



## MEDC Lending Guidelines (as of June 2023):

For profit businesses that are seeking financing for a project that will retain or increase employment. Higher consideration given to:

- Minority Business Enterprises (51% or greater)
- Disadvantaged Business Enterprises (51% or greater)
  - Women owned
  - Veteran owned
  - LGBTQ owned
- Target Areas (Block Grant, New Markets, CDFI)
- Catalytic Projects

### Ineligible businesses:

- Passive real estate (exception – Minority or Disadvantaged Developers)
- Residential real estate, however mixed use may be eligible (exception – Minority or Disadvantaged Developers)
- Taverns
- Gun Shops
- Tattoo/body art parlors
- Adult video/entertainment operations
- Businesses consisting predominantly of the development or holding of intangibles for sale or license.
- Private or commercial golf course
- Country club
- Massage parlor
- Hot tub facility
- Suntan facility
- Race track or other facility used for gambling
- Any store the principal business of which is the sale of alcoholic beverages (liquor stores) for consumption off the premises.



## General Requirements:

- Machinery and equipment, furniture and fixtures, leasehold improvements, real estate purchases, construction, long term working capital.
- No debt refinancing unless there is a new project involved or to replace interim financing within 12 months of issuance.
- Participating Lender at 50% or more unless a shared participation loan
- Equity Investment of no less than 10%, may be borrowed but must be subordinated
- Secured personal guarantee of 20% or greater owners
- Interest rate based on funding source
- Interest only periods of up to 12 months
- Loan term to match participating lenders
- Loan term > 5 years provide for interest rate adjustment
- Amortization to match the participating lender or the estimated life of the asset
- Assignment of life insurance on primary individuals and/or succession plan
- 2<sup>nd</sup> position on collateral, subject to participating lenders lien
- Priority lien on specific assets
- Acceptable debt service coverage based historical operations, projections not required
- Satisfactory projections required when historical debt service coverage is less than 1.1 to 1.
- Debt service coverage of no less than 1.1:1 or interest reserve required.
- Collateral coverage of 1:1 or guarantee or other risk mitigation
- Positive tangible net worth
- Satisfactory appraisal (real estate, equipment may be required)
- Satisfactory environmental assessment (indicates no issues or further action required), including lead paint and lead pipes
- Satisfactory CCAP review
- Satisfactory lien search
- Satisfactory credit report of principal owners
- Title insurance on primary real estate collateral
- Construction draws through title company or participating lender
- Letter Report on secondary or tertiary collateral
- Acceptable hazard/liability/general business insurance
- Current on all taxes (real estate, payroll, income, sales, etc.)
- Valid operating permits
- Good Standing with Wisconsin Department of Financial Institutions
- No active DNS orders, unless included as a part of the project



- Quarterly financial statements of the operating company
- Annual financial statements and tax returns of the operating company
- Annual financial statements and tax returns of the alter ego
- Updated personal financial statement of guarantor and tax returns
- Annual employment survey
- Assets must remain in area
- Other financial covenants as deemed necessary or required by participating lender
- Application
- Automatic loan payment
- Annual customer site visit
- No prepayment penalty
- No upfront MEDC fees, only cost of attorney prepared loan documents and closing costs

### Loan Approvals

- Loan Committee must have 5 members present with 3 positive votes to approve the loan request.
- Loan Committee members may vote electronically to meet quorum.
- Management may increase a Loan Committee approval by 10%, no significant changes to the business
- Management may approve loans up to \$100,000
- Management may approve loans up to \$350,000 if loan has at least a 75% guarantee.

### Loan Renewals

- Approved by management if it determines that a financing gap still exists
- Maintain current terms, renewing for an additional term
- Increase or maintain rate when available.
- Shorten amortization on MEDC portion when available



## Loan Amendments and Troubled Loans

- Approved by management to maintain/sustain payments, or to return borrower to regular payments.
- Increase amortization over a short term
- Reduce interest rate over a short term
- Defer principal payments
- Defer interest payments
- Interest only period
- Obtain additional collateral
- Obtain additional guarantees of principals
- Advance funds to pay taxes or emergency repairs to collateral (up to 10%).
- Advance funds to protect asset position or for unanticipated cost overruns
- Utilize attorney prepared or reviewed documents.
- Advance funds for securing primary lien position to protect subordinate position.
- Loan Loss Rating – III – Watch
- Loan Loss Reserve to match Policy
- Conversion to equity position as last option, treat as loan to recover principal
- Liquidate collateral to maximize collection
- Hire professionals to liquidate collateral
- Negotiate settlements with borrowers and primary lenders
- Negotiate settlements with guarantors
- Negotiate loan guarantee workouts