



# CDBG Micro-Loan Guidelines

---

## Maine Community Development Block Grant Program



[www.meocd.org](http://www.meocd.org)

Office of Community Development  
Department of Economic and Community Development  
111 Sewall St  
59 State House Station  
Augusta, Maine 04333-0059  
(207) 624-7484 (Voice) (207) 287-2656 (TTY)



## Introduction

---

The Community Development Block Grant (CDBG) Program Micro-Loan Program provides communities with funding to create a pool of capital for businesses creating or retaining jobs for low-to-moderate income people.

Communities receiving these funds establish a loan review committee, create program guidelines to govern how the money is loaned, track jobs and do other administrative tasks. This guide outlines procedures and forms that a community must use to administer their micro-loan fund.

The guidelines in this book may be modified to suit the needs of your business community but the modifications **must be consistent** with federal regulations. To ensure this consistency, a municipality must certify to the Office of Community Development that all applicable federal regulations have been met. If you have questions, contact your Project Development Specialist for more information and guidance.

## Administering a Micro-Loan Program

---

### Step #1 - Establishing a Step #1 - Micro-Loan Committee

Micro-Loan grantees must establish a loan review committee. This committee will review and approve applications to the loan fund.

### Micro-Loan Committee Composition

The following members should comprise a loan review committee:

- 1) Selectperson/Councilor appointed by the Select-people/Council.
- 2) Businessperson appointed by the Selectpersons/Council.
- 3) Attorney appointed by the Selectpersons/Council.
- 4) Certified Public Accountant or practicing accountant appointed by the Selectpersons/Council.
- 5) Resident appointed by the Selectpersons/Council.

The Town/City Manager and the Community Development Director may participate in an ex-officio, non-voting, capacity.

All appointments to the committee will be made on the same date and will be for at least a year and to be conducted by the described organization.

Municipalities that decide to create a Micro-Loan Review Committee other than as described above must contact the Office of Community Development during Phase II and discuss their alternative. If changes in the loan review committee representation are made after Phase II, please notify OCD in writing before finalizing the change. OCD staff will review the proposed change and notify the municipality if the loan review committee change is eligible for certification.

If a municipality currently has an operating loan review committee that it wishes to also designate as a Micro-Loan Review Committee, the municipality must submit the operating procedures of this entity to the Office of Community Development. The Office will review the information to see if the committee can be certified to perform the Micro-Loan reviews on behalf of the municipality.

The Micro-Loan Committee shall select a Chair to conduct the proceedings of the loan reviews and a Secretary to record all proceedings.

## **Quorum**

A minimum of three (3) committee members must vote to constitute a quorum. All votes must be recorded.

## **Administering Your Micro-Loan Program**

---

### **Responsibility for Compliance**

A community receiving a Micro-Loan grant is solely responsible for the administration of its program. A community may choose to sub-contract with a grants administrator to handle these tasks but the community remains responsible for compliance with all CDBG Program regulations.

### **The Role of the Loan Review Committee**

The Loan Review Committee (or an agent), on behalf of the municipality, is responsible for securing all necessary documentation and performing the required financial reviews and analyses. In addition, the committee is responsible for executing the loan and monitoring the business for job creation or job retention. (A comprehensive discussion of the loan review committee's review is contained in the appendix of this guide).

### **Lending Criteria**

**Location of Business:** Businesses eligible for Micro-Loan funds must be located within the municipality, or group of municipalities, that contracted with OCD for the Micro-Loan Program funds.

**Eligibility:** Micro-Loan applications must be for activities eligible under Section 105 (a) (17) (A) of the Housing and Community Development Act of 1974, as amended. Loans can be used for:

1. Capital equipment;
2. Building construction and/or rehabilitation;
3. On-site utilities;
4. Inventories;
5. Working capital

Under this program, activities that construct, support or assist housing-related projects are ineligible to receive Micro-Loans.

**Maximum Loan Amounts and Leverage Requirements:** The maximum micro-loan is \$25,000. Micro-loans may provide up to 100% of the total financing package up to \$15,000. Loan packages of over \$15,000 require a dollar-for-dollar match for each dollar over \$15,000. The match provided to meet this requirement must represent a new investment or project.

**To be eligible to receive a Micro-Loan through this program,** the recipient must be from a low to moderate-income household as defined by HUD.

Municipalities administering Micro-Loan funds are required to maintain records that will demonstrate that the income requirement has been met.

**Financing must be “necessary and appropriate”:** Committees reviewing Micro-Loan applications must perform an in-depth financial analysis to assess whether the financing is necessary in order for the business project to be viable. The analysis must also ensure that the Micro-Loan is not unduly enriching a business nor simply replacing other available financing. In addition, the analysis should also support the amount of financing in relationship to the public benefit that will be obtained from the project.

**Terms of loan:** No thresholds have been set for the terms of repayment of Micro-Loans. The loan review committee will set these terms after considering the financial gap to be filled, the potential rate of return and the benefit to be realized from assisting the applicant business.

**Payment period:** The loan review committee should require monthly payments unless another appropriate method is deemed suitable after a review of the application.

**Application costs:** Applicants for Micro-Loans must pay the costs associated with preparing the documentation and papers necessary for making application to the program. This includes legal document preparation/review, recordings/filings and closing statements/documents.

**Collateral requirements:** Collateral is required to secure all Micro-Loans. At the time of application, the business must provide documentation that verifies that the loan is 100% collateralized.

**Penalties:** Penalties for late payment will be set by the municipality. The following is a sample policy:

***Late Payment Policy***

*In the event that a loan payment is 15 days in arrears, a late payment charge of 5% of the loan payment will be added.*

## **Loan Application Requirements**

The Micro-Loan application must include the following information:

1. Business Balance Sheets:
  - Both historical and projected for a minimum of three years
2. Profit and Loss Statements
  - Both historical and projected for a minimum of two years
3. Proforma Cash Flow for two years
4. Current Balance Sheet and Profit and Loss Statement (not over 90 days old)
5. Current financial statements of principals with greater than 20% ownership existing or proposed
6. Information about the form of ownership
7. Resumes of principals and/ or management
8. Marketing analysis and plan
9. Project Budget
10. Existing and Proposed obligations of the business
11. Equity commitment letter; if required
12. Loan Collateral Form, and applicable documentation that substantiates the fair market value of such collateral
13. Documentation showing ownership of property or anticipated real property conveyances such as sales agreements, purchase options or lease agreements.

(A sample Micro-Loan application is included in the Appendix of this guide)

### **The Micro-Loan Application Process**

1. Loan applications for the Micro-Loan Program will be evaluated on a first come, first serve basis. Decisions on loans should be made within 30 days from the date of loan application.
2. Applicants for Micro-Loan Program funds must be the owner.
3. The Loan Review Committee according to the requirements described in this Guide must review applications for Micro-Loan financing.
4. Upon final review of the application, the Loan Review Committee must vote to provide or refuse financing.
5. After the loan application has been approved, a written Loan Agreement will be developed. The Loan Agreement must state all of the terms of the loan including any specific conditions for the loan. An authorized municipal representative and the applicant must sign the Loan Agreement.
6. Unsuccessful loan applicants may request reconsideration by the Loan Review Committee in instances of error of fact or procedure. This reconsideration may not be based on judgments concerning the feasibility of the proposed project or creditworthiness of the applicant.

### **Executing the Loan**

The municipality is responsible for securing the following loan documents upon execution of the loan:

1. Micro-Loan Agreement
2. Corporate Guarantee
3. Promissory Note
4. Mortgage Deed
5. Security Agreement

The cost of filing these documents may be passed on to the applicant.

The municipality should have their attorney review all loan documents and ensure that they are appropriate for the particular applicant and the town.

### **The Loan Review Process**

The local Loan Review Committee acts as the municipality's primary assessor during the loan review process. The Committee is required to perform an in-depth analysis of all business loans. This analysis includes insuring that the loan will meet all eligibility, national objective and financial analyses required by the CDBG Program. All loans under the town's Micro-Loan Program must meet these requirements.

### **Determining Eligibility**

### **The CDBG assistance must be "appropriate."**

Under HUD's current policies, a loan review committee must review a business' need for financing as part of its loan application deliberations. A decision by the loan review committee to approve a Micro-Loan should be based on the amount of assistance requested, a demonstrated need for financing and should allow the business a reasonable return on its investment, consistent with industry standards for that type of business.

**The CDBG assistance can only be provided where a national objective is met.**

Economic development activities like the Micro-Loan Program must meet the HUD national objective of benefiting persons of low to moderate income. To meet this objective, the owner of the business must be low to moderate income.

**A financial analysis must be performed.**

The primary function of the Loan Review Committee is to review the applications submitted for Micro-Loan funding. Their financial analysis consists of two parts:

**1. Initial Consideration**

The Committee determines the need for a loan and devises a loan structure that insures business profitability.

**2. In-depth Review**

In this stage, the Committee examines the loan application as described earlier and evaluates the loan feasibility within the guidelines of the program, financial considerations and meeting all CDBG requirements.

**Municipal Loan Review Capacity**

If a municipality or the Office of Community Development does not feel that the appropriate level of review can take place at the local level, the municipality can choose to have an agent perform the necessary reviews for it. This should be a hired individual with lending experience, a local bank, a financial consulting firm, a Regional Planning Commission with the appropriate loan services and experience, a Small Business Development Center, etc.

If a community utilizes an agent, the Loan Review Committee must still vote on accepting or rejecting an application and will act on behalf of the community to execute the loan documents. In addition, the municipality must contact OCD during the Phase II process to explain how the program will be administered and provide OCD with the qualifications of the agent. OCD must approve the choice of agent before a contract for services is executed.

**Loan Committee Reviews**

---

The following section outlines the level of review that a Local Loan Committee must perform in its capacity as grantor of Micro-Loan funds. In addition to reviewing each aspect, the Committee must maintain documentation describing how each criterion is being met in a given loan application.

**Review Criteria**

**1. CDBG assistance can only be provided to businesses that demonstrate that the assistance is "appropriate" to carry out the economic development project.**

The Loan Review Committee must consider the business entity's need for financial assistance, the amount of the loan and the benefit to be received by assisting the business. CDBG assistance should allow the business a reasonable return on investment, consistent with industry standards for that type of business. CDBG assistance which is excessive when

comparing the actual needs of the business in making the project financially feasible and the extent of public benefit expected to be derived is not considered “appropriate” under HUD policies. Such a loan would not meet the statutory obligation required of economic development projects.

The following elements must be included in each Loan Review Committee determination:

### **Reasonableness of Proposed Project Costs**

Each Project cost element should be reviewed to insure that the cost is reasonable and is consistent with third party, fair-market prices for that cost element.

### **Commitment of Other Sources of Funds**

All projected sources of funding should be reviewed to insure that all sources, especially private debt and equity financing are firmly committed and are available to invest in the project.

### **No Substitution of CDBG Funds for Private Sources of Funds**

The municipality shall financially underwrite the project and insure that CDBG funds are not being substituted for available private debt financing or equity capital.

In cases where no owner cash equity investment is included, the Loan Review Committee must verify the inability of the business to make an equity investment.

The review should be consistent with recognized industry standards for the type of project involved, the rates of return on equity investment and the level of risk.

Front-end analysis is critical in cases where CDBG funds are spent for “up-front” costs such as land acquisition or construction of speculative buildings. The Review Committee should insure that a significant equity commitment by the for-profit business exists and that the level of certainty of the end use of the property or project is sufficient to achieve a national objective within a reasonable period of time.

### **Establishing CDBG Financing Terms**

The amount of CDBG assistance provided to a for-profit business should be limited to the amount, with appropriate repayment terms, sufficient to allow the project to go forward without substituting CDBG funds for available private debt or cash equity.

The loan should not limit CDBG funds to the extent that the success of the project is in jeopardy. However, equity funds should bear the greatest risk of all funds invested in the project.

### **Assessing Public Benefit**

Loan review should also include an assessment of the public benefit to be derived from approving financing for the project. This assessment should include:

- the number and type of jobs to be created;
- the job needs of low to moderate income persons;
- the extent to which a business provides essential services; and,
- Increases the tax base.

The Review Committee should document those factors it considered and should include a look at the risk of the project and the effect on the public benefit if the project fails.

### **CDBG assistance must minimize business and job displacement**

Each loan should be reviewed to assess the potential of causing displacement of existing businesses and jobs in the neighborhood where the project will be located. Should the review show potential displacement, it should take steps to minimize the potential for displacement.

### **The project must meet the national objective of assisting low to moderate income persons**

To meet this objective, documentation must show that the business owner is of low to moderate income.

To determine if a person is of low to moderate income, the entire family income and size must be considered. To verify that each individual worker is of low to moderate income:

1. A file is maintained that includes the necessary documentation about the individual that determines low to moderate status.
2. A written certification by a person of his or her family income and size to establish low to moderate-income status.

## **C. FINANCIAL ANALYSIS**

Documentation should consist of a financial analysis of the business entities' needs using the following steps.

### **Initial Overview:**

#### **a) Project Type:**

There is essentially only one type of project that is eligible with Micro-Loan funds and that is where the entity seeking the assistance is the owner/lessee and the occupant/user of the property. Typically these projects involve the construction of, or an addition to, a commercial facility, the procurement of equipment or the use of working capital. As is set forth in the Final Statement, housing projects are not an eligible use of Micro- Loan funds.

#### **b) Evaluate the proposed project costs:** (the use of funds to complete the project)

Crosscheck costs with appropriate industry standards. The goal is to conclude that all costs are reasonable. Crosschecking should include hard and soft costs, particularly developer's fees.

#### **c) Verify and Maximize Private Sources of Funding:** (the sources of funds necessary to complete the project)

Both private debt and equity must be verified. Verification means ascertaining that: the source of funds is committed; that the terms and conditions of the committed funds are known; and the source has the capacity to deliver. All private sources should be maximized for the given project. No CDBG funds should substitute for available private funds.

#### **d) Determine the Reason for the Need for CDBG Assistance to Complete the Project:**

There are general, justifiable reasons for CDBG assistance:

- I. Financial Gap: The private sector can maximally raise only a portion of the debt and equity to complete the project, but the returns to the user are inadequate to motivate an “economic person” to proceed with the project. That is, project risks outweigh rewards.
- II. Rate of Return: The ROR is usually measured by the following operating ratios:
  - Profit before taxes/ tangible net worth (expressed as a percent)
  - Profit before Taxes/Total Assets (expressed as a percent)
  
  - Sales/Net Fixed Assets
  
  - Sales/Total Assets

Other important underwriting issues to consider in User Projects include officers compensation and Liquidity and Coverage ratios which help to measure a business; health. Liquidity is a measure of the quality and adequacy of current assets to meet current obligations as they come due. Coverage ratios measure a firm’s ability to service debt.

**e) Size the CDBG Assistance:**

Based on the needs that were identified in step d, determine the **minimum** amount of CDBG funds necessary to stimulate the private investment. This analysis will generally require a 5 to 10 year pro-forma for the proposed project. Ideally, the private sector applicant for CDBG funds will submit one pro-forma with 100 percent private financing and a second pro-forma with CDBG funding.

**f) Price the CDBG Loan:**

If the CDBG subsidy is to be a loan to a private entity, the debt service payments should balance the maximum return to the public lender with the economic health of the project. Returns to the entrepreneur in excess of industry averages should be avoided, but too high an interest rate for the CDBG assistance may weaken the project. The most direct pricing procedure is to work backwards from the pro-forma’s cash flow dollars available to service the CDBG loan (after project expenses, private loan debt service, and an appropriate return to the private entity) to an interest rate and term that equates to the available cash flow.

**In- Depth Review:**

**a) Developmental Feasibility:**

A deal can be financially sound, but it may not be do-able if developmental or governmental obstacles will be overcome as a matter of course. There are questions that need to be asked concerning the likelihood of a project’s success. The first group of questions pertains to possible geographic and physical restrictions.

- Is the design and construction of the facility appropriate for the facility?

- Are all needed utilities available to the facility or site?
- Does the facility have sufficient transportation access for the delivery of inventory and other goods/services?

A second group of questions concerns possible governmental restrictions.

- Is the land properly zoned?
- How many official and quasi-official governmental agencies need to give their approval and how long will it take?
- Does the proposed development comply with municipal ordinances?
- Is an environmental review required at the local or State level?

#### b) **Technical Feasibility:**

A determination must be made as to whether or not the operations that the business is proposing will in fact be possible from a technical standpoint. Industrial or businesses that are likely to manufacture a product must be reviewed to determine whether or not their process or product is viable.

Following are some of the questions that should be asked of an entrepreneur or businessperson to determine the technological merits of his/her proposed business venture:

- What key technologies and skills are required to develop and manufacture the proposed product or service?
- What problems are anticipated in developing and/or manufacturing the product or service?
- Does the product or service be produced or delivered at competitive costs?

A problem that may be encountered in trying to evaluate and assess the worthiness of financing a new technology is a lack of technical knowledge and expertise. In such instances, do not hesitate to draw on outside experts such as a college or university faculty.

#### c) **Economic Feasibility:**

A very important aspect in making a financial analysis is to also consider the applicant's capability to manage a business. The risk associated with loaning a business person money can be better evaluated in light of the management strengths and weaknesses. In some instances weak financial statements can be overridden by a successful history of business management. For example; The financial statements of many young firms appear weak, making the business management capabilities of the businessperson a critical variable.

Analyzing the management capabilities of a businessperson is not as easy for the public sector as it might be for the private lender who often has the benefit of an established relationship to rely on. It involves assessing the following qualities of the businessperson:

- 1) the capability and expertise to handle the type and size of project that is being proposed;
- 2) the ability to anticipate, understand and solve company expansion problems, personnel problems and personal weaknesses.

A businessperson's capabilities should be assessed early in the decision making process since they are an influential factor in deciding to proceed or terminate lending discussions. Therefore, at least one interview with the businessperson and a tour of the business should be in the process.

In assessing the economic feasibility of a project, the following questions should be asked:

- What experience and skills does the businessperson have? How relevant are they to the project that is being proposed?
- Do the ideas sound reasonable?
- What are the strengths and weaknesses? Does the applicant know what his/her weaknesses are? How does the businessperson compensate for them?
- Does the applicant demonstrate a clear understanding of the business' needs – inventory and receivable needs – and capacity to support added debt?

#### d) **Financial Feasibility:**

The two ways a lender expects a borrower to repay a loan are from 1) operating profits and a positive cash flow, and 2) the sale of collateral to a third party, with the sale proceeds applied against the loan balance. Lenders are much more interested in being repaid through profits and a positive cash flow or regular cash payments than through the cash value of collateral. The reason for this is that it is much easier and less expensive for the lender to be repaid in regular cash payments than to go through foreclosure proceedings.

#### **Cash Flow**

Credit analysis involves assessing the business' ability to be profitable and repay its debts. Conducting credit analysis will assist the grantee in understanding a firm's current financial position. It must be remembered that numbers can be misleading; businessperson's management capability.

The balance sheet and the profit-and-loss statement are the most important financial statements to analyze in determining a business' ability to repay a loan from profits. The importance of these statements to the decision making process will be discussed later.

#### **Collateral**

The longer the term of a loan, the more important collateral becomes because the likelihood of outside or inside influences (e.g., a business cycle downturn or error in pricing or production) affecting the profitability of the business causing default is greater. Land is considered the best security for long-term loans because its future value is easier to estimate. Appraisals are important in assessing the value of a firm's collateral (e.g., land, machinery and equipment), however, a tour of the business should also be conducted so that the grantee can assess the firm's collateral first-hand.

## FINANCIAL STATEMENTS

In simple terms, the profit-to-loss statements reflect the dynamic changes that occur over a specific period of time, such as a month or a year: Generally speaking profit-to-loss statements covering the overview of the company. Historic profit-to-loss statements provide the strongest indication of how well the firm will survive in the future as well as how well it has operated in the past. Therefore, they present a “moving picture” of the business’ financial condition. More specifically, they measure costs and expenses against gross revenues over a definite period of time to show the net profit or loss of the business for the entire period. The following are some questions that should be considered in analyzing a firm’s **Profit-and-Loss Statement(s)**:

- Are the firm’s sales growing? If not, why? If yes, how rapidly? If rapidly, can the firm continue to grow at this rapid rate without losing control of its operation?
- Is the firm profitable? If not, why? If yes, how profitable is it?
- Is the firm’s profitability consistent with industry standards? If not, why? If yes, how profitable is the firm in comparison to industry standards?
- How much are the firm’s discretionary expenses (e.g., officer salaries, rent, dividends)? Are these discretionary expenses hiding or understating expenses?

Below are some questions that should be asked in assessing the firm’s **balance sheet**.

- How well does the firm control its inventory?
- Does the firm collect from its customers on time?
- Does the firm pay its suppliers in a timely fashion?
- Are the owners committed to making the firm profitable or are they borrowing from it?

Other financial statements that are important to review in determining financial feasibility of a deal include **Projections** and **Personal Financial Statements**. Projections are assumptions and estimates of future financial statements, profit-and-loss statements, and balance sheets. Projections are based on reasonable assumptions developed through 1) historical analysis of past performance and 2) knowledge of company and general economic trends and changes that are occurring in those trends. Among other things projections should show is what the firm’s future cash flow will be and whether or not debt can be repaid. Personal financial statements are the balance sheets of the repaid. Personal statements are the balance sheets of the owners of a business. They are an important tool in verifying a company’s financial position, identifying hidden company liabilities and equity, as well as revealing other activities or investments that direct an owner’s attention away from the firm.

## BUSINESS RATIOS

Financial statements show how a business has performed in the past, while ratios help provide an indication of the business’ future performance. Ratios are indicators or comparative measures for spotting trends in the direction of a firm’s performance. They also help compare a

business' performance with the average performance of similar businesses as well as express relationships between balance sheet and profit-and-loss statement.

There are three kinds of business ratios: 1) balance sheet ratios which refer to relationships between various balance sheet items; 2) operating ratios which show the relationship between expense items; and 3) ratios that show the relationship between an item in the profit-and-loss statement and one on the balance sheet. The three most relevant business ratios are the current ratio, quick ratio and debt to equity ratio.

The current ratio, or working capital ration, is calculated by dividing current assets by current liabilities. It shows the relative working capital position of a firm and how free from claims its current assets are. It is a crude measure of a firm's liquidity or its ability to pay its bills. A minimum ratio of 2 to 1 is considered secure and indicates a positive working capital position.



---

**State of Maine Community Development Block Grant  
Micro-Loan Program Application**

---

**Personal Information**

---

Name:	Previous Address:
Date of Birth:	County:
Home Address:	Town: Zip Code:
Town: Zip Code:	Length of residency in Maine:
Telephone Number:	U.S. Citizen?
Length of time at current address:	

---

Number of People in your household:

List names, relationship and dependent status, if applicable. Include yourself.

NAME	Relationship	Dependent (yes/no)

**Business Information**

Is your business existing? or proposed?

Business Name:

Date Started (if applicable):

Business Address:

Telephone Number:

Town:

Zip Code:

Length of Time at Address:

Business Organization: (*circle one*)

Sole Proprietorship: Partnership:

Corporation: Non-profit For-profit

Joint Venture:

Other

Is your proposal to start, expand or strengthen your business?

Explain the business, service or job you plan to begin, expand or strengthen:

---

---

---

---

---

How do you intend to use your Micro-Loan? What positive impact will the loan have on your business?

---

---

---

**Loan Amount and References**

Loan Amount:

How much cash will you or your business be contributing to the proposal?

List three credit references:

Name	Address	Phone Number	Account Number

List three personal references:

Name	Address	Phone Number

Describe the qualifications, experience or training, which enables you to enter this business (attach your resume if available).

---

---

---

---

---

---

Is there a co-signer for this loan?

*(if yes, attach a personal balance sheet and most recent IRS tax return for co-signer)*

Will other sources of funds be used for this proposal?

*(if other sources, attach letters of commitment)*

Is there any pending litigation, governmental proceedings or consent orders against you or your business?

*(if so, attach a description)*

Have you or your company ever filed bankruptcy

*(if so, attach description)*

Have you or your company ever been involved in a criminal proceeding?

*(if so, attach description)*

Do you or your company have contingent liabilities as a co-signor, endorser, guarantor, or other?

*(if so, attach description)*

Are you delinquent on any State or Federal obligation?

*(if so, attach description)*

**Please complete the following schedules:**

**Business Balance Sheets (Schedule 1)** - please list your business' assets and liabilities. Don't duplicate data from your personal financial statement. Please submit (1) for the previous year, (1) for your current year and a projected balance sheet for each of the next (3) years.

**Profit and Loss Statement (Schedule 2)** - covering the previous year, and first and second year projections.

**Proforma Cash Flow (Schedule 3)** - covering your first and second year projections.

**Personal Financial Statement (Schedule 4)** - submit for all principals with greater than 20% ownership. Don't include information you will list on your business balance sheet.

**Marketing Plan (Schedule 5)** - please complete and attach additional information if applicable to your marketing plan.

**Project Budget (Schedule 6)** - please itemize all project costs and identify the source of funding.

**Loan Collateral (Schedule 7)** - please itemize all machinery and equipment valued at \$500 or more, regardless of collateral status.

**Certification of Intent to Meet CDBG National Benefit**

A CDBG Micro-Loan fund award is contingent on meeting the national objective of assisting low-to-moderate income persons. To meet this objective, the owner of the business must be of low-to-moderate income.

Signature of Applicant:

Date Signed:

---

**Penalty for False or Fraudulent Statements**

U.S.C. Title 18, Sec. 1001, provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, or makes any false, fictitious or fraudulent statements, or makes or uses any false writing or document knowing the same contain false, fictitious or fraudulent statement or entry, shall be fined not more than \$10,000 or imprisoned not more than five years, or both."

I warrant and represent that the information provided is true and complete. I agree to notify you promptly in writing upon any material change in the information provided herein, and further acknowledge that you will continue to regard this statement as true and complete until your receipt of such written notification. You are authorized to make such inquiries, as you deem necessary and appropriate to verify the accuracy of this application.

Signature of Applicant:

Date Signed:

---

**BALANCE SHEET****Schedule 1**

Company Name:

Date:

**ASSETS****CURRENT ASSETS:**

Cash \$ \_\_\_\_\_

Accounts Receivable \$ \_\_\_\_\_

(net) \$ \_\_\_\_\_

Merchandise Inventory \$ \_\_\_\_\_

Supplies \$ \_\_\_\_\_

Prepaid Expenses \$ \_\_\_\_\_

\_\_\_\_\_

Total Current Assets \$ \_\_\_\_\_

\_\_\_\_\_

**CURRENT LIABILITIES:**

Accounts Payable \* \$ \_\_\_\_\_

Current Portion Long \$ \_\_\_\_\_

Term Debt (due in 1 yr) \$ \_\_\_\_\_

Other \$ \_\_\_\_\_

\_\_\_\_\_

Total Current Liabilities \$ \_\_\_\_\_

\_\_\_\_\_

**FIXED ASSETS:**

Fixtures & Leaseholds \$ \_\_\_\_\_

Improvements \$ \_\_\_\_\_

Building \$ \_\_\_\_\_

Equipment \$ \_\_\_\_\_

Trucks/ Auto \$ \_\_\_\_\_

\_\_\_\_\_

Less accumulated depreciation on

fixed assets \$ \_\_\_\_\_

\_\_\_\_\_

Total Fixed Assets \$ \_\_\_\_\_

\_\_\_\_\_

**LONG-TERM LIABILITIES:\*\***

Notes Payable \$ \_\_\_\_\_

Bank Loan Payable \$ \_\_\_\_\_

Other Loan Payable \$ \_\_\_\_\_

\_\_\_\_\_

Total Long Term Liabilities \$ \_\_\_\_\_

\_\_\_\_\_

Total Liabilities \$ \_\_\_\_\_

\_\_\_\_\_

Net Worth (Owner's Equity) \$ \_\_\_\_\_

\_\_\_\_\_

TOTAL ASSETS \$ \_\_\_\_\_

\_\_\_\_\_

TOTAL LIABILITIES & NET WORTH \$ \_\_\_\_\_

\_\_\_\_\_

\*Accounts Payable

NAME OF ACCOUNT

AMOUNT

1. \$ \_\_\_\_\_

\_\_\_\_\_ -

2. \$ \_\_\_\_\_

\_\_\_\_\_ -

3. \$ \_\_\_\_\_

\_\_\_\_\_ -

\_\_\_\_\_

**\*\* Long -Term Liabilities**

NAME OF LENDER

AMOUNT

1. \$ \_\_\_\_\_

\_\_\_\_\_ -

2. \$ \_\_\_\_\_

\_\_\_\_\_ -

3. \$ \_\_\_\_\_

\_\_\_\_\_ -

\_\_\_\_\_

**PROFIT AND LOSS STATEMENT**  
**Schedule 2**

Name:

Business:

Report Period:	Previous Twelve Months	Projected First Year	Projected Second Year
Revenue (Sales)	XXXXXXXXXXXXXXXXXX X	XXXXXXXXXXXXXXXXXX X	XXXXXXXXXXXXXXXXXX X
Total Revenue Sales			
Cost of Sales	XXXXXXXXXXXXXXXXXX X	XXXXXXXXXXXXXXXXXX X	XXXXXXXXXXXXXXXXXX X
Total Cost of Sales			
Gross Profit			
Expenses	XXXXXXXXXXXXXXXXXX X	XXXXXXXXXXXXXXXXXX X	XXXXXXXXXXXXXXXXXX X
Salary Expense; Sales People Office and Other Payroll Expenses (taxes, etc.)			
Outside Services			
Supplies (office and operating)			
Repairs and Maintenance			
Advertising			
Car, Delivery and Travel			
Accounting and Legal			
Rent			
Telephone			
Utilities			
Taxes (real estate, etc.)			
Interest			
Depreciation			
Other Expenses (specify each)			
Miscellaneous (unspecified)			
Total expenses			
Net Profit			

**PROFORMA CASH FLOW**  
**Schedule 3**

FOR THE YEAR

	Beg. _____ End. _____	Beg. _____ End. _____
A. NET INCOME (LOSS)	\$ _____	\$ _____
ADD		
B. Itemized in Operations not Requiring Cash:		
1. Depreciation	\$ _____	\$ _____
2. Other: _____	\$ _____	\$ _____
C. Cash Provided From:	-	-
1. Proceeds Micro-Loan	\$ _____	\$ _____
2. Proceeds from Others	\$ _____	\$ _____
3. Increase (Decrease) in Accounts Payable Accruals and other Current Liabilities	\$ _____	\$ _____
4. Decrease (Increase) in Accounts Receivable, Inventories and Other Current Assets (Exclude cash)	\$ _____	\$ _____
Other: _____	\$ _____	\$ _____
D. Total all A, B, C Items	\$ _____	\$ _____
E. Less: Cash Expended for:	-	-
1. All construction, Equipment and New Capital Items (Loan Funds)	\$ _____	\$ _____
2. Replacement and Additions to Existing Property, Plant and Equipment	\$ _____	\$ _____
3. Principal Payment Micro-Loan	\$ _____	\$ _____
4. Principal Payment Other Loans	\$ _____	\$ _____
5. Other: _____	\$ _____	\$ _____
Total E - 1 through 5	\$ _____	\$ _____

ADD

F. Beginning Cash Balance	\$ _____	\$ _____
G. Ending Cash Balance (Total of D minus E6 plus F)	— \$ _____	— \$ _____
Item G Cash Balances Composed of:	—	—
Construction Account	\$ _____	\$ _____
Revenue Account	— \$ _____	— \$ _____
Debt Payment Account	— \$ _____	— \$ _____
O & M Account	— \$ _____	— \$ _____
Reserve Payment Account	— \$ _____	— \$ _____
Funded Account	— \$ _____	— \$ _____
Funded Depreciation Account	— \$ _____	— \$ _____
Others:	— \$ _____	— \$ _____
<hr/> <b>TOTAL – Agrees with Item G</b>	— \$ _____	— \$ _____
	—	—

**PROJECT BUDGET**  
**Schedule 6**

Summary of Expenditures

<b>ACTIVITY</b>	<b>MICRO-LOAN</b>	<b>PRIVATE FUNDS</b>	<b>OTHER FUNDS</b>	<b>TOTAL</b>
Working Capital				
Inventory				
Real Property Acquisition				
Relocation of Persons and/or Business				
Clearance and Demolition				
Site Improvement				
Water/Sewer Improvements				
Building Const./Rehab.				
Parking Facilities				
Capital Equipment				
Professional Fees				
Other specify				
<b>TOTAL PROJECT COSTS</b>				

\* CLEARLY DESCRIBE THE USES OF FUNDS IN THE PROJECT. INCLUDE ITEMS TO BE PURCHASED, CURRENT CONTRACTOR AND SUPPLIER ESTIMATES, INVENTORY TO BE ACQUIRED, WORKING CAPITAL TO BE EXPENDED, ETC. IDENTIFY SPECIFICALLY THE USE OF MICRO-LOAN MONIES.



**IMPORTANT: PLEASE READ CAREFULLY**

This statement is being submitted in conjunction with a request for an extension of business credit to: (business name)

If you are relying solely on your income or assets in compiling this Statement to support any assets of the requested credit, including any guarantee, endorsement or other security, COMPLETE SECTIONS A AND C ONLY; If you are relying, in whole or in part, on the income or assets of another person, complete ALL SECTIONS, and furnish the requested information about the other person in Section B. If you are completing all sections, indicate in Section C, where applicable, the income and/or asset ownership interests of the other person upon whom you are relying.

**SECTION A**

Name: _____	Employer's Name: _____
Address: _____	Employer's Address: _____
Telephone: _____	Title or Position: _____
SS# _____	Business Telephone: _____

**SECTION B**

Name: _____	Employer's Name: _____
Address: _____	Employer's Address: _____
Telephone: _____	Title or Position: _____
SS# _____	Business Telephone: _____

**SECTION C: Financial Information**

<b>ASSETS:</b>	<b>LIABILITIES:</b>
Cash on Hand and on deposit _____	Notes due w/l 1 yr. _____
Marketable Securities _____	Real Estate Mortgages _____
Cash value life insurance _____	Installment _____
Notes receivable _____	Other _____
Other current assets (itemize) _____	Accounts Payable _____
_____	Taxes due or accrued _____
_____	other current liabilities (itemize) _____
_____	_____
<b>TOTAL CURRENT ASSETS</b> _____	<b>TOTAL CURRENT LIABILITIES</b> _____

**Personal Financial Statement - Schedule 4 (Page 2)**

Real Estate	_____	Notes due after 1 yr.	_____
Personal Property	_____	Real Estate Mortgages	_____
Notes or mortgages receivable	_____	Installment debt	_____
Investment in related companies	_____	Other debt (itemize)	_____
Other investments	_____		_____
Other assets (itemize)	_____		_____
TOTAL ASSETS	_____	TOTAL Liabilities & Net worth	_____

**BANK DEPOSITS**

List all bank accounts, including savings accounts.

Name and Location of Bank	Cash Balance	Amount of Loan	How is Loan Secured?

**MARKETABLE SECURITIES**

Description of Security (bonds, stocks, etc.)	If pledged - to whom	Present Market Value	Present Loan Value	Payment Terms and Amount

**LIFE INSURANCE**

List all policies in which you are named as insured.

Beneficiary	Company	Type of Policy	Face Amount	Cash Surrender Value	Loans against Policy	If Assigned to Whom

**REAL ESTATE**

Description & Address	Title in Name Of?	If Mortgaged. To Whom?	Present Value	Present Mortgage Balance	Payment Terms and Amount

**PERSONAL FINANCIAL STATEMENT - Schedule 4 (Page 3)**

**PERSONAL PROPERTY, EQUIPMENT, MOTOR VEHICLES, ETC.**

Description	If Mortgaged, to Whom?	Present Value	Present Loan Value	Payment Terms and Amount

**NOTES PAYABLE (Not shown above)**

Lender	Security (if any)	Present Value	Present Loan Balance	Payment Terms and Amount

**ACCOUNTS PAYABLE**

Four Largest Creditors	Amount	Related Companies

