
CITY OF EAST PROVIDENCE

Economic Development Commission



COMMERCIAL MICROLOAN PROGRAM

***Program Information
and
Material***

Completed applications should be submitted to:

**EAST PROVIDENCE ECONOMIC DEVELOPMENT COMMISSION
c/o Department of Planning and Urban Development
City Hall
145 Taunton Avenue
East Providence, RI 02914**

Additional information and application preparation assistance can be requested by calling the East Providence Department of Planning and Urban Development at (401)435-7531.

The non-refundable application fee of \$50 must accompany the application at the time of submission.

LOAN PROGRAM INFORMATION

I. Introduction to the Commercial Microloan Program

The East Providence Commercial Microloan Program provides loans for small businesses in East Providence with five or fewer employees. The program, which is available to residents of East Providence, helps small businesses that cannot obtain loans through banks and other lending sources. In many cases small businesses seeking loans of under \$10,000 find it hard to get a loan from a bank for a number of reasons. The East Providence Commercial Microloan program fills this lending gap. The program provides limited loan funds to the small businesses who may only need a small loan to start or expand their business in East Providence. The applicant may be required to provide some form of security or collateral to cover the loan request. The exact form of the collateral is subject to the discretion of the Economic Development Commission and will be determined through discussions with the applicant.

One of the main aims of the program is to promote small business growth in East Providence through the creation and retention of jobs in the City. To assist small business, the City's microloan program provides a high level of support to loan applicants. Loan applicants prepare their loan applications with the help of City staff members. Economic Development Commission members also take an active part in assisting in the application process. The high level of preparation assistance provided by the City is a key element of the microloan lending program. The application process is discussed in further detail on page 8 and 9 of this application.

The City's Economic Development Commission is made up of experienced local business persons who volunteer their time and expertise. Commission members will volunteer to be "mentors" to applicants; providing technical assistance in preparing the application and business plan and ongoing assistance after the loan is granted.

II. Program Guidelines

Eligibility Requirements

- 1) Loans must be used for startup expenses, the financing of operating expenses and/or to purchase assets.**
- 2) Businesses seeking loans must have ten or fewer employees at the time of application.**
- 3) The applicant business must be physically located in East Providence.**
- 4) The owner of the business applying for the loan, or the officers in the corporation must be residents of the City of East Providence.**
- 5) Some form of proof must be provided indicating that the applicant has been declined or discouraged from acquiring a loan by a traditional lending source, such as a bank.**
- 6) Loans approved by the Economic Development Commission shall be a minimum amount of \$1,000 and a maximum of \$10,000. The terms of a loan are flexible but cannot be less than one (1) year nor longer than five (5) years.**
- 7) Under certain circumstances, and at the discretion of the Economic Development Commission, a loan may be released in increments as a means of evaluating the progress of a business in their utilization of a loan. In the event of an incremental release of funds, loan repayments will not begin until all of the loan funds have been received by the applicant. The interest accrued prior to the initiation of the loan repayments will be added to the balance of the loan amount. In any event, the complete release of all funds shall occur within 120 days of the closing date of the loan.**
- 8) There is the possibility that your loan request would be denied. If the Economic Development Commission denies your application request, you will receive a clear and detailed description as to why your application was denied.**

Interest Rates

The interest rate on the City's Commercial Microloan fund will be established at prime rate plus one, with the prime rate established at the date of closing. The interest rate will be fixed for the full term of the loan.

Evaluation Standards

Projects submitted for financing will be evaluated on the following criteria:

- 1) **Information provided in the application and financial statement containing financial feasibility and probability of repayment;**
- 2) **The impact of the project on strengthening and expanding the economy of the City.**

Fees and Expenses:

- 1) **Required at the time of application should be a non-refundable application fee in the amount of \$50.00. The fee is required to defray the administrative costs associated with the processing of the loan request. A portion of the application fee also is applied toward obtaining a certified credit report which is required under this program;**
- 2) **Any loan closing costs will be computed into the final amortization schedule of the loan and will, as a result be paid by the applicant over the term of the loan.**
- 3) **All loans will be subject to a \$5 late fee for each late payment received. You will receive a loan payment booklet which will identify the date of payment.**

Ineligible Activities

- 1) **Loans for investment in interest accounts, certificates of deposits or other investment mechanisms;**
- 2) **Subsidized interest payment on existing loans;**
- 3) **Refinancing of loans made by other lenders;**
- 4) **Loans to finance speculative ventures of any kind.**
- 5) **Down payments on equipment**

APPLICATION MATERIALS

The following items must be submitted by the applicant, in order for the application to be deemed complete by the Economic Development Commission:

- I. City of East Providence Microloan Application**
- II. Resumes and personal financial statements of all owners or principals of the business applying for the loan**
- III. Business Plan (Based On Attached Business Plan Template)**
- IV. Personal Financial Statement**
- VI. Zoning and Municipal Lien Certificates from the City.**

All of the above items are contained within this application.

An Economic Development Commission meeting to decide on your application cannot be scheduled until a complete application, which includes all of the above items, is received.

APPLICATION FEE

\$50 Non-refundable Application Fee must accompany the Application

TERMS & CONDITIONS OF APPLICATION

ANY INFORMATION GIVEN TO ECONOMIC DEVELOPMENT COMMISSION WILL BE CONFIDENTIAL

- 1. The Economic Development Commission will make every effort to maintain the secrecy of confidential trade secrets and financial information now and hereafter submitted in connection with this application. Consideration of the loan request will take place, however, at a public meeting subject to RI Open Meeting Law requirements.**
- 2. The Economic Development Commission shall not be liable for expenses incurred by the applicant in preparation and submission of any request for financial assistance.**
- 3. The applicant will be responsible for any expenses associated with the preparation and recording of necessary legal documents associated with the loan transaction. The closing costs may be financed as part of the loan.**
- 4. Request for financial assistance will be approved or rejected at the discretion of the Economic Development Commission and the City of East Providence. The approval will be conditioned on the negotiation of an appropriate legal agreement between the applicant and the City of East Providence and may be conditioned on the availability of funds.**

The Commission's commitment to offer a loan shall be valid for 60 days unless otherwise extended with the concurrence of both parties. In the event of an incremental release of funds, all funds shall be dispensed within 120 days of the loan closing unless an extension is granted through the Economic Development Commission

- 5. The application gives assurance of compliance with the Title IV of the Civil Rights Act of 1964, as amended. The Act prohibits discrimination on grounds of race, sex, color, religion, marital status, handicap, age or national origin...**
- 6. The applicant agrees that full payment of any loan from the Economic Development Commission will be due if said firm receiving the loan relocates at a subsequent date outside the City of East Providence.**

I have read and accept the conditions of the application form and affix my signature on this _____ day of _____.

Signed: _____ Title: _____

MICRO-LOAN REQUEST PROCEDURE

The City's Microloan program is designed with the intention of providing a high level of application preparation assistance. Ongoing assistance after the loan is granted is also an important part of the program.

Applicants who decide to apply for a microloan can expect the process to progress in the following manner:

- 1. Applicant meets with City staff to discuss business plans, familiarize the applicant with the microloan program and determine if they are eligible to apply.**
- 2. If eligible, the applicant is invited back for a second visit with City staff as well as an appointed member of the Economic Development Commission who will provide assistance and technical support to the applicant throughout the application preparation process. Part of the assistance provided will be in the area of business plan preparation. The business plan preparation process is a critical element of the application. By preparing a business plan, an applicant is able to take an objective, critical and unemotional look at the business project in its entirety.**
- 3. Additional meetings with City staff and/or Economic Development Commission members may be arranged if further assistance is needed in the application process.**
- 4. Once an application is deemed complete by both the assigned Economic Development Commission member and city staff, a meeting of the full Economic Development Commission is scheduled. It is at this meeting that the Commission will review the application and ask questions about the application and the business plan. At this meeting the applicant should be prepared to discuss their business plan and application with the Commission.**
- 5. After discussion and presentation, the Commission will vote at the meeting to approve or deny the application. If additional information is required, the Commission may schedule a second meeting to allow the applicant to provide the additional information requested. Generally, however, the Commission decides on the application at the initial meeting.**
- 6. If the application is approved by the Commission, Planning Department staff coordinate a closing date with the City's Legal Department. Once proper documentation is completed, a closing date is scheduled. At the closing, City staff will be present as well as your designated Economic Development Commission member.**
- 7. Once the closing has been completed you will be provided with a check to commence with your project. In some instances the loan will be released in increments so that the Commission can monitor the progress of your project.**
- 8. At any time during the preparation process, the applicant is encouraged to seek additional technical assistance from staff members or their appointed Economic Development Commission member if you feel the assistance is necessary.**
- 9. After your loan has been received, ongoing assistance and reviews will be provided by your appointed Economic Development Commission member. You will be required to meet on a semi annual basis during the first year of your loan term and once per year after that date for the full term of the loan. For example, in the event of a three year loan, you would be required to meet with your appointed Economic Development Commission member twice in the first year and once per year for the two following years. These meetings allow the City to review the progress of your business as well as to provide general review of your business plan to determine if modifications or other changes are needed to improve the business.**

**City of East Providence
Rhode Island
(401)435-7531**

**CITY OF EAST PROVIDENCE MICRO-LOAN PROGRAM
EAST PROVIDENCE CITY HALL - 145 TAUNTON AVENUE
EAST PROVIDENCE, RHODE ISLAND 02914**

**THE CITY OF EAST PROVIDENCE ECONOMIC DEVELOPMENT COMMISSION DOES
BUSINESS IN ACCORDANCE WITH TITLE VI,
CIVIL RIGHTS ACT OF 1965 AND THE EQUAL CREDIT
OPPORTUNITY ACT AND AMENDMENTS OF 1976
IT IS ILLEGAL TO:**

DISCOURAGE a loan inquiry or refuse to accept a written loan application:

DISCRIMINATE in fixing the amount, interest rate, duration, application procedures, or other terms or conditions of a loan:

**ON THE BASIS OF
RACE, COLOR, NATIONAL ORIGIN, RELIGION, SEX,
MARITAL STATUS OR AGE**

.....

IF YOU BELIEVE YOU HAVE BEEN DISCRIMINATED AGAINST, YOU MAY:

COMPLAIN TO: The Rhode Island Commission for Human Rights

CONSIDER filing a civil suit under Federal laws.

**EAST PROVIDENCE COMMERCIAL MICROLOAN PROGRAM
"AN EQUAL OPPORTUNITY LENDER"**

RESUME

(This form should be completed by all owners and key employees of applicant)

Name:

First

Middle

Last

Address

Street

City

State

Zip

**Former
Address**

Street

City

State

Zip

Home Telephone _____ **Work Telephone** _____

Personal Information:

Date of Birth: _____

Place of Birth _____

Marital Status _____

Social Security # _____

Are you presently under indictment, on parole or probation? Yes No

Have you ever been charged with or arrested for any criminal offense other than a minor motor vehicle offense?

Yes No

Have you ever been convicted of any criminal offense other than a minor motor vehicle violation? Yes No

Military Status

Branch: _____

From: _____

To: _____

Rank: _____

Education

High School: _____ Grade _____

College: _____ Grade _____

Degree: _____ Minor _____

Trade School: _____

Work Experience

From _____ Present
Mo/Yr

_____ Company Name

Address: _____

Job Description: _____

From _____ To _____

_____ Company Name

Address: _____

Job Description: _____

Signature

Date: _____

(attach a separate piece of paper if necessary)

City of East Providence
Commercial Microloan Program

III. Business Plan Template

City Of East Providence Economic Development Commission
145 Taunton Avenue
East Providence, Rhode Island 02914

Introduction

In order to meet the submission requirements of the Commercial Microloan Program, the Business Plan Template provided on the following pages should be filled out as completely as possible by the applicant. The template is primarily designed to indicate to the Economic Development Commission the nature of your business and what plans you have for the development and growth of your business in the future. Although useful to the Commission, a Business Plan should be considered an important tool for the business owner as well.

The development of a Business Plan allows a business to critically assess the soundness of a business proposal in its entirety. A business plan also serves as an excellent operating tool, which, if used properly, will aid in the management of a business and work toward aiding in the future success of a business venture.

Instructions

With the assistance of your appointed Economic Development Commission member, please fill in the business plan template categories as completely as possible. The business plan may be typewritten or printed plainly in blue or black ink.

Business Plan Templates

Templates 1-6 should be used when completing Part I of your Business Plan.

1. Business Description
2. The Market
3. The Competition
4. The Location
5. Management and Personnel
6. Information for Financial Projections

Templates 7-9 are self explanatory

7. Sales Projections
8. Sources and Uses of Funds
9. Breakeven Analysis

Templates 10-14 are forms used in preparing cash flow and income projections

10. Monthly Cash Flow Projections
11. Three Year Cash Flow Projections
12. Monthly income Statement Projections
13. Three Year Income Statement Projections
14. Balance Sheet

Business Description
Template #1

Type of business:

How is the business organized?

Experience in this type of business:

Hours of Operation:

The Market
Template #2

Who is your market?

What is the size of the market?

The Market
Template #2 (continued)

What is the growth trend?

What do you expect your market share to be?

The Market
Template #2 (continued)

How will you attract and keep your share of the market?

What advertising will you need? Describe in detail.

The Market
Template #2 (continued)

Describe your pricing strategy.

The Competition
Template #3

List and describe your direct competition.

List and describe your indirect competition

The Competition
Template #3 (continued)

How did you determine your direct and indirect competition?

How will you make your business different from the competition?

Location
Template #4

Address:

Describe the building and the neighborhood.

Is the building owned or leased? If leased describe the terms of the lease.

Location
Template # 4 (continued)

Are renovations needed? If yes, describe and provide estimates from a contractor.

Explain the process by which customers will purchase your product or service. Will they be required to visit your premises? Will you make sales/home calls?

Briefly explain how customers will get to your location.

Location
Template #4 (continued)

What type of parking do you have and how many spaces are available?

Is the location convenient to your target market? Why or why not?

Management and Personnel
Template #5

Yourself:

Personal History:

Experience in the same line of business

Management and Personnel
Template #5 (continued)

Partners and /or key employees
(Use separate page for each partner or key employee)

Personal History:

Experience in the same line of business:

Responsibilities

Salary or withdrawal:

Information and Financial Projections Template #6

At this point you must estimate the business's expenses, sales and revenues which will be used in preparing a cash flow projection and income statement projection. If your business is already in operation, you should look at your past financial records to determine any trends in your sales and expenses. If you are starting a new business, making the move from "home" to "store-front", or expanding your facility, you will probably have to do some research to estimate expenses and sales. An easy way to obtain many estimates is by calling a particular source: for example call the phone company to find out how much it will cost to install a business phone and what the monthly rates would be for the type of service you desire.

Raw Materials, cost of Product (if manufacturing or retail)	_____
Wages	_____
Salaries	_____
Payroll Taxes	_____
Fringe Benefits -- Health Insurance, Retirement Fund	_____
Rent	_____
Telephone	_____
Utilities	_____
Office Supplies	_____
Repair and Maintenance – Equipment, etc.	_____
Travel and Delivery	_____
Accounting and Legal	_____
Insurance – Business, Building, etc.	_____
Advertising and Promotion	_____
Licenses	_____
Interest on Loans/Notes Payable	_____
Bad Debts	_____
Depreciation*	_____
Principal Balance on Loan	_____
Miscellaneous	_____
Total	_____

* Use on Income Statement Only

** Use on Cash Flow Statement Only

If any expenses are expected to vary from month to month, specify the difference and explain.

Sales Projections Template #7

Annual Sales:

Explain seasonal variations.

Explain the basis for the projection (market share, # of customers, # of orders, etc.)

Sources and Uses of Funds Template #8

This statement outlines where you intend to obtain your business capital and how you plan to use the money.

Sources	Dollar Amount
Personal	_____
Family and Friends	_____
Partners	_____
Investors	_____
Loans	_____
Other	_____
_____	_____
_____	_____
TOTAL	_____
<hr style="border: 1px solid black;"/>	
USES	Dollar Amount
Purchase of Real Estate	_____
Purchase of Capital Equipment	_____
Leasehold improvements	_____
Raw Material	_____
Purchase Of Inventory	_____
Working Capital	_____
Other	_____
_____	_____
_____	_____
TOTAL	_____

Breakeven Analysis Template #9

FIXED COSTS (FC)

VARIABLE COSTS (VC)

Expected Gross Margin (GM) or Mark-up (Sales Price minus costs of goods)

$$\begin{aligned}\text{Breakeven Sales} &= \text{FC} + \text{VC}, \text{ or} \\ &= \text{FC}/\text{GM}\end{aligned}$$

Three Year Cash Flow Projections Template#11

Name Of Business _____

CASH FLOW PROJECTION
_____,20__ through _____,20__

FISCAL YEAR	___/___/___ to ___/___/___	___/___/___ to ___/___/___	___/___/___ to ___/___/___
BEGINNING CASH BALANCE			
Revenues			
Loan Proceeds			
Other			
CASH AVAILABLE			
DISBURSEMENTS			
Cost of Goods			
Equipment			
Wages			
Salaries			
Payroll Expenses			
Fringe Benefits			
Rent			
Telephone			
Utilities			
Insurance			
Repair/Maint.			
Travel/Delivery			
Accounting/Legal			
Advertising/Promotion			
Licenses			
Interest			
Bad Debts			
Principal Payments			
Miscellaneous			
TOTAL CASH OUTFLOWS			
ENDING CASH BALANCE (Cash Available minus Cash Outflows)			

Three Year Income Statement Projections Template #13

Name Of Business _____

INCOME STATEMENT PROJECTION
_____,20__ through _____,20__

FISCAL YEAR	__/__/__ to __/__/__	__/__/__ to __/__/__	__/__/__ to __/__/__
REVENUES MINUS: Costs of Goods Sold			
GROSS PROFIT			
EXPENSES			
Wages			
Salaries			
Payroll Expenses			
Fringe Benefits			
Rent			
Telephone			
Utilities			
Insurance			
Repair/Maint.			
Travel/Delivery			
Accounting/Legal			
Advertising/Promotion			
Licenses			
Interest			
Bad Debts			
Office Supplies			
Depreciation			
Miscellaneous			
TOTAL EXPENSES			
NET PROFIT BEFORE TAXES (Gross Profit – Total Expenses)			

Assumptions:

In this section, you should list all your assumptions in preparing an income statement. These might include:

- % of revenues received in cash
- % of revenues used to calculate cost of goods sold
- Term of loan agreements
- Type of equipment purchase
- Terms of leasing contracts

Balance Sheet

Template #14

Name Of Business _____

Ending Date: _____

BALANCE SHEET

ASSETS	
<u>Current Assets</u>	
Cash	
Accounts Receivable	
Inventory	
Prepaid Expenses	
Deposits	
TOTAL CURRENT ASSETS	
<u>Fixed Assets</u>	
Land	
Building	
Equipment	
Leasehold Improvements	
Less: Accumulated Depreciation	
Net Fixed Assets	
<u>Other Assets</u>	
Notes Receivable from Owner/ Employees	
Intangible Items (goodwill, patents, etc.)	
TOTAL ASSETS	
LIABILITIES	
<u>Current Liabilities</u>	
Accounts Payable	
Accrued Expenses	
Taxes Payable	
Notes Payable (Less than one year)	
Current portion of long term debt	
TOTAL CURRENT LIABILITIES	
<u>Long Term Liabilities</u>	
Mortgages	
Loans with maturities over one year	
TOTAL LIABILITIES	
Net Worth	
Owners Equity	
TOTAL LIABILITIES AND NET WORTH	

