

# **City of Revere's Small Business Loan Program**



Department of Planning and Community Development  
281 Broadway  
Revere, MA 02151

Funds for this program are made available through the city of Revere's Community Development Block Grant Program (CDBG)

The City of Revere's Department of Planning and Community Development (DPCD) provides small business

loans to business owners and entrepreneurs to relocate, start, or grow their business in Revere. Funding for the program is provided through the city's Community Development Block Grant program (CDBG). CDBG is a Federal Program through the Office of Housing and Urban Development (HUD) which provides support for community and economic development activities that create and retain jobs and provide other public benefits aimed at building stronger communities.

The City of Revere is committed to serving the credit needs of businesses in the city. The City of Revere's Small Business Loan Program offers loans from \$5,000.00 to \$75,000.00 at zero to low interest rates for 60 months or five years. Loan forgiveness is available for the last six months of the loan term if payments 1-54 are made consistently and the applicant has good payment status.

To be eligible for the City of Revere Small Business Loan Program

Potential applicants must

- Have a brick-and-mortar location and are licensed to operate said business at that location
- Meet the income eligibility requirement of low to moderate income or are willing to create or retain jobs for low to moderate income workers.
- Be in good standing with all City of Revere Departments
- Complete and submit a City of Revere Small Business Loan Application with accompanying documentation. **Appendix A** provides the list of documents necessary for loans to be reviewed. *Incomplete applications will remain active for one month from the initial start date.*
- Agree to additional reporting requirements for a period of three (3) years after the loan has been approved.

DPCD Staff are available to review the loan program guidelines with all potential applicants. The department also offers Small Business Technical Assistance to applicants who need assistance in business consultation and planning.

Applications for Small Business TA can be found here <https://portal.laserfiche.com/n1579/forms/ARPAsmallbusiness>

Income Eligibility of applicants is measured by the applicants adjusted gross income and family size meeting or falling below the area mean income of 80%. The table below shows the income guidelines for 2025.

FY 2024 Income Limit Area	Median Family Income	FY 2024 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Boston-Cambridge-Quincy, MA-NH HUD Metro FMR Area	\$148,900	<u>Very Low (50%) Income Limits (\$)</u>	57,100	65,300	73,450	<b>81,600</b>	88,150	94,700	101,200	107,700
		<u>Extremely Low Income Limits (\$)*</u>	34,300	39,200	44,100	<b>48,950</b>	52,900	56,800	60,700	64,650
		<u>Low (80%) Income Limits (\$)</u>	91,200	104,200	117,250	<b>130,250</b>	140,700	151,100	161,550	171,950

[https://www.huduser.gov/portal/datasets/il/il2024/select\\_geography.odn?data=2024](https://www.huduser.gov/portal/datasets/il/il2024/select_geography.odn?data=2024)

## Job Creation or Retention

Applicants who do not meet the income guidelines are still eligible for this program, under the CDBG National Objective eligibility criteria of creating or retaining jobs for low to moderate income employees. Creation or retention of job ratios is based on the loan amount.

For example, an applicant requesting a loan of \$35,000.00 - \$69,999.99 would be required to hire or retain one full-time employee or 2 part-time employees. Loan amounts of \$70,000.00 or more would require the applicant to hire or retain two full-time employees or four part-time employees. All employees must be low to moderate income and will be required to fill out an employment form.

# Part 1: General Policy Statement

The Loan Advisory Committee and the Department of Planning and Community Development (DPCD) administer these loan policies and underwriting guidelines to define qualified lending opportunities, set forth approved lending procedures and minimize the risks inherent in lending activities. This loan policy is intended to be a guideline. Flexibility is allowed through **exception** procedures to effectively deal with the diverse needs of our loan applicants.

All applicable loans must meet a national objective that aligns with the HUD CDBG Economic Development Small Business Lending Guidelines. Priority objectives such as job creation, job retention or other public benefits standards for the benefit of low- and moderate-income people are preferred; however, other objectives may be met for CDBG eligibility. DPCD will need to approve and document the proposed benefit prior to the approval of any loans.

At the time of origination, all loans must have a specific repayment plan consistent with the purpose of the credit and clearly identifiable repayment of sources. The Loan Advisory Committee must adequately analyze risk factors associated with each request. All loans must adhere to all applicable federal and state laws and regulations. All income generated from these loans must be payable to the City of Revere and deposited in the Revolving Loan fund. This fund was established and is maintained by the City of Revere for the continued funding of such economic development activities in the future.

## ADMINISTRATION

The City of Revere, through its Department of Planning and Community Development, in consultation with the Loan Advisory Committee, will review and approve the Loan Policies of the program on an yearly basis. Only applications that meet both eligibility requirements and approved Underwriting Standards will be forwarded to the Loan Advisory Committee for formal loan review.

## EXCEPTIONS TO POLICY

The Loan Policy cannot foresee all loan contingencies. The City reserves the right to make exceptions to Policy. Loan applicants who do not meet minimum underwriting standards can request an exception. Exception requests which meet federal (CDBG program) standards, but which do not fully meet other standards of the program such as loan amount requested and/or job creation or retention goals will be reviewed by DPCD and, if an exception is granted, the loan will be presented to the Loan Advisory Committee for review.

## LOAN LIMITS

For smaller business or service sector loans which involve limited growth and job creation/retention potential, the loan limit shall be \$35,000.00. For loan requests determined to have significant job and business growth potential, the loan limit may be extended to a maximum of \$75,000.00.

The above limits may be exceeded only upon recommendation by the Loan Advisory Committee and approval of the City through DPCD. Loan insiders are not allowed. Loans to the Secretary, the Board of Directors, or their family members are prohibited.

## Part 2: Commercial Loan Policy

### DESIRABLE LOANS

Desirable loans will be loans to business concerns and individuals supported by a current satisfactory balance sheet and income statement, and which have a maturity of not more than five years. In addition, sufficient cash flow must exist to service existing and proposed debt.

All loans provided will be required to meet job creation, job retention and/or other eligibility requirements established under the CDBG program. The city of Revere's DPCD will need to approve and document eligibility prior to the approval of any loans.

#### Loan Collateral Valuation

- Equipment -- *80% of appraised liquidation value, 70% of appraised fair market value, or 80% invoice, if new.* Equipment loans should be amortized over the life expectancy of the equipment, but in no event, any longer than four (4) years.

Loans of this type will be considered to have "soft collateral" or collateral which is less liquid, less marketable than other loans and will be made only in circumstances in which all other loan criteria are considered highly favorable. In all instances, the Borrower must provide financial information and other data to justify and otherwise support the borrowing to the same extent as if the loan were unsecured. In cases where the collateral is insufficient to cover the full amount of the loan (often referred to as side collateral), or where the value of the collateral is difficult or impossible to ascertain, the loans will be considered unsecured loans for approval, policy and recording purposes.

#### Appraisals

An appraisal on real property will be obtained whenever DPCD finds it reasonable to warrant such, at the Borrower's expense. An appraisal would be used to determine that equity exists in sufficient amounts to secure the loan.

### UNDESIRABLE LOANS

Loans of the following type are not considered desirable commercial loans. Such loans will ordinarily be declined unless they are specifically approved for reasons which would justify an exception of the City's General Policy:

1. Loans to a business enterprise where the loan cannot be repaid within a reasonable period except by borrowing elsewhere or by liquidating the business.
2. Loans to a new enterprise where the loan is unsecured.
3. Loans to parties whose integrity or honesty is questionable.
4. Loans to be paid from the proceeds of the settlement of an estate, unless the loans are fully collateralized or guaranteed by the estate and approved by the city.
5. Loans secured by non-marketable stock such as stock in a closely held corporation that has no ready market.
6. Loans for the purpose of acquiring capital or other forms of ownership in a business.
7. Loans for the purpose of providing down payments to support other borrowings.
8. Loans to parties who owe taxes or outstanding bills to the City of Revere.

## GUARANTEES & CO-MAKERS

It is the City's policy to obtain the unlimited personal guaranty of the principals of a corporation or to make the principals co-makers of the note. A personal financial statement updated annually must support guarantees. Corporate guarantees will be obtained when lending to a subsidiary unless the subsidiary is strong enough to support the credit.

## CORPORATE AUTHORITY & VOTES

The officers of a corporation, partnership or trust which is a Borrower must sign a Corporate Resolution (vote) and Borrowing Authority (vote) showing the names and signatures of the people who are allowed to execute loans on behalf of the entity.

The City must receive evidence that a corporation, partnership, or trust is a legal entity with a properly filed name and that it is in good standing with the Commonwealth of Massachusetts or its state of incorporation. For loans over \$5,000.00 (five thousand dollars), prior to the disbursement of loan proceeds, a Certificate of Good Standing, issued by the Secretary of State of Incorporation, is required of corporate borrowers.

## LOAN TERMS

Loan terms will typically have a maximum maturity of 60 months and have a firmly established repayment schedule which provides for monthly principal and interest payments sufficient to pay the loan in full at the final maturity. This schedule of payments must be known and understood by Borrower. Balloon payments and bullet loans are considered exceptions to Policy.

The longer the maturity of a term loan means greater risk than that associated with short term lending and requires more thorough understanding of:

1. The long-range prospects of the Borrower.
2. The Borrower's earning power.
3. The ability of the Borrower to meet scheduled payments.
4. The Borrower's existing and future position in the industry.

## PROCEDURES

### Loan Application

A completed Small Business Loan Application will be submitted by all commercial loan borrowers.

### Loan Documentation

All loans, both approved and declined, shall be documented with sufficient information justifying their disposition. All approved loans shall have the customary financial information supporting the advance in addition to all required legal documentation necessary to secure the City's interest. All loans shall have the purpose and source of repayment clearly documented.

## Credit Files

A credit file is to be maintained on all active commercial loan accounts. Information to be included in the file consists of financial statements and projections, spreadsheets, commercial loan worksheets, credit approval summaries, correspondence, and any other information pertinent to the file.

## Financial Statements

The City's Loan Policy requires that business financial statements and personal financial statements be provided by Borrowers, Co-Borrowers, and Guarantors when a commercial loan is made. The following are the required documents:

- Personal Financial Statement
- Business Financial Statements or Tax Returns for two Years
- Personal Tax Returns with all Schedules
- Pro forma balance sheets
- Business Plan

## Interest Rates, Pricing, and Repayment

Interest rates will vary, depending on the recommendations of the Loan Advisory Committee (LAC) in its assessment of each loan application according to the underwriting guidelines of the program. Loans which are fully secured and considered by the LAC to be of low risk and high potential reward in terms of job creation and growth potential will be offered the most favorable rates and terms. As a general guideline, commercial loans will be priced at or below current commercial lending rates at the time of the loan application and will not exceed 80% of the Prime rate, as listed in the Wall Street Journal or other applicable sources.

The interest rate will be fixed for the entire term of the loan.

### **Businesses on Shirley Avenue and Broadway**

To better support our growing business districts, interest rates for businesses on Shirley Avenue and Broadway will be 0%, and the term of the loan will be five (5) years.

### **Income-eligible microenterprises**

To better support our microenterprises, interest rates for income-eligible (80% or less of the Area Median Income) microenterprises (5 employees or less) will be 0%, and the term of the loan will be five (5) years.

## Delinquent Loans

Loans become delinquent fifteen (15) days after maturity date or payment due date. Late fees may be assessed by the lending institution processing loans under the program. For loans delinquent beyond a 60-day period may be considered in default, and applicants will be required to cure such defaults immediately upon receipt of notice by the City. Failure to cure will result in a collection of actions in accordance with the terms and conditions of the loan agreement and loan security instruments as applicable.

## Credit Investigation

A credit check must be performed on all loan applicants.

## Insurance

Property insurance is required for all secured loans. Definitions will be as follows:

- Real Property – Real estate property excluding land.
- Personal Property – Tangible property such as inventory, equipment, fixtures, machinery, motor vehicles, etc.
- Policy – At the closing of a loan, evidence of required insurance must be present for all loans secured by personal and real property. An insurance binder or policy must name the City of Revere as “Mortgagee” or loss payee. Ongoing review is required to ensure loan policies remain in effect during the loan.

## Customer Calls

A representative of the City may meet with the Borrower periodically to keep up with the business operations and to monitor banking needs. This is valuable from both a loan management and marketing perspective. Site inspections will include plants, construction areas, significant equipment/business, etc.

## Good Payment Loan Forgiveness

Income-eligible microenterprises or businesses located on Shirley Avenue or Broadway that are in good standing with loan may be eligible for loan forgiveness after 54 qualifying payments. Loan forgiveness is available for the last six months of the loan term if payments 1-54 are made consistently and the applicant has good payment status.

### Income-eligible microenterprises

To be eligible for these terms a business must be a microenterprise (having 5 or fewer employees) in Revere and meet at least one of the following criteria:

- Businesses requiring life, safety, or food code corrections documented by the city.
- Businesses meeting an unmet market need.
- Businesses leveraging grant resources, particularly when matching funds are required.
- Businesses with prohibitively high front-end costs that can demonstrate sustainability within the loan term.

### Businesses on Shirley Avenue and Broadway

To better support our growing business districts, businesses on Shirley Avenue and Broadway will be eligible for these terms.

## Examples of Desirable Uses of Funds

- Inventory for specialty retail stores
  - E.g., Jewelry/gifts, book/record store, hobby/collectable shop.
  - E.g., specialty grocery (such as organic or ethnic markets, or unique offering, such as a food items store or bakery)
- Purchasing equipment, including recreation equipment
- Property acquisition costs
- Lease payments
- Operating expenses
- Purchase of outdoor seating

## Loan Documents:

Approved applicants will be required to sign the loan packet that includes a loan and security agreement, and promissory note. In addition to these documents, the city will file a UCC Financing Statement with the Secretary of States Office of Massachusetts. The Borrower will be named a debtor to the City of Revere, and the collateral listed in the loan application will be documented as collateral on the UCC Financing Statement.

## Loan Reporting Requirements

Through the HUD CDBG Entitlement Program, the City of Revere is required to report monthly or yearly national objectives met, financial disbursements and jobs created or retained. DPCD will do its best to minimize the burden of reporting on the applicant; however, it will be required that DPCD staff collect these items throughout the duration of the loan.

## Loan Disbursement Policy

Disbursements of loan funds will be made in two equal payments. The first payment will be made after signing the Loan Agreement Packet. Applicants will be required to submit proof of purchase or invoices for purchases made with the loan payment #1. Proof of purchase can include deposits for equipment and supplies on a future order. The invoice or deposit made must be equal to that of the first payment. The second payment will be made after receipts of the purchase made in full are submitted to the department. DPCD reserves the right to inspect equipment purchases on the premises.

***Loan payments will not be disbursed without proper documentation of valid invoices or receipts.***

## Job creation or retention reporting requirements

For loan applicants that will create or retain jobs for low- or moderate-income people, it will be required that the employees fill out a job report form. DPCD reserves the right to conduct employee interviews over the course of the loan.

## **APPENDIX A**

### **LIST OF DOCUMENTS NEEDED FOR LOAN APPLICATION SUBMITTAL**

1. Letter of Intent:
  - Background of Business
  - Tell us about yourself: what made you want to work in this industry? What past experience do you have that is relevant to this industry?
  - Purpose of Loan
  - Amount of Loan
  - Total Project Cost, Other Sources of Funds
  - Number of Jobs Created or Retained (including type of job)
  - Timeframe for Jobs (if claiming job creation)
  - Explanation as to why Loan Necessary for Job Retention, if applicable
2. Loan Application
3. Personal Financial Statement– One for Each Business Owner (worksheet enclosed)
4. Resume – for each business owner
5. Personal Tax Returns with all Schedules – One for Business Owner
6. Documentation of ability to create or retain job(s) for low to moderate employees, including time frames for hires if job creation. Please note: hires/employees will have to complete a job form.
7. Business Financial Statements and/or Business Tax Returns for two years, if applicable. Interim Financial Statement not more than 90 days old.
8. Business Plan (if you do not have a business plan, you may be eligible for assistance in creating one, please contact us for referral.)
9. Cash Flow Projections / Profit and Loss Projections for the next two years.
10. A list of assets and liabilities of the business (balance sheet)
11. Related supporting documentation as relevant- copies of leases, patent info, contacts, permits, licenses, marketing studies, articles, quotes for equipment purchases, etc.
12. Evidence of collateral available to secure loans (this will be on a case-by-case basis)

When DPCD has received all of these materials, designated staff will review the application for completeness, eligibility, and minimum underwriting standards. The loan application will be reviewed by the Loan Advisory Committee for its recommendations, and a loan decision will be made within a reasonable timeframe. The applicant will be notified of the loan review dates and should be available to answer any questions that may arise.

## Part 3: Loan Criteria Checklist

- Letter of Intent
- Loan Application
- Personal Financial Statement– One for each Business Owner (worksheet enclosed)
- Resume – for each business owner
- Personal Tax Returns with all Schedules – One for each Business Owner
- Documentation of ability to create or retain job(s) including time frames for hires if job creation.
- Business Financial Statements and/or Business Tax Returns for three years, if applicable. Interim Financial Statement not more than 90 days old. (Existing businesses only)
- Business Plan (if you do not have a business plan, you may be eligible for assistance in creating one, please contact us for referral.)
- Cash Flow Projections / Profit and Loss Projections for the next two years
- A list of assets and liabilities of the business, (balance sheet)
- Related supporting documentation
  - Leases, Purchase and Sale agreement, Option to Purchase, or documentation of lease negotiations
  - Patent info
  - Contracts
  - Permits
  - Licenses
  - Marketing studies
  - Articles
  - Other: \_\_\_\_\_
  - Other: \_\_\_\_\_
- Evidence of collateral available to secure loan
- Evidence of quotes, price listings, estimates for loan proposed purchases. *Note: loan cannot reimburse for materials already purchased.*