

# 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 four (4) year term loan equal 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 four 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, 2023, 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>** by clicking "How to Apply"

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# ELIGIBLE APPLICANTS

## Eligible applicants must meet the following requirements:

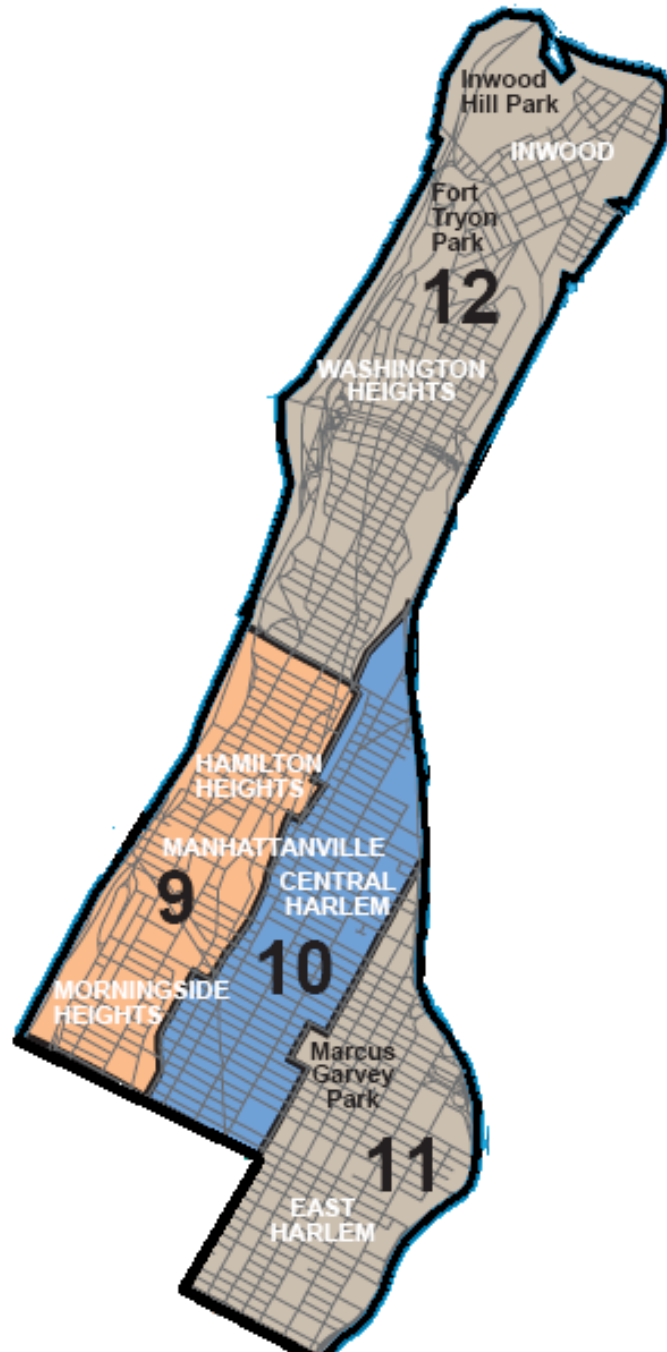
- Be a New York State business or nonprofit
- Applicant must have a physical storefront (no virtual-only business) in Upper Manhattan from which the business operates
- Applicant must not have a current loan from UMEZ or BRISC
- Applicant must be a corporation, partnership, limited liability corporation, or be a registered 501(c)(3) organization
- Employ 20 or fewer full-time equivalent (FTE) employees
- Small Businesses must have a gross revenue of more than \$125,000 per year
- Nonprofit organizations must have an annual operating budget of more than \$125,000 per year
- Applicant must be current in their rent or have a rent arrearage agreement in good standings with the landlord
- Been in business for at least 2 years (24 months) as of the date of the application
- Applicant must not be publicly traded
- Anyone who owns 20% or more 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 have a physical storefront or office within Community Board Area 9, 10, 11, or 12 within Upper Manhattan (north of 110<sup>th</sup> Street on the westside of**

Fifth Avenue and north of 98<sup>th</sup> street on the eastside of Fifth Avenue). The proceeds must be used to support only Upper Manhattan operations.



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# 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

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## 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 10% of the annual revenue in 2022, as reported on Federal Corporate Tax Return.

**Nonprofits** can apply for a loan in the amount of the lesser of (a) \$50,000 or (b) up to 10% of annual operating budget in 2022, 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.

<b>Interest Rate:</b>	3.0%
<b>Loan Term:</b>	4 Years (48 Months)
<b>Straight Amortization Period:</b>	Months 1- 48
<b>Conversion Date:</b>	Year 3 (Month 36)
<b>Personal Guarantee:</b>	Required for each person who owns 20% or more of the borrowing entity
<b>Application Fee:</b>	None
<b>Payment:</b>	Payments will be made by monthly ACH electronic payments.

Loans may be repaid in whole or in part at any time with no penalty. However, loan forgiveness only eligible after 36 months of payments.

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# LOAN TO GRANT CONVERSION

**After 36 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 fourth year of the loan term
- Borrower made on-time payments for the first 36 months of principal and interest
- Borrower provide a certified copy of the 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



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# 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-month business account bank statements.**
- **Most recent 3-month bank statements for each personal guarantor.**
- **2023 interim financial statements.**
- **Cancelled checks for most recent 3-month business rent payments.** (Note: a forbearance agreement does not constitute evidence of payment unless the agreement explicitly states that past due rent is no longer due and payable.)
- **Copies of signed federal and New York State tax returns for the 2021 and 2022.** For nonprofits, this is the IRS Form 990, 990EZ or 990N.
- **Copies of signed federal and state tax returns for 2021 and 2022 for each personal guarantor.**
- **2023 NYS-45-ATT Wage Reporting Form** (last quarter).

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# 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 commercial lease.**
- **Nonprofits must also include the following: Board approved operating budget for the current fiscal year.**
- **First and last names of two references, and their contact number (no family member references).**

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# 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).
- Bylaws or Operating Agreement for the business.

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# HOW TO APPLY

Applications are completed electronically via our website

Online application is available at <https://www.umez.org/hybrid-microloan-program> by clicking “How to Apply”



## Application Steps:

1. Submit Application
2. Application Review
3. Site inspection with UMEZ Staff
4. Approval
5. Closing
6. Loan Funds Disbursed

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# 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 \$50,000 UMEZ Hybrid Microloan be structured?

\$50,000 Loan – 3.0% Interest *			
	Monthly Payment	Grant Conversion	Notes
1 – 36 Months	\$1,106.72	N/A	Principal and Interest
37 – 48 Months	N/A	\$12,500.00	Balance (\$567.14) due

\*Interest will be simple: Principal and interest monthly payments required based on a straight-line amortization assuming full repayment at 48 months. Calculations for illustrative purposes only.

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### **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 20% or more ownership will also be required to attest to the information provided.

### **Who from my business must provide a personal guarantee?**

- Anyone with 20% or more 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.