



New Markets Tax Credits Program

The Virginia Small Business Financing Authority's New Markets Tax Credits Program is designed to help existing businesses fund the purchase of real estate occupied by their companies and/or capital equipment used in their operation. The Virginia Small Business Financing Authority serves as the conduit through which the Community Reinvestment Fund (CRF) makes New Markets Tax Credits (NMTC) loans available. **CRF commitments will be issued subject to the availability of NMTC capacity and are conditional.**

Eligible Borrowers:

- All borrowers must comply with the Community Reinvestment Fund's guidelines for the use of loan proceeds. Certain geographic and other restrictions apply.
- All borrowers must meet the 3 criteria of a "qualified active low-income community business."
 1. minimum 50% of borrower's tangible property must be located in a low-income community
 2. minimum 50% of services performed for the borrower by its employees must be in a low-income community
 3. collectibles not for resale and nonqualified financial property must each represent less than 5% of borrower's assets
- All borrowers must have a history of positive cash flow, operating ratios consistent with industry norms, sufficient working capital to meet current obligations, and cash equity in the project.
- Borrowers may be for profit or non-profit organizations.

Amount:

Per project maximum of \$1,500,000 and minimum of \$500,000.

Term:

Real estate: 25 years

Capital equipment: shorter of 10 years or remaining useful life of equipment

Interest Rate (includes servicing fee 0.25%)

Real estate: initial 7 years: 7 year Treasury rate + **minimum** 4.15%, reset rate: 10 year Treasury rate + **minimum** 6.1%

Equipment: initial 7 year Treasury rate + **minimum** 4.65%

Fees:

1% commitment fee with \$500 due upon application.

Closing fees-maximum \$750 document preparation fees plus customary legal, appraisal, etc. costs.

Prepayment Penalty:

Declining scale penalty during first 7 years of the loan term. No partial prepayments allowed.

The applicant business must occupy a minimum 51% of the real estate and use 100% of the equipment financed by this program, provide a first lien on assets financed by this program (unless there is another Primary Lender), provide the guaranty of all persons or companies that own 20% or more of the applicant business, and agree to remain in compliance with New Markets requirements for 7 years.

Loan funds *can* be used to:

1. Acquire owner occupied commercial real estate (maximum 85% financing).
2. Purchase and install machinery and/or equipment (maximum 80% of new equipment, 50% used).
3. Repay short term construction or rehabilitation/expansion financing on owner occupied commercial real estate (maximum 85% financing).

Loan funds *cannot* be used to:

1. Compensate for a fundamental business weakness or poor credit history.
2. Provide working capital.
3. Finance business start up.
4. Fund construction advances, project must be completed.
5. Refinance or restructure existing debt.

The VSBFA reviews and recommends applications to the Community Reinvestment Fund which has final approval authority. Credit underwriting criteria include borrower's historic ability to repay the loan, past credit performance, demonstrated cash flow, collateral value, guarantor support, management strength, and the economic benefit to the Commonwealth.

For additional information and application materials, contact the VSBFA at the Virginia Department of Business Assistance. (Website: www.vdba.virginia.gov or call 1-866-248-8814)