**FINANCIAL REVIEW MEMO**

Date:

To: Greg West, CDBG Program Manager

From:

Subject: CDBG Revolving Loan Fund Program - Financial Viability Review

|  |  |
| --- | --- |
| RLFA |  |
| Region # |  |
| Community |  |
|  |  |
| **LOAN SUMMARY** | |
| Business Name |  |
| Loan Amount | $ |
| Interest Rate | % |
| Loan Term | months |
| Amortization Term | months |
| Collateral |  |
| National Objective | Benefit LMI persons (job creation)  Slum/Blight  Urgent Need |

**PROJECT COSTS ARE REASONABLE**.

Pursuant to the Funding Guide, the minimum RLF/CLP loan amount is $20,000. If loan amount is $19,999 or below, please provide justification.

**Sources Are committed**. It was verified that sufficient sources of funds have been identified to finance the project.  **Insert detail**

**CDBG FUNDS ARE NOT SUBSTITUTED FOR NON-FEDERAL FUNDS**. It was verified that the CDBG Funds are not substituted for non-federal funds, and that the CDBG funds address an identified gap in financing for the project.

**FINANCIAL FEASIBLITY**. The project was evaluated based on the feasibility of completion. Items reviewed and considered included . Project expenses are .

The Loan Committee met on  and the loan was approved  unanimously  by a quorum.

*Please detail the basic structure of the financing including loan size, rate, term, collateral, position in repayment, and any other unique or specific details related to the financial review of the project that are important to note for the benefit of the MSF.*

**FINANCIAL STRUCTURE**. Complete the following information and enter the key information basic structure of the financing in the LOAN SUMMARY section above.

|  |  |  |
| --- | --- | --- |
| **Funding Sources** | **Agency** | **Amount** |
| CDBG | MEDC - CLP Loan | $ |
|  |  | $ |
|  |  | $ |
|  |  | $ |
| **PROJECT TOTAL** |  | **$** |

**Interest Rate**. *Pursuant to the GAM, the program will charge interest rates commensurate with the level of risk of the credit that it is underwriting but will not exceed legal limits and will not compete with traditional lending institution rates. The MEDC reserves the right to require justification that the program is not in rate or fee competition and make such a determination in its sole discretion.*

*Regardless of the security position and financial health of the company, a direct loan’s interest rate must be 2% over the prime rate as published in the Wall Street Journal, with a floor of 5.99% per annum.*

*The MEDC maintains the ability to approve exceptions to the rate policy on a case by case basis or reject a proposed rate. Pricing is required to be included in the CDBG Loan Financial Review memo submitted by a CRLF or RLFA.*

1. Wall Street Journal prime rate  %
2. Project Interest Rate  %
3. Is Project Interest Rate 2% over prime  Yes  No
4. Is Project Interest Rate over 5.99%  Yes  No
5. If 3 or 4 is No, provide justification.

**Loan Type/Term**. *Check applicable box(es) below.*

|  |  |  |  |
| --- | --- | --- | --- |
| **LOAN TYPES** | | **MAXIMUM TERM** | **MAXIMUM AMORTIZATION** |
|  | Construction/Permanent | 1-year construction term followed by a maximum of 6-year permanent debt term | 30 years |
|  | Equipment | 10 years or the appraised useful life, whichever is shorter | 10 years |
|  | Permanent Working Capital | 5 years | 10 years |
|  | Real Property  *An appraisal is not required to be submitted to MSF. Underwriting and risk mitigation and collateral decisions are made by the CLP/RLFs and Fund Managers/RLFAs who should have an underwriting policy which identifies when an appraisal is required.* | 7 years | 30 years |
|  | Working Capital | Maximum term of 18 initial months followed by 12 months (in order to time renewal with the availability of company financial statements) | 10 years |
|  | Other: |  |  |
|  | The loan type, maximum term or maximum amortization in the chart above were not sufficient for this project and following is justification of same.  **enter justification** | | |

**POLICY EXPECTIONS, REQUIRED DOCUMENTATION and CONTINGENCIES**. Pursuant to page 2 of the Loan Approval letter, approval for this transaction is granted, contingent upon the conditions listed therein. The required documents must be submitted to our office within 60 days of the scheduled closing.

**OWNER’S EQUITY RETURN IN NOT UNREASONABLY HIGH**. The owner/developer’s equity return was not unreasonably high. Lenders assessment is owner’s equity is reasonable and in line based on owners net worth.

**FUNDS DISBURSED PRO RATA**. RLF funds are not required to be disbursed Pro Rata with other project funding, rather the disbursement is tied to the specific use of the RLF funds.

For this project, the disbursement will be used to fund the  Equipment, Inventory, etc. Loan from Community in the above amount. At closing, the  full amount above or a  draw down disbursement will be utilized depending on the purchase terms.

Please reference previously submitted CLP Application with attachments.

**LICENSING AND REGULATORY AFFAIRS CHECK**. The business currently listed within the LARA website. A screen print is attached.

**DEVELOPMENT AGREEMENTS**. A development agreement was not required for this project.

**RECOMMENDATION**. Based on the review and analysis of this project, the company has the financial capacity to undertake the project referenced above with limited risk to the community, the Regional RLF, and the Michigan Strategic Fund.

Sincerely,

**name** ,  **title**

**company name**