for qualified applicants.
- III. TERM: The actual term on any specific loan will vary but will not exceed but will not exceed 7 years.
- IV. RATE: Rate is fixed for the term of the loan at 50% of prime lending rate.
- V. COLLATERAL: Collateral may include, but are not limited to:
- Personal guarantee(s)
 - Collateralization of real estate, machinery and equipment and other assets
 - Security interest in assets of borrower
- VI. APPLICATION PROCEDURE:
- A. PRE-APPLICATION: An applicant shall complete a brief pre-application form, provided by the HEDIC. This preapplication shall function as a screening process to ensure the business meets the basic criteria and that the funding will be used for appropriate purposes. HEDIC staff may conduct interviews with the applicant. Those applicants whose businesses appear to meet the eligibility criteria will be notified and instructed to submit a full application. An ineligible applicant will be promptly notified.

B. APPLICATION: HEDIC staff will provide the application to the applicant. The applicant will then be responsible for submitting loan documentation including those items listed in Attachment A. The applicant business must demonstrate that sufficient cash flow will be generated from operations to meet the requirements of this loan and all other debt. After the applicant provides a complete application with all required documentation, HEDIC staff will present the application to the HEDIC at the next regularly scheduled Board meeting. The applicant must attend the Board meeting and be prepared to discuss their application. After the HEDIC Board of Directors decision, HEDIC staff will promptly notify the borrower.

- VII. FEES: A non-refundable application fee of \$250 is due to the Holyoke Economic Development and Industrial Corporation upon formal submission of a loan application.

The applicant will be responsible for all applicable legal and loan closing fees. These fees will be due and payable at closing.

- VIII. LOAN APPLICATION PROCESSING AND APPROVAL: Upon satisfactory review, the HEDIC and the applicant will coordinate closing documents and the loan closing. If a discrepancy is identified in the application, HEDIC will notify the borrower to address satisfactorily.

- IX. LOAN CLOSING: Since these loans will generate limited financial return for HEDIC, it is critical that the underwriting and administrative process is kept simple to minimize operational costs. HEDIC will prepare all loan closing documents on standard forms in coordination with the lead lender or independently for a direct loan, and then provide those documents to the applicant. Upon completion of the required documents, HEDIC will disburse funds according to the provisions of the loan authorization.

- X. LOAN REPAYMENT: Borrower shall pay monthly installments according to the loan agreement with the first installment due 30 days after the loan disbursement.

- XI. LOAN ADMINISTRATION: Loans will be serviced by HEDIC in conjunction with lead lender.

For more information or to obtain a HEDIC Equipment Loan Preapplication and Application call (413) 322-5655 or visit <https://www.holyoke.org/equipment-gap-financing/>.

**Holyoke Economic Development and Industrial Corporation
Manufacturers Financing Program Application Checklist**

Prior to the full application all applicants must complete:

- Pre Preapplication - completed and signed
- Meeting with HEDIC staff

Documents required for full Loan Application:

1. _____ History and description of the business / project
2. _____ Statement detailing the exact uses of the loan
3. _____ Statement of the anticipated public benefits to be derived from the proposed financing
4. _____ Federal income tax return for the previous two years for Business and for any Principal Owners/Guarantors with 20 percent or more ownership
5. _____ Signed personal financial statement of any owner with 20% or more ownership
6. _____ Balance sheet, profit and loss statement for the previous two years
7. _____ Current balance sheet and a current operating statement (not over 60 days old)
8. _____ Projected operating statement for 2 years
9. _____ Monthly cash flow projections / Profit and Loss Projections for the next two years
10. _____ Schedule of Outstanding Obligations / Debt
11. _____ If the business is a franchise, include a copy of the franchise agreement
12. _____ Personal History Statement or Resume to be completed by all officers and / or directors and owners holding 20% or more of the outstanding capital stock of the applicant business /project
13. _____ Current Personal Financial Statement to be executed for each proprietor, partner, officer and each stockholder with 20% or more ownership of the applicant business concern.
14. _____ Resolution of the Board of Directors of applicant business. (Form 3 attached)
15. _____ Copy of existing or proposed lease or purchase agreement or other financing arrangements.
16. _____ An appraisal report prepared by an outside independent source dated within 6 months of the application reflecting “as it will be” valuations (if applicable for real estate loans)
17. _____ An environmental report prepared by an outside independent source dated within 6 months of the application reflecting “as it will be” valuations (if applicable for real estate loans)
18. _____ Preliminary plans, specifications, and estimates of cost covering new construction and/or machines, and equipment
19. _____ Listing of Collateral to be offered as security for the loan and include appraisal of equipment if required
20. _____ Bank letter stating the terms and conditions of its loan participation (for co-lending loans)
21. _____ Application Fee of \$250 payable to HEDIC

****HEDIC may modify or require additional information as applicable on a case-by-case basis****