

DRAFT
Guidelines

For

Microenterprise
Financial Assistance
Program

Funded By

~~City~~ / County of _____ El
Dorado

With

Community Development Block Grant

Adopted: ___/___/___

TABLE OF CONTENTS

1.	INTRODUCTION	1
2.	MICROENTERPRISE FINANCIAL ASSISTANCE PROGRAM OVERVIEW	
	1. Program Administration	1
	2. Program Service Area	1
	3. Funding Source for Loans and Grants	2
3.	CDBG PROGRAM REQUIREMENTS	
	1. Eligible Program Applicants	2
	2. Ineligible Program Applicants	2
	3. Eligible Use of Funds	2
	4. Ineligible Use of Funds	3
	5. Microenterprise Technical Assistance Availability.....	3
	6. Meeting Microenterprise Definition Requirement.....	3
	7. Meeting CDBG National Objective Requirement	3
	8. Other CDBG Federal Laws and Regulations	4
4.	APPLICATION PROCESSING FOR LOANS / GRANTS	
	1. Program Marketing and Outreach	5
	2. Equal Opportunity Compliance	6
	3. Loan Application Process	6
	4. Program Loan <u>Approval-Advisory Committee Board (LAGLAB)</u>	6
	5. Loan Applicant Confidentiality	6
	6. Dispute Resolution/Appeals Procedure	6
	7. Exceptions / Special Circumstances.....	7
	8. Loan Closing Process and Disbursing Funds	7
5.	LOAN TERMS AND SECURITY	
	1. Two Types of Financial Assistance.....	7
	2. Loan Terms and Fees.....	8
	3. Collateral and Security Requirement	8
	4. Loan Security Position	8
	5. Loan-to-Value Ratio	8
	6. Debt Service Coverage	8
6.	LOAN UNDERWRITING PROCESS	
	1. General Credit Requirements	9
	2. Management Capacity Market Demand.....	9
	3. Additional Project Underwriting Criteria	9
7.	LOAN SERVICING	
	1. Loan Collection and Servicing	10

8. GRANTS FOR MICRO BUSINESS EXPANSION
1. Small Grants for Limited Expansion Activities 11
2. Underwriting and Administration of Grants 11

| **ATTACHMENT A:** ~~GRANTEE'S~~ EXECUTED RESOLUTION ADOPTING GUIDELINES

| **ATTACHMENT B:** **SAMPLE** MICROENTERPRISE FINANCIAL ASSISTANCE APPLICATION FORMS

ATTACHMENT C: SAMPLE LOAN AND GRANT AGREEMENT FORMS

ATTACHMENT D: GRANTEE'S SAMPLE BUSINESS LOAN SERVICING POLICIES

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) MICROENTERPRISE FINANCIAL ASSISTANCE PROGRAM GUIDELINES

1.0 INTRODUCTION

The County/City of El Dorado hereafter referred to as the “Grantee” has established a microenterprise financial assistance program, hereafter called “the Program”. The Program is designed to stimulate economic growth and create businesses that will improve the living conditions of residents in the community. The Program provides affordable financing to eligible businesses to start up or expand. The Program is useful for small start up businesses as the loan or grant terms are flexible and can be tailored to the needs of the business. These financial assistance guidelines have been formally adopted by the Grantee and approved by the California Department of Housing and Community Development, hereafter called “the Department”. See Attachment A for a copy of the adopting resolution.

2.0 MICROENTERPRISE FINANCIAL ASSISTANCE PROGRAM OVERVIEW

2.1 PROGRAM ADMINISTRATION

The Grantee will:

- Originate microenterprise financial assistance loans and/or grants;
- Market the Program;
- Accept and process applications;
- Complete 24 Code of Federal Regulations Part 5 Income Eligibility qualification and document an adequate number of employees;
- Underwrite and recommend approval of loans and grants;
- Ensure a timely loan closing and disbursement of funds;
- Maintain loan files and fiscal records;
- Administer state grants and program income used to fund this program; and
- Work with program participants and ensure compliance with these program guidelines.

The Grantee’s staff will serve as the primary contact with the Department. The Grantee will follow these adopted program guidelines.

2.2 PROGRAM SERVICE AREA

Financing under this Program is available to all eligible businesses or persons located in the Grantee’s jurisdictional limits; the unincorporated areas of the County. These CDBG funds may not be used in entitlement jurisdictions that receive CDBG funds directly from the federal Department of Housing and Urban Development (HUD) entitlement program. Funds may not be provided to program participants outside of Grantee’s jurisdiction without Department written approval.

2.3 FUNDING SOURCE FOR LOANS AND GRANTS

The Program is paid for with CDBG funds provided by HUD to the Department. As such, these funds have a number of [state and](#) federal requirements that must be met, as described below. CDBG funds are either awarded to the Grantee through a competitive NOFA process or originate from local CDBG program income (PI) funds administered under the Grantee's PI Reuse Plan approved by the Department in writing.

3.0 CDBG PROGRAM REQUIREMENTS

3.1 ELIGIBLE PROGRAM APPLICANTS

All eligible applicants must meet the following criteria:

- Meet the CDBG definition of a microenterprise:
 - A microenterprise is defined as a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise; or
 - Persons developing microenterprises means persons who have expressed an interest in, or who are after an initial screening process, expected to be actively working toward developing businesses, each of which is expected to be a microenterprise at the time it is formed.
- Eligible applicants must have a physical business address in the unincorporated area of the county.
- Individuals wishing to start a new business are also eligible applicants, but they must provide proof that their primary residence is located in the unincorporated area of the county.

~~All eligible applicants must meet the following criteria:~~

- ~~• Meet the definition of a microenterprise. For CDBG purposes:~~
 - ~~• A microenterprise is defined as a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise; or~~
 - ~~• Persons developing microenterprises means persons who have expressed an interest in, or who are after an initial screening process, expected to be actively working toward developing businesses, each of which is expected to be a microenterprise at the time it is formed.~~
- ~~• Eligible applicants must have a physical business address in the program service area unincorporated area of the county.~~
- ~~• Individuals wishing to start a new business are also eligible applicants, but they must provide proof that their primary residence is located in the unincorporated area of the county program service area.~~

- Eligible applicants must be participating in a CDBG microenterprise Technical Assistance program offered in the same service area as this program.

Eligible applicants documented as meeting the definition of microenterprise are here after referred to as “program participants”.

3.2 INELIGIBLE PROGRAM APPLICANTS

An ineligible existing business applicant is one that has a physical business location outside of the service area. An ineligible person applying for the program is one with a residence outside of the service area. Nonprofits are not an eligible microenterprise business.

~~An applicant not currently participating in a CDBG microenterprise Technical Assistance or financial assistance program offered in the same service area as this program is not eligible.~~

3.3 ELIGIBLE USE OF GRANT OR LOAN FUNDS

The Grantee will review the project scope of work proposed by the business. The Grantee and the loan/grant applicant will collect third party cost estimates for all project costs at the application stage. CDBG funds are restricted to certain eligible costs, such as:

- Operating capital for staff salaries or leasing space;
- Purchasing inventory, supplies, computer programs for accounting and inventory control or furniture, fixtures and equipment (FF&E);
- Rehabilitation of owner occupied or leased space (tenant improvements) including engineering, architectural and local permits or fees;
- Equipment purchase (with or without installation costs);
- Refinancing of existing business debt in conjunction with financing other eligible costs, except credit cards; and
- Marketing materials and advertising with website development and servicing.

3.4 INELIGIBLE USE OF FUNDS

Funds under this Program will not reimburse expenses incurred prior to Grantee approval of loan or grant. Program funds will not be used to pay off non business debt, such as personal credit cards not associated with the business. Loan funds may not be used for personal expenses such as buying a new family car or making repairs to a participant's home. CDBG funds may not be shifted from one approved type of cost to another without resubmitting to the Grantee for approval. Funds may not be used to support other businesses in which the borrower may have an interest.

3.5 MICROENTERPRISE TECHNICAL ASSISTANCE AVAILABILITY

The Grantee will require all loan applicants for this Program to attend one or more technical assistance (TA) classes-session offered by a Grantee approved

local Small Business Development Center (SBDC) or other local private for profit/nonprofit business development agency. Each applicant must have a letter of recommendation from the local SBDC or approved TA agency which states, at a minimum, that the applicant has completed or updated a professional business plan, has adequate management capacity and a defined financial management system in place to operate the existing or proposed business successfully. The local business development agency will confirm that the business and the owner are both financially sound and possess the capacity to execute the new business plan in order to be successful with the use of CDBG funds.

3.6 MEETING CDBG MICROENTERPRISE DEFINITION REQUIREMENT

Loan applicants for this Program must meet the CDBG definition of a microenterprise business. The CDBG definition is a business that has five (5) or fewer employees, including the owner(s). All employees, part time and full time, on the business payroll at the time of loan application will be counted. The term “employee” includes all owners of the business on the payroll, even if the owner’s “salary draws” are not on a regular basis. The Grantee will require the business to provide third party records documenting the current number of employees on the payroll, including all owners of the business. To be eligible for CDBG microenterprise financial assistance, the microenterprise business owner(s) must also be income eligible per Section 3.7 of these guidelines.

3.7 MEETING CDBG NATIONAL OBJECTIVE REQUIREMENT

Under federal regulations, use of CDBG funds for microenterprise activities must meet the national objective of benefit to low/mod income persons under the Limited Clientele definition. As such, all microenterprise owners must be documented as meeting HUD’s low/mod income definition prior to receiving any Program services. This is in addition to meeting the “definition” of a microenterprise, as described above in Section 3.6. The Grantee will verify the microenterprise owner(s) meet HUD’s low/mod income requirement by completing the Part 5 income verification process. Financial assistance program applicants must submit documentation to complete the Part 5 income verification process to determine program eligibility. (Separate files will be maintained by the Grantee for each CDBG Microenterprise Program).

As with other microenterprise program activities, if the Grantee determines that the applicant income information is not accurate and the program participant is over HUD’s income limits, then all program services must cease immediately.

3.8 OTHER CDBG FEDERAL REGULATIONS

There are a number of other federal laws and state regulations that are triggered with use of CDBG funding. The Grantee, if applicable, will take the lead and ensure compliance with these requirements. Any impacts on a proposed project will be explained at the time of loan application screening so that the loan applicant knows and understands how the project might be impacted by these overlays.

An environmental review is required by HUD for each business funded with CDBG monies (24 CFR 58). The review must be completed prior to any activities commencing with the business and the review must encompass all aggregated activities for the business. The environmental review will comply with HUD's regulations regarding the National Environmental Policy Act (NEPA). The Grantee is required to complete and certify the NEPA review along with any State environmental review under California's Environmental Quality Act (CEQA). The level of environmental review is determined by the type of proposed project and the associated activities. The loan applicant will be informed of any additional loan processing time due to the NEPA review. No costs will be charged to the applicant for this process.

Federal Davis Bacon regulations and related compliance Acts are required when utilizing CDBG funding for construction which may add additional costs to projects. In addition, state prevailing wage may be triggered with the use of CDBG funding. The Grantee will work with applicants to ensure that funded business projects are in compliance with state and federal prevailing wage laws. Applicants will be informed of any additional time, costs or administrative work required due to the prevailing wage regulations and any additional costs may be incorporated into the business loan.

Federal acquisition and Relocation laws may be triggered when using CDBG funds (24 CFR 570.606). Acquisition laws, both federal and state, must be followed when CDBG funds are used to assist in the purchase of real property. In the same way, federal and state relocation laws apply if a person or a business is displaced because of the use of CDBG funding. The Grantee will work with loan applicants to ensure that the business is in compliance with any state or federal acquisition /relocation laws triggered by the project. Applicants will be informed of any additional time or costs or administrative work required due to acquisition or relocation regulations.

Federal regulations require the use of CDBG program income (PI) first when the Grantee is operating a loan program activity with an open grant that is the same as an existing PI revolving loan account (RLA) activity.

All businesses receiving funds under this Program will be required to obtain a Dun and Bradstreet DUNS number. The DUNS number is free and can be obtained online. A copy of the printout with the applicable DUNS number should be kept in the program participant file.

Verification must be provided to the Grantee that all businesses and participants are not on the federal debarred list.

The Department requires the Grantee collect certain income and demographic data from all program applicants and participants.

No conflict of Interest is allowed, in accordance with Title 24, Section 570.611 of the code of Federal Regulations. As such no person who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part, or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, or with respect to the proceeds of the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. ~~member of the governing body and no official, employee or agent of the local government, nor any other person who exercises policy or decision-making responsibilities (including members of the loan committee and officers, employees, and agents of the loan committee, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the CDBG program shall directly or indirectly be eligible for this program.~~

Grantee will verify and certify that a conflict of interest does not exist with the business or applicant.

Exceptions to this policy may be approved by the federal Department of Housing and Urban Development (HUD) made only after public disclosure and formal approval by the Board of Supervisors ~~can be made only after~~ provided that the Grantee's legal counsel makes a written determination that potential conflicts are acceptable.

4.0 PROGRAM OPERATIONS AND LOAN PROCESSING

4.1 PROGRAM MARKETING AND OUTREACH

Program marketing will be conducted by the Grantee or the Program Operator. Examples of marketing include media coverage with ads in local papers, distribution of marketing brochures to local chamber of commerce and business networking organizations. Presentations will be scheduled for these groups as well as real estate groups, local commercial banks and Grantees. The SBDC will be used as a referral agency.

4.2 EQUAL OPPORTUNITY COMPLIANCE

This Program will be implemented in ways consistent with the Grantee's commitment to state and federal equal opportunity laws. No person or business shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG program funds on the basis of his or her religion, religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (number

or ages of children), physical or mental disability, sexual orientation, or other arbitrary cause.

4.3 LOAN APPLICATION PROCESSING

Loan applications will be processed on a first come first served basis after the microenterprise has received adequate technical assistance required under this program. See **Attachment B** for microenterprise financial assistance application forms. The Grantee will accept loan applications and review for income eligibility, number of employees and financial viability. Applications that do not meet basic requirements of the Program will be returned with an explanation of needed requirements. The Grantee will interview the applicants and review the application for funding in combination with these program guidelines. A site visit may be conducted if the business is in operation. The Grantee will compile a loan package with all the credit, financial, and underwriting information required for loan analysis. All loan documents from application through loan approval and disbursement of CDBG funds will be contained in a project file for future monitoring by the Department.

4.4 PROGRAM LOAN ADVISORY ~~COMMITTEE~~BOARD

The Loan Advisory ~~Committee Board~~ (~~LACLAB~~) shall have an odd number of members. ~~LACLAB~~ members shall volunteer for this board. The ~~LACLAB~~ members can be from local financial institutions, the Grantee, or other interested parties who have the professional capacity to review and evaluate commercial loans.

~~LACLAB~~ loan review will take place for each loan applicant prior to funding. ~~LACLAB~~ meetings will be scheduled by Grantee staff once a loan has been underwritten and is ready for review and approval. ~~LACLAB~~ members are responsible for reviewing each loan application funding proposals and making recommendations to the Grantee. ~~LACLAB~~ may request additional information and or attach contingencies for final approval and loan closing.

4.5 LOAN APPLICANT CONFIDENTIALITY

All personal and business financial information will be kept confidential. Program participant files with personal and business confidential information will be kept in locked secured storage units.

4.6 DISPUTE RESOLUTION/APPEALS PROCEDURE

Any applicant denied assistance from the Program has the right to appeal. An appeal should include a statement explaining the reason for appeal. The appeal must be made in writing and submitted to the County within 10 days of the denial notice. The appeal must be submitted to:

El Dorado County
CAO/HCED Programs
330 Fair Lane, Building A

Placerville, CA 95667

The County has 30 days to review the appeal, seek recommendations from the Loan Review Committee Advisory Board or County Counsel, and respond in writing to the applicant. This procedure is outlined in the Program Grievance Resolution Notification included with each Program application.

Any person applying for a financial assistance loan through the CDBG program has the right to appeal if their application is denied. The appeal must be made in writing to the Grantee within ten (10) business days from the date of the denial notice. An appeal should include a statement explaining the reason for appeal. The appeal must be made in writing to:

El Dorado County
CAO/HCED Programs
330 Fair Lane, Building A
Placerville, CA 95667

A written response to the appeal will be provided to the applicant by the Grantee within 30 days of receipt of the applicant's appeal letter.

4.7 EXCEPTIONS / SPECIAL CIRCUMSTANCES

Exceptions are defined as any action, which would depart from policy and procedures stated in the guidelines. Exceptions to these guidelines will require County and HCD approval.

4.8 LOAN CLOSING PROCESS

Upon local LACLAB recommendation and Grantee approval, submittal of the CDBG Loan/Grant Certification Form to HCD and meeting of all special conditions of funding, the Grantee will prepare for the loan closing.

Local title companies may process all loan closings, especially when real property is being secured. The Grantee will prepare the escrow loan closing documents; prepare title and lien searches, and UCC-1 filings, as appropriate. Escrow loan closing costs may be paid with Program funds. After closing, the Grantee requests funds from the Department or local finance department (depending on the source of funds; open grant or local program income funds).

All agreements and documents should be reviewed by the Grantee's legal counsel, as necessary. See **Attachment C** of these guidelines for the Grantee's Sample Loan and Grant Agreement Forms.

CDBG funds will only be disbursed for reimbursement to the borrower for documented eligible project expenses or may be paid directly to third party vendors for project costs. Ongoing operating costs for the business for working capital will be reimbursed based on monthly documented costs.

5.0 LOAN TERMS AND SECURITY

5.1 TWO TYPES OF FINANCIAL ASSISTANCE

Eligible microenterprise businesses may be awarded up to \$50,000 in loan funds with this Program. Loans made with this Program require repayment. If a loan applicant requires more than \$50,000, the applicant may be eligible for a business assistance loan, which requires job creation.

Grants funds may also be awarded with this Program. Grants of up to \$10,000 may be provided for eligible microenterprise businesses/owners that are not able to afford or support a loan. An applicant may not receive both a grant and a loan simultaneously with this program. If a business receives a grant and is successful, such that the business documents the ability to support debt, a financial assistance loan application may be processed. Grant applicants receive the same review and analysis of financial feasibility of the business and personal financials, but loan rates and terms with collateral and security do not apply.

~~**Note:** Sections 5.2 through 7.0 are menus of sample language that may be utilized by the Grantee. There are no federal standards for determining loan terms or underwriting criteria for microenterprise financial assistance. Lenders should establish their own formal policies for these sections of the guidelines, as warranted.~~

5.2 LOAN TERMS AND FEES

Loan terms ~~can~~may range from five to twenty-five years; depending on the type of financing and the security being offered by ~~business~~the borrower. Typically the loan terms are longer and more flexible than those used by conventional commercial Lenders.

The interest rate for loans will vary based on cash flow needs of business. In certain cases, interest only payments may be available for up to six months based on the need of the business for cash flow.

A loan servicing fee ~~will~~may be charged to the borrower upon close of the loan. This fee will be used to set up the loan servicing entity. Borrowers will be provided with a loan disclosure detailing all fees associated with the loan transaction. There is no loan pre-payment penalty.

5.3 COLLATERAL AND SECURITY REQUIREMENTS

All loans should be collateralized to the greatest extent possible. Both personal and business assets will be reviewed for collateral coverage. Types of collateral may include:

- Liens on real property ~~with~~secured by Deeds of Trust;
- Liens on machinery, equipment, or other fixtures;
- Lease assignments, as appropriate;

- Grantee Named as Beneficiary on Life Insurance;
- Other collateral, as appropriate; and
- Personal and corporate guarantees.

5.4 LOAN SECURITY POSITION

All loans will be secured in the strongest possible position to ensure loan repayment in the event of a default. Loans may be secured in a second or third lien position.

5.5 LOAN-TO-VALUE RATIO (LTV)

All loans will be secured to the highest degree possible, up to and more than 100% of collateral value. In some instances the collateral being used to secure the loan may already be fully encumbered by another Lender, in which case the LTV ratio may exceed 100%. The Grantee may choose to lien these assets although they are over encumbered.

5.6 DEBT SERVICE COVERAGE

The business must show that the loan payment will be covered by the projected revenue of the business. In addition, the business owner should be able to pay themselves a reasonable living wage. Typical debt coverage ratios for the program are 1.25; coverage as low as 1.10 ~~will~~may be accepted on a case by case basis.

The debt ratio will be calculated for the borrower's personal financials as well as the business financials. Borrower's personal financials and debt service levels must be reviewed to ensure the existing or proposed microenterprise business is not adversely impacted by negative personal financials. In the same way, the business must contribute to the borrower's financial health. This is necessary because the financials of the borrower and business are closely tied.

6.0 LOAN UNDERWRITING PROCESS

6.1 GENERAL CREDIT REQUIREMENTS

In the private sector, credit scoring is a generally accepted means to underwrite certain loans, particularly small loans where the cost of underwriting can exceed the interest and fee income generated by that loan. The standard in the banking industry is a credit scoring system developed by the Fair Isaac Corporation. This system uses a formula that is applied to raw data in consumer credit files of the three largest credit-reporting bureaus. The result is known as the FICO score. The FICO credit score ranges from 300 to 850 and quantifies an individual's creditworthiness. In general, a credit score of 680 or above is considered an acceptable risk, scores at or below 620 are considered poor risks.

Applicants with FICO scores 620 and below will require targeted analysis, economic impact assessment, and mitigation for the identified credit risk.

6.2 MANAGEMENT AND CAPACITY REQUIREMENTS

A Loan Applicant must show:

- Ability to operate a business successfully;
- Adequate borrowing ability or equity to operate with the new loan payments, on a sound financial basis;
- The proposed loan is of sound value and provides for the current and future needs of the business; and
- The past earning records and future prospects of profits.

6.3 ADDITIONAL PROJECT UNDERWRITING CRITERIA

Each project/business will be evaluated based on how it has performed in the past and its future financial forecasts:

- The amount of private dollars used as leveraging funds;
- The past financial viability of the proposed project;
- The future financial viability of the proposed project;
- The demonstrated need for the funds; and
- Personal financial strength of borrowers.

7.0 LOAN SERVICING

7.1 LOAN COLLECTION AND SERVICING

The Grantee ~~will contract with _____~~ will act as the loan collection agent for its CDBG economic development loans. The duties of the collection agent will include the following:

- Loan payment collection and accounting;
- Return all loan payments and payoffs to the Grantee;
- Agent will provide monthly receipts of loan payments;
- Provide quarterly statements on each loan;
- Undertake loan collections, including asset liquidation;
- Obtain annual financial statements from each business to assess health of the business; and
- Negotiate any change in repayment terms to avoid foreclosure.

See **Attachment D** of these guidelines for samples of the Grantee's sample business loan servicing policies. These policies and procedures include: collection of loan payments, occupancy restrictions and monitoring, changes in title or transfers of title, changes in use, being current on insurance and property tax, default and foreclosure process.

~~The Grantee's staff will also be responsible for securing the services of a loan servicing agent. The loan servicing agent will comply with local loan servicing policies when collecting payments. All loan repayments of past CDBG economic development loans will be serviced by one agency experienced in collecting and servicing business loans. The Grantee's staff will work closely with the loan~~

~~servicing agent in monitoring the Grantee's existing economic development loans. The loan servicing agent will give monthly reports on the status of loan payments to be reviewed by the Grantee's Program over site staff and fiscal staff as well. If the loan servicing agent needs to visit a borrower to talk about late payments or discuss how the business is doing, then the Grantee's staff shall be invited to attend the meeting as well.~~

At each LAB meeting the Grantee's staff ~~and loan servicing agent~~ will brief the members on any problems or concerns regarding repayments of existing loans. This includes decisions to foreclose and declare defaults. In addition, the ~~governing body~~Board of Supervisors will make the final decisions regarding loan collection in conjunction with legal counsel and staff.

~~Loan servicing or~~ Grantee staff will complete required Department CDBG financial reports for program income. ~~Loan servicing for~~ Grantee staff will complete the proper quarterly and annual program income reports for review, approval, signature and submittal ~~by the Grantee~~ to the Department CDBG program representative. ~~Grantee staff will consult and monitor the loan servicing agent in the same way the Operator is monitored.~~

8.0 GRANTS FOR MICROENTERPRISE BUSINESS EXPANSION

8.1 SMALL GRANTS FOR LIMITED EXPANSION ACTIVITIES

The Grantee may make small grants of up to \$10,000 to eligible existing microenterprise businesses. The microenterprise business must be participating in the Grantee's or other agency technical assistance program and grant funds may be provided upon completion of technical assistance activities.

The grants compliment the training provided by the technical assistance activities provided by the Grantee or other agency. The technical assistance activities focus primarily on development of business/ marketing plans and financial management capacity building. As such, examples of good uses of grant funds to strengthen capacity of microenterprise businesses are: 1) payment for marketing costs such as business cards, logo /branding design and development, flyers and publications/ advertisements, web site enhancement or development; 2) payment for computers and/or software to implement improved financial and accounting systems or software systems to help manage inventory or billings/ invoices.

8.2 UNDERWRITING AND ADMINISTRATION OF GRANTS

The Grantee will only make grants available to eligible existing microenterprise businesses that have successfully completed the technical assistance courses needed for expansion of their business. The owners must have credit scores of 620 or above, unless there is a reasonable explanation of negative credit history that shows poor credit occurred for reasons beyond the owner's control (divorce, identity thief, health issues or tragic accident, etc.). The Grantee will also require

documentation that the grant funded activities will have a positive impact on the future profitability and sustainability of the business. This will be done through analysis of future financial projections /proformas for the business that include the impact of the grant funded activities. Lastly, the Grantee must receive third party cost estimates of the grant eligible costs being requested.

Grant funds will be disbursed to the business as a reimbursement of costs or can be disbursed directly to third party vendors. Microenterprise grantees will be required to sign a grant agreement stipulating eligible costs, payment process and reporting procedures.

ATTACHMENT A

COUNTY'S GRANTEE'S EXECUTED RESOLUTION ADOPTING GUIDELINES

ATTACHMENT B

**SAMPLE MICROENTERPRISE FINANCIAL ASSISTANCE APPLICATION
FORMS**

ATTACHMENT C

SAMPLE LOAN AND GRANT AGREEMENT FORMS

|

ATTACHMENT D

GRANTEE'S SAMPLE BUSINESS LOAN SERVICING POLICIES