

UMEZ

Hybrid Microloan Program



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INITIATIVE DESCRIPTION

The UMEZ Hybrid Microloan Program is a program to help Upper Manhattan small businesses and nonprofits whose normal operations were disrupted by COVID-19. Small businesses and nonprofits that are approved for a hybrid microloan can obtain a five (5) year term loan equal to up to 20% of gross annual revenue (or 20% of annual operating budget in the case of nonprofits) or \$50,000 whichever is less. **UMEZ will convert into a grant 25% of the loan amount for borrowers meeting the loan-to-grant conversion requirements described below.**

This initiative is part of the Upper Manhattan Empowerment Zone Development Corporation's ("UMEZ") effort to promote small business activity and maintain job opportunities within Upper Manhattan. This hybrid microloan program is designed to help small businesses and nonprofits manage costs over the next five years.

The hybrid microloan can be used for a variety of eligible business expenses including, but not limited to, working capital, inventory, marketing, refitting for new social distancing guidelines, operating and emergency maintenance, utilities, payroll, and inventory.

Microloan funding will be available on a rolling basis as long as funds permit or until December 31, 2022, whichever comes first. Applicants can submit requests for funding at any time, subject to availability of funds. UMEZ will evaluate each application according to the criteria in this guidebook.

The online application is available at:

[http://www.umez.org/hybrid-microloan-program.](http://www.umez.org/hybrid-microloan-program)

For a paper submission or questions regarding the program, please email: [BusinessInvestments@umez.org.](mailto:BusinessInvestments@umez.org)

ELIGIBLE APPLICANTS

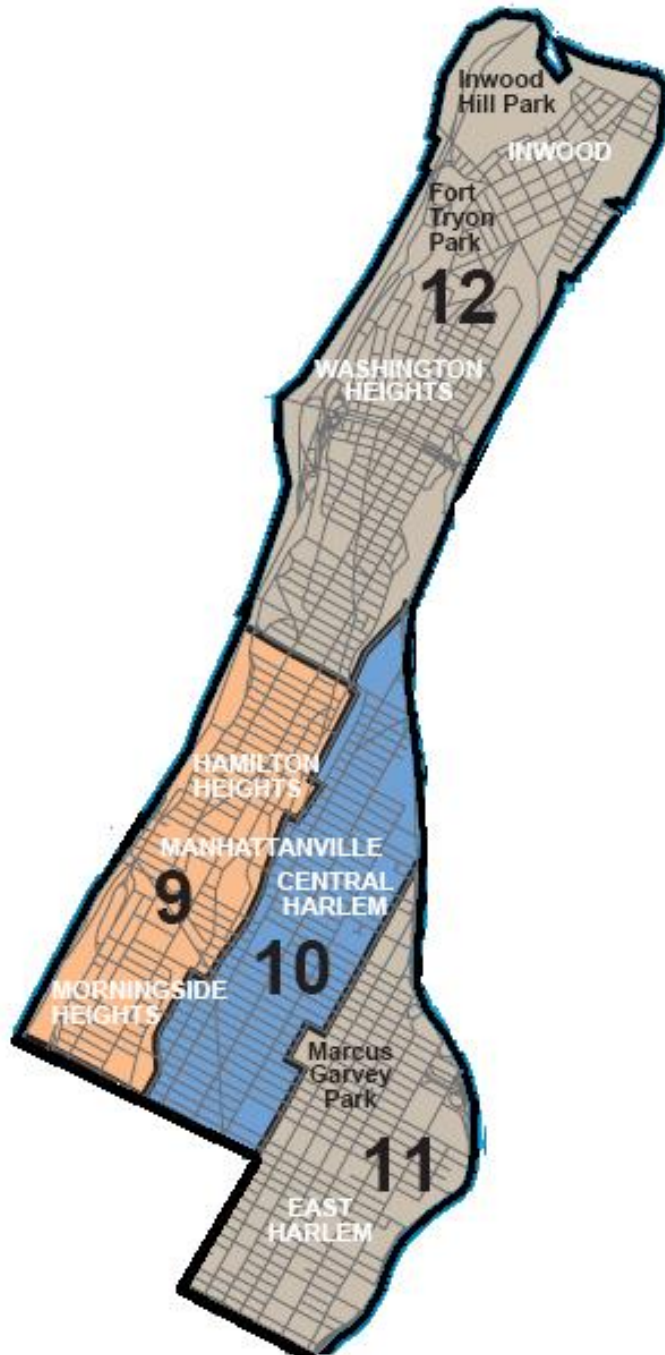
Eligible applicants must meet the following requirements:

- Be a New York State business or nonprofit
- Applicant must have a physical space with a commercial lease (no virtual-only business) in Upper Manhattan from which the business operates
- Applicant must not have a current loan from UMEZ or BRISC
- Applicant must be a corporation, partnership, limited liability company, or be a registered 501(c)(3) organization
- Employ 20 or fewer employees
- Small Business must have gross revenue of more than \$100,000 per year
- Nonprofit organizations must have annual operating budget of more than \$100,000
- Applicant must be current in their rent or have a rent arrearage agreement in good standings with the landlord.
- Applicant must have been in business for at least 2 years as of the date of the application
- Applicant must not be publicly traded
- Any individual who owns more than 20% of the business must have a credit score above 580
- Must not have liens or judgments against the borrowing entity or owners

We encourage the following small businesses to apply:

- Organization is majority Black-owned
- Organization is majority Latino-owned
- Organization is majority woman-owned
- Organization is owned by an underrepresented individual (other than Black or Latino)

Eligible applicants must have a commercial space within Community Board Area 9, 10, 11, or 12 within Upper Manhattan (north of 110th Street on the westside of Fifth Avenue and north of 98th street on the eastside of Fifth Avenue). The proceeds must be used to support Upper Manhattan operations.



USE OF FUNDS

Allowable Uses:

- Working capital
- Inventory
- Marketing
- Refitting for new social distancing guidelines
- Operating and emergency maintenance
- Utilities
- Supplies
- Payroll
- Any other costs deemed eligible by UMEZ

Non-Allowable Uses:

- Business expansion
- Construction costs (other than those related to refitting for new social distancing guidelines)
- Legal fees
- Property taxes
- Rent
- Refinancing of existing loan
- Any other costs deemed ineligible by UMEZ

LOAN AMOUNTS AND LOAN TERMS

The maximum loan amount is \$50,000.

Small businesses can apply for a loan in the amount of the lesser of (a) 50,000 or (b) up to 20% of the annual revenue.

Nonprofits can apply for a loan in the amount of the lesser of (a) \$50,000 or (b) up to 20% of annual operating budget as reported on the IRS Form 990.

Loan funds will be disbursed upon closing. The loan applicant will be required to detail the anticipated use of funds.

Interest Rate:	3.0%
Loan Term:	5 Years (60 Months)
Interest Only Period:	Months 1 - 12
Straight Amortization Period:	Months 13 - 60
Conversion Date:	Year 4 (Month 48)
Personal Guarantee:	Required for each person who owns more than 20% of the borrowing entity
Application Fee:	None
Payment:	Payments will be made by ACH electronic payments.

Interest will be paid on a monthly basis for the amount of principal advanced.

Loans may be repaid in whole or in part at any time with no penalty.

LOAN TO GRANT CONVERSION

After 48 on-time payments, 25% of the original loan balance will be converted into a grant if the borrower meets ALL of the following:

- Borrower must be operational at the time of conversion during the fifth year of the loan term
- Borrower made on-time payment for the first 48 months (12 months interest only and 36 months principal and interest)
- Borrower must provide a copy of their federal tax return or receipt of tax transcript from the IRS for each applicable year prior to the loan to grant conversion
- Proof of no liens or judgments for unpaid taxes during all years the loan is outstanding
- Acceptable site visit(s) by UMEZ staff

REQUIRED DOCUMENT CHECKLIST

You must submit all required documentation (unless otherwise indicated) with your application. Applications with missing documentation will take longer to process.

- **Loan Application Form:** The loan application form requires information regarding the background of the borrowing entity, owner information, contact information, and proposed uses of the loan. The application form should be completed by person(s) authorized to act on behalf of the applicant.
- **Most recent 3-months of bank statements.**
- **Most recent 3-months of bank statements for each guarantor.**
- **Interim financial statement for the current year**
- **Cancelled checks for most recent 3-months of rent payments for the commercial lease.** (A copy of any arrearage agreement with documentation from the landlord indicating that the agreement is in good standing will be considered.)
- **Copies of signed federal and New York State tax returns for the two most recent years.**
For nonprofits, this is the IRS Form 990, 990EZ or 990N.
- **Copies of signed federal and state tax returns for the two most recent years for each guarantor.**
- **NYS-45-ATT Wage Reporting Form for the most recent quarter).**

REQUIRED DOCUMENT CHECKLIST (CONTINUED)

- **Schedule of ownership:** name(s), address, Social Security number, phone number, email, percentage of ownership, and photo ID for anyone with 20% or more ownership.
- **Brief description of COVID-19 impacts on jobs and revenue.**
- **Evidence of legal formation of entity (Articles of Incorporation and/or Bylaws).**
- **Copy of current storefront lease.**
- **Nonprofits must also include the following: Board approved operating budget for the current fiscal year.**

REQUIRED CLOSING CHECKLIST

If approved, you must submit all required documentation.

- Proof of insurance (e.g., property, general liability with a minimum of \$2 million aggregate and \$1 million per occurrence, and workers' compensation).
- Certificate of Status (also referred to as a Certificate of Good Standing or Certificate of Existence).

HOW TO APPLY

Although a paper application and forms are acceptable, applicants are strongly encouraged to file electronically. It is easier, faster, and more accurate, and improves the opportunity for submitting a successful application.

Online application is available at <https://www.umez.org/hybrid-microloan-program>.

For paper application submission, please contact BusinessInvestments@umez.org.



Application Steps:

1. Submit Application
2. Application Review
3. Interview with UMEZ Staff
4. Approval
5. Closing
6. Loans Disbursed

COMMUNITY PARTNERS

If you need help completing an application, please contact any of the following community partners.



275 Malcolm X Blvd # 2
New York, NY 10027
<https://hbany.org/contact/>
(212) 665-7010



611 West 177th Street
New York, NY 10033
<https://whidc.org/>
info@whidc.org
(212) 795-1600

FREQUENTLY ASKED QUESTIONS

What type of businesses are not eligible for a UMEZ Hybrid Microloan?

- Corporate-owned franchises, landlords, not-for-profit social clubs, branch banks, payday loan businesses, pawn shops, astrology, palm reading, liquor stores, night clubs, adult bookstores, massage parlors, strip clubs, track wagering facilities, trailer-storage yards, businesses engaged in gambling activities, and marijuana dispensaries.

What type of nonprofits are not eligible for a UMEZ Hybrid Microloan?

- Religious institutions, public or private schools, colleges, and universities.

Do I need collateral for a UMEZ Hybrid Microloan?

- No. However, all for-profit applicants will need to provide a UCC blanket lien on business collateral to receive a UMEZ Hybrid Microloan.

As an example, how would a \$10,000 UMEZ Hybrid Microloan be structured?

\$10,000 Loan – 3.0% Interest *			
	<i>Monthly Payment</i>	<i>Grant Conversion</i>	<i>Notes</i>
<i>First 12 Months</i>	<i>\$25.00</i>	<i>N/A</i>	<i>Interest Only</i>
<i>13 – 48 Months</i>	<i>\$221.34</i>	<i>N/A</i>	<i>Principal and Interest</i>
<i>49 – 60 Months</i>	<i>N/A</i>	<i>\$2,500.00</i>	<i>Unpaid balance (\$113.46) after the conversion due within 30 days</i>

**Interest will be simple: Principal and interest monthly payments required based on a straight-line amortization assuming full repayment at 60 months. Calculations for illustrative purposes only.*

Who from my business needs to complete the loan application?

- *Anyone who is authorized to complete the application on behalf of the borrower. Anyone with more than 20% ownership will also be required to attest to the information provided.*

Who from my business must provide a personal guarantee?

- *Anyone with more than 20% ownership.*

Are there any application fees for UMEZ Hybrid Microloan Program?

- *No. There are no application or closing fees for the program.*

If I own more than one small business, can I apply for a loan for each of my businesses?

- *No.*

Can I apply for a UMEZ Hybrid Microloan if I have a current UMEZ or BRISC loan or grant?

- *No.*

Can I use proceeds to refinance other loans?

- *No. The UMEZ Hybrid Microloan is for working capital to reopen the business. It cannot be used to refinance or pay off any other loan.*

What happens if I miss a payment on the loan?

- *If you miss a payment on your loan, you will be assessed a late fee and you will not be eligible to convert 25% of the loan into a grant.*