

MT SSBCI Loan Application Instructions

Instruction for the Preparation of the Montana State Small Business Credit Initiative (MT SSBCI) Loan Application

Submitting CDFI/RLF:

Name of CDFI/RLF
Street Address
City, State, Zip Code
Contact Person
Office Phone Number
Cell Phone Number
E-mail Address

Part I

- PI – 1 Lender submitting loan application.
- PI – 2 Name of Loan Officer submitting loan application.
- PI – 3 Date of MBOI/Lender Approved Lender Commercial Servicing Agreement.
- PI – 4 Name of Business for which the loan funds will be used. May be the same as PI – 5.
- PI – 5 The name(s) that will appear on the note. May be business name and/or an individual(s).
- PI - 6 What is the city and county where the business is located?

Section A

Select if the proposed loan is a stand-alone loan or has a SBA 504 loan associated with it.

Section B

- B – 1 Of the total loan to be participated, what dollar amount will the lender retain.
- B – 2 What percentage of the total loan is the lender retaining.
- B – 3 What portion of the loan will be participated through the MT SSBCI loan program.
- B – 4 What percentage of the total loan is being participated.
- B – 5 What is the total amount of the loan.
- B – 6 What is the percentage of the total loan amount to total collateral value supporting the loan. If there are additional liens on the offered collateral, they must be taken into consideration in this calculation and explained in the Lender write up.
- B – 7 What is the Lender's initial interest rate.
- B – 8 What is the anticipated interest rate on the participated portion of the loan – See the MT SSBCI Loan Policy Section 1 INTEREST RATES.
Note: DO NOT deduct the Department of Commerce service fee from this rate.
- B – 9 What service fee percentage is the Lender adding to the participated interest rate.
- B – 10 What is the total interest rate on the participated portion of loan.
- B – 11 If the Lender's retained portion of the loan has a variable interest rate, what is the initial base rate.
- B – 12 What interest rate is the lender adding to the base rate in B – 10.
- B – 13 What is the proposed initial interest rate on the Lender's portion of the loan.
- B – 14 How often will the Lender adjust their interest rate.

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- B – 15 What is the base rate source or index the Lender is using.
- B – 16 What is the term of the loan.
- B – 17 How often will payments be made, monthly, quarterly, seasonal. The MT SSBCI loan program anticipates monthly payments.
- B – 18 What is the anticipated total payment on the loan. Interest rate assumptions must be made to arrive at the payment amount. Generally, a blended interest rate, considering the Lender interest rate and the interest rate on the participated portion of the loan, is used in calculating an anticipated total loan payment.
- B – 19 This is an estimate of the payment amount that the CDFI/RLF will receive. Interest rate assumptions must be made in determining this amount and the payment is calculated on only the participated amount of the loan.

Section C

The lender must submit with this application all information requested in Section C. The CDFI/RLF should add additional comments, where necessary, to provide the MT SSBCI Loan Committee as much information about the borrower as possible.

The CDFI/RLF should also do their own analysis of the credit, to verify the information submitted by the Lender and to be able to make a valued recommendation to the MT SSBCI Loan Committee. The MT SSBCI Loan Committee will expect an analysis and/or comments on the proposed loan by the CDFI/RLF.

Section D

- D – 1 If there is a first mortgage or deed of trust, this section should be marked and the legal description should be supplied. If a second mortgage or deed of trust is taken on the real estate the CDFI/RLF should indicate in their loan comments that it is a subordinate collateral position and give the reason why it is not a first collateral position. The MT SSBCI Loan Committee prefers a first perfected security position on collateral. Also cross out “First” and insert the appropriate collateral position.
- D – 2 If a first collateral position is taken on chattel property, this section should be marked. If all of the chattel property listed is NOT taken as collateral, cross out the type of chattel property NOT taken. If the collateral position is subordinate to another lien, cross out the word “First” and insert the appropriate collateral position. CDFI/RLF loan comments should reflect the reason for the subordinate collateral position. The MT SSBCI Loan Committee prefers a first perfected security position on collateral.
- D – 3 If the borrowing entity is a partnership, all partners must sign the note as individuals.
- D – 4 Collateral must be insured.
- D – 5 If the individual owning or running the business, who may or may not be a borrower on the note, is key to the operation and success of the business, key man/woman insurance for all or a portion of the loan, with an assignment of the insurance to the Lender, is recommended. Term insurance is acceptable.
- D – 6 Proceeds from this loan cannot be used to pay delinquent taxes. Proof that taxes are current will be required prior to funding.
- D – 7 If the owner of the company has lent money to the company, that owner’s debt to the company must be subordinated to the proposed loan. The loan agreement should address under what conditions the Lender will allow the repayment of subordinated debt prior to the proposed debt.
- D – 8 If the borrower is leasing any of the collateral to another business, including an operating company in which the borrower has an ownership interest, the Lender should get an assignment of that lease. The assignment should contain the right of reassignment of the lease to a third

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party. The tenant or user of the leased collateral must acknowledge the right of reassignment of the lease.

- D – 9 All rents paid for the use of any of the collateral should be assigned to the lender. If real estate is taken as collateral, the assignment can be incorporated in the recorded mortgage or deed of trust. The Lender also has the option to originate a separate assignment of lease document.
- D – 10 List those individuals or companies that will guarantee the loan. If there are no guarantors the Lender must explain, in detail, the reason for the lack of guarantors. In some instances the owner of the borrowing entity may sign the note personally, which would not necessitate the owner signing a guarantee.
- D – 11 Financial data of the borrower and all guarantors should be current, at least within one-year of the date of the note. This requirement most generally appears in the note, term loan agreement or security agreement.
- D – 12 If the Lender checks the county records annually to insure taxes are paid and if the Lender has a monitoring system in place to insure the collateral is always insured, escrow accounts are not necessary. However, the Lender may still require escrow accounts for taxes and insurance.
- D – 13 If the collateral is a motel or other high traffic business, a repairs reserve should be established so cash is available to make those required repairs. The repairs reserve account should be, at a minimum, a Lender controlled account.
- D – 14 The Lender may impose additional conditions associated with the proposed loan. The additional conditions should be listed in the Lender’s analysis and the comment “see Lender’s analysis” should be inserted in this section. The MT SSBCI Loan Committee reserves the right to impose additional performance or collateral conditions on this loan.

Section E

- E – 1 Name of Lender.
- E – 2 Physical address of Lender as well as post office box.
- E – 3 What city, state and zip is the Lender located.
- E – 4 Lender’s signature
- E – 5 Name of lending officer
- E – 6 Title of lending officer
- E – 7 Phone number of Lender. Lender email address should also be in this area.
- E – 8 Date the loan application is submitted to the CDFI/RLF.

Section F

- F – 1 Name of the business for which the loan funds will be used
- F – 2 The name(s) that will appear on the note. May be business name and/or an individual(s)
- F – 3 What type of business is it. You can find the proper code by entering key words of what type of business it is at <http://www.naics.com/search.htm>. There will be many options available, so please be as specific as possible. If it is an agricultural loan; is it a cow/calf operation, cow/grain and if grain, what kind of grain. Please don’t just use the generic NAICS number for agriculture.
- F – 4 What is the borrower’s tax ID number. If there are multiple borrowers, the tax ID should be listed for each borrower.
- F – 5 Borrower zip code information will be used to comply with the Treasury’s reporting requirements.
- F – 6 When was the business established. If a proprietorship, when did the borrower start his business.
- F – 7 Who is the primary business contact. It may or may not be one of the owners.
- F – 8 What is the business title of the primary business contact
- F – 9 The business contact’s phone number
- F – 10 The business contact’s address

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- F – 11 The business contact’s city
- F – 12 The business contact’s state and zip code
- F – 13 Under the “Borrower is” section, select the appropriate box. If there are multiple borrowers there could be more than one box selected
- F – 14 What are the loan proceeds being used for. The MT SSBCI loan program prohibits refinancing as a use of proceeds. For other ineligible uses of funds see the MT SSBCI New Loan Policy Section 4.
- F – 15 If the borrower is a business or multiple businesses, list the state of incorporation for each business.
- F – 16 List the date of incorporation for each borrowing business.
- F – 17 List all owners, their addresses and ownership interest in the borrowing entity. If there is more than one borrowing business the ownership for each borrowing business should be listed. A separate attachment may be necessary.
- F -18 As long as the Lender has a complete and detailed explanation of the business history, products, services and current business plan, “See Attached Exhibit G” can be inserted into this section.

Section G

- G – 1 As long as the Lender has a complete and detailed explanation of the estimated potential economic impact of the project, “See Attached Exhibit A” can be inserted into this section.
- G – 2 Since you have already identified the NAICS number in F – 3, you can use that definition in this section, don’t just insert the NAICS number.
- G – 3 Where is the project or where is the money going to be spent. The business location may not be the same as the address of the contact person, or maybe the money will be used at a satellite location other than the home office of the business.
- G – 4 What are the annual gross sales of the business, before returns or discounts.
- G – 5 Will there be any increase of employment as a result of this loan and if so how many. Jobs must be reported using Full-time Equivalents (FTE’s).
- G – 6 How many FTE employees does the company have now. The MT SSBCI loan program does not allow MT SSBCI funding for employers with more than 750 employees and is targeting employers with less than 500 employees.
- G – 7 If this loan is not made, how many FTE jobs would be lost.
- G – 8 This information can be taken from the income and expense report of the company by adding the total annual salaries and benefits.
- G – 9 What is the mix of the owners. Are there any, minorities, veterans, Native Americans.
- G – 10 This is the risk rating the lender assigned to the proposed loan. Rating options are: Pass, Watch, Substandard, and Doubtful. Loans rated other than Pass will not be considered.
- G – 11 If the business engages in any agricultural products or activities, describe how and what they do to promote or process Montana’s agriculture.

Section H

This is the environmental section of the application. If any of the answers in this section require additional explanation, that explanation should be found in the Lender’s loan write up. If any environmental permits are required be sure to state that the company has those permits and the Lender has seen them and that the company is in compliance with any and all state and federal environmental laws.

Section I

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- I – 1 Briefly describe the project. The Lender’s write up should have a detailed description and explanation of the project.
- I – 2 If real estate is taken as collateral list the physical location of the property as well as the legal description. For chattel property that is located outside Montana, the Lender should explain in his loan write up where the out-of- state collateral is located in the write up.
- I – 3 The legal description of the real estate collateral should be entered here. If there isn’t sufficient room, please prepare an attachment. The legal description should be taken from a deed or title policy.
- I – 4 How are the total loan proceeds going to be used. Breakout each listed category’s amount. The total of these loan proceeds, plus borrower’s equity injection, if any, plus any other financing associated with this project will equal the total project cost. Remember refinancing existing debt is prohibited.
Note: Total Other Financing is taken from I – 6.
- I – 5 What is the collateral and its value. Breakout each listed category’s amount. If collateral is equipment, a list of that collateral with serial numbers should be included as an attachment. The depreciated cost can be gathered from the borrower’s income tax or accountant. Market value can be obtained by a third party appraisal or in most cases, depending on the size of the loan and the Lender’s loan policy, an estimate of value by the Lender and borrower.
- I – 6 Other than this financing, are there any other funds being used to complete this project; cash equity, SBA 504, another loan from this Lender or another Lender.

Section J

List all debt of the borrower as detailed in this section, including debt with other lenders. If there are co-borrowers, one the business operating company and the other is the owner of the company, then the debt of all borrowers should be shown. A separate exhibit may be necessary for all of this information. If there is a supporting exhibit, please note the exhibit in this section.

Section K

Although this section is included under the “Borrower” section of the application, the Lender will usually complete each one of the required exhibits. It is suggested the Lender complete these exhibits with the borrower, since the borrower certifies the accuracy of the information submitted in the loan application. If the exhibit is not applicable then the Lender should still include an exhibit, but indicate “Not Applicable” on the exhibit. Most all of this information should be included in the Lender loan write up. If the Lender loan write up contains sufficient detail asked for in this section, the exhibit can indicate “See Lender Loan Write Up”.

Section L – Deleted

Section M

This is the signature page of the borrower, certifying the accuracy of the information included in the application (Section M-4) as well as other items the borrower agrees to. All borrowers must sign the last page. If the individual owner of the borrowing business is a co-borrower, he will have to sign twice, once representing the company and individually.