

Micro Enterprise Loan Program of Vineland (“M.E.L.P.”)

Background:

Individuals and small businesses in need of a business loan of up to \$35,000.00 will have a new lending outlet to turn to. The Micro Enterprise Loan Program of Vineland (“M.E.L.P.”), will be administered similar to the existing Vineland Urban Enterprise Zone Loan Program. The primary goal of the Program is to assist and create small businesses which will lead to the creation and enhancement of employment opportunities for Vineland citizens. The Program is designed to address a variety of conditions with priority given to the revitalization of downtown Vineland’s small business district.

The micro loan program will be administered by the City of Vineland, Office of Economic Development, and will serve as a non-traditional financing source.

The micro loan program will provide direct “micro-loans” to small businesses – including start-ups, newly established or growing small businesses – which are unable to access capital through conventional lenders. This program will fill a unique and unmet credit need faced by many small and “emerging” businesses.

Eligible Use:

The loan proceeds can be used to for real estate acquisition, real estate improvements, in some instances leasehold improvements, acquisition of machinery and equipment, and in some instances for working capital and inventory. Land purchase or real estate purchase for speculation is not eligible (see “Loan Decisions and Loan Process” section for requirements).

Loan Amount:

Up to \$35,000.00.

Interest Rate:

The interest rate will be fixed at the time of the loan settlement with the rate based on the then Wall Street Journal Prime plus 3.00%, fixed (rate to be fixed at time of settlement). The interest rate policy is designed to encourage borrowers to refinance with traditional lenders once the business has been established to the point where it is bankable allowing program funds to revolve and serve additional borrowers.

Loan Term:

The term of the loan cannot exceed five (5) years.

Loan Collateral:

All appropriate business assets, personal guaranties and personal assets as necessary to collateralize the loan.

Eligible Businesses:

1. The borrower must qualify as a micro-enterprise (a business with no more than 10 employees including the owner).
2. Eligible businesses must be a Certified Urban Enterprise Zone (“UEZ”) Business.
3. The types of eligible borrowers may include sole proprietors, partnerships, corporations and limited liability companies that will conduct commercial or industrial activities to be located in the Vineland Urban Enterprise Zone. Businesses from such sectors as manufacturing, service, retail and wholesale will qualify for the program. Some types of business such as passive investment firms, gambling establishments, banking institutions, owner-operator truckers, non profit organization, multi-level marketing and businesses not approved by the City of Vineland due to zoning ordinances or codes will be ineligible. Eligible borrowers must be project occupants. No third party loans will be made.
4. The principals or borrowers must be citizens of the United States.
5. Potential borrowers must demonstrate that adequate financing could not be secured through normal lending sources on reasonable terms and be unable to finance the project from their own resources.
6. In addition to providing individuals and businesses who have been historically underserved the financial opportunity to create and grow a small and/or micro-business, an education component through the New Jersey Small Business Development Center will be offered and will be a required component of the Program. Items such as business training, business plan development, skill development and a consultation must be explored by the borrower or applicant prior to submission of an application, if applicable. Applicants will be referred to the aforementioned or any other similar type organization available to assist applicants with the process. Working with a counselor before they submit their loan request will help determine what needs to be done to get a business started and will enable people to make better choices for themselves. Existing small businesses that display an historical existence and the necessary management capacity may not need to undergo the consultation or education component.

Geographic Coverage Area:

The program provides loans to small or start-up business located in the Vineland Urban Enterprise Zone (“VUEZ”) only. Businesses located outside of the VUEZ will be referred to other programs providing similar type of assistance.

Loan Decisions and Loan Process:

M.E.L.P.’s Loan Committee will meet once a month to approve loan applications. Normally it takes 30 to 45 days to obtain all necessary approvals. The committee will base its decision for loan approval on whether a small business has demonstrated a need for the loan, the ability of the borrower to create jobs and/or provide a community service, the character and management ability of the principals, whether the cash flow generated or available is sufficient to repay the loan, and whether appropriate collateral has been pledged.

The following items will be required to process and review a loan application:

1. An application form must be completed and submitted by the borrower.
2. In the case of a start-up, submission of a business plan will be required.
3. Applicant must demonstrate that they have met with New Jersey Small Business Development Center or other similar type organization available to assist applicants with a business plan or the process, if applicable.
4. Statement on the use of funds along with supporting materials such as invoices and appraisals.
5. Existing businesses must submit up to 3 years of historical financial statements and Internal Revenue Service – Business Federal Tax returns.
6. Interim financial statements for existing or newly started businesses (can be in house prepared).
7. Projections will be required for a start-up business.
8. Personal financial statements and Internal Revenue Service – Individual Federal Tax Returns for principals for the past 3 years.
9. A non-refundable application fee of up to \$100.00 will be charged and collected with the application and will be utilized toward a servicing fee if the loan is approved. This application fee is non-refundable should the loan be declined.
10. All closing costs are to be paid by the borrower.

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