

Holyoke Economic Development and Industrial Corporation MakerLoan Program Overview, Policies and Procedures

Overview:

The Holyoke Economic Development and Industrial Corporation (HEDIC) has established a MakerLoan program for new and existing Holyoke businesses. The program will feature a zero percent interest rate for eligible maker or small-scale manufacturing businesses. This document is intended to provide an overview of the program and to explain the administration of the program for prospective borrowers.

The new Microloan program, offering short-term (6 to 60 months) loans of up to \$25,000 (up to \$15,000 for working capital), is available to Holyoke start up entrepreneurs. Loans can be used for property acquisition, building improvements / modernization, machinery, equipment and working capital in some instances.

What is a “Maker”?

A qualifying “maker” or manufacturer is a business which produces a product or good which will become available for commercial sale. This may mean a traditional manufacturer producing goods such as paper, furniture, industrial equipment, etc. which are then sold. This may also mean a less traditional manufacturer such as a business which produces salsa in a commercial kitchen which is then sold to a grocery store for resale.

What are the general eligibility requirements for the microloan?

- > Open to Holyoke businesses
- > Must be a manufacturer or maker business.
- > Have been operating for 3 years or fewer, have no more than 5 employees and are building the operations of the business, in a pre-revenue or pre-profit stage, and thus do not typically qualify for traditional capital.
- > Must provide information listed on MakerLoan Application Checklist

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 for a HEDIC Microloan. Loan funds cannot be used to pay existing debt. Due to HEDIC’s status as a public corporation, cannabis related businesses are ineligible for funding. All uses of funds must comply with federal, state, and local laws.

Additional consideration will be given to applicants that have completed or participated in formal business training or counseling from entities such as EforAll or the Massachusetts Small Business Development Center.

Applicants will be required to submit all or some of the information listed in the Submission Checklist shown on the last page.

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

MakerLoan Program Policies and Procedures on the following pages.

HOLYOKE ECONOMIC DEVELOPMENT AND INDUSTRIAL CORPORATION (HEDIC)

MAKERLOAN POLICIES AND PROCEDURES

- I. LENDING CRITERIA: Loans may be made to a business that meets the following criteria.
- Must be a for-profit business located in Holyoke.
 - Must be a for profit manufacturer / maker type business.
 - Have been operating for 3 years or fewer, have no more than 5 employees and are building the operations of the business, in a pre-revenue or pre-profit stage, and thus do not typically qualify for traditional capital.
 - Must submit a current business plan to HEDIC.
 - Must have an established bank checking account.
 - Business must have a Business Certificate from the City of Holyoke.
 - 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 is appropriate and 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:
- Up to \$25,000 for property acquisition, building improvements / modernization, machinery, equipment.
 - Up to \$15,000 for working capital.
- III. TERM: The actual term on any specific loan will vary but will not exceed 60 months.
- IV. RATE: Rate is fixed for the term of the loan at 0 %
- V. COLLATERAL: Collateral may include, but are not limited to:
- Personal guarantee
 - Collateralization of real estate, machinery and equipment and other assets
 - Security interest in assets of borrower
- VI. MAKERLOAN APPLICATION PROCEDURE
- A. PRE-APPLICATION: An applicant shall complete a brief pre-application form, provided by the HEDIC. This pre-application shall function as a screening process to ensure the business meets the basic criteria and that the funding will be used for appropriate purposes. If the pre-application reveals ineligibility the applicant will be promptly notified. HEDIC staff will conduct interviews with the applicants who appear eligible after reviewing the preapplication. After the interview with HEDIC staff, those applicants whose businesses appear to meet the basic

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 borrower 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: An application fee of \$10 per \$1,000 of loan request 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 the closing.

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

- IX. LOAN CLOSING: Since these loans will generate no financial return for HEDIC, it is critical that the underwriting and administrative process is kept simple to minimize operational costs. With the assistance of the City of Holyoke Law Department, HEDIC staff will prepare all loan closing documents on standard forms, 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 DELINQUENCY AND DEFAULT: The borrower shall be considered delinquent within fifteen (15) days of failure to meet the payment due date. First offenses may be cured through payment of a late fee and the full amount of missed payment. Late fees shall be set at 20% of monthly payment dollar amount. Failure to cure after a period of sixty (60) days, with no good-faith efforts, shall be considered in default. Failure to cure will result in collection actions in accordance with the terms and conditions of the loan agreement.

- XI. LOAN REPORTING AND COMPLIANCE: The Borrower shall be required to provide HEDIC with financial information upon the request. Annually on the anniversary of the loan closing, the Borrower shall provide HEDIC with a report on the status of the business and the use of loan funds. HEDIC shall monitor the Borrower's compliance in accordance with the loan agreement.

- XI. LOAN ADMINISTRATION: Loans will be serviced by HEDIC staff.

For more information on the HEDIC MakerLoan Program call (413) 322-5655 or visit <https://www.holyoke.org/departments/industrial-corporation/>