



**WESTSIDE  
DEVELOPMENT  
CORPORATION**

**WDC LOAN PROGRAM**

**Guidelines and Procedures**

## WDC LOAN PROGRAM TABLE OF CONTENTS

- A. GENERAL INFORMATION**
  - 1. Program Purpose and Objective
  - 2. Ineligible Businesses
  - 3. Who May Apply
  - 4. Ineligible Use of Proceeds
  - 5. Eligible Area
  
- B. APPLICATION PROCESS**
  - 1. Application Forms
  - 2. Review of Application
  - 3. Management/Feasibility Assessment
  - 4. Assignment to Credit Analyst
  - 5. Lending/Credit Criteria
  
- C. REVIEW, ANALYSIS, AND APPROVAL PROCESS**
  - 1. Brief Memo Prepared by Staff
  - 2. Consideration of Loan by ILC & Board
  - 3. Approval Letter of Commitment Issued
  
- D. FUNDING PROCESS**
  - 1. Loans may be leveraged with SABDF, lenders, etc.
  - 2. Closing Documents Prepared by Attorney & Title Company
  
- E. LOAN SERVICING**
  - 1. Account Management
  - 2. Credit Management
  - 3. Problem Loans
  - 4. Delinquent Loans
  - 5. Loans in Default
  
- F. EXHIBITS**
  - 1. Loan Application Flowchart
  - 2. Loan Purpose, Amounts, Terms, Rates
  - 3. Loan Fees, Collateral, Financial Information
  - 4. Inner City Lending Guidelines
  - 5. Letter of Decline

## WDC LOAN PROGRAM

### **A. GENERAL INFORMATION**

#### **1. Program Purpose and Objective**

The Westside Development Corporation recognized that the West sector of San Antonio has been identified and assessed as an area that is in need of revitalization.

As part of this revitalization effort, the WDC makes business loans for projects in its target area at/or below market interest rates.

#### **2. Ineligible Businesses**

Lending, illegal activity, gambling, pyramid, networking sales, businesses who serve liquor (do not generate over 50% of their income from food sales) and media or publishing businesses that print opinions.

#### **3. Who May Apply**

Applications will be accepted from small businesses, not-for-profit organizations (please see below for exclusions), landlords, developers, property owners and other entities involved in the revitalization of the West sector of the city. All applicants must demonstrate financial need, repayment ability, credit and capacity to manage.

Not-for-profit organizations are presently excluded from borrowing money under existing federal loan programs. These organizations would become eligible under this program if their projects are for revitalization in the target area.

Landlords, developers and property owners that are now only eligible under the HUD Enterprise Loan Program would be eligible under this program if the project is for revitalization of the West sector of the city and the developer lacks the ability to obtain this credit elsewhere.

Anyone who has been awarded a WDC Growth Grant within the past 12-month period, immediately preceding the loan application, will not be eligible for a WDC Loan.

#### **4. Ineligible Use of Proceeds**

**WDC LOAN PROGRAM** will not be used for the following loan purposes:

- a. Pay off creditors who are inadequately secured and in a position to sustain a loss.

- b. Distribution or payment to owners, partners, shareholders or affiliated entities of the applicant. Personal loans of owners or stockholders may not be included as part of the loan.
- c. Moving a business outside of the WDC-defined areas.

## 5. Eligible Area

The intent of the **WDC LOAN PROGRAM** is to serve the areas on the West sector of the city. For clarification, please see the WDC Boundary Map.

## B. APPLICATION PROCESS

1. **Application Forms** – Application forms will be provided upon request or may be obtained through the WDC website: [www.WestsideDevCorp.com](http://www.WestsideDevCorp.com). Interviews will be made by the WDC staff, if necessary.
2. **Review of Application** – Once the application and all requested documentation has been received, WDC will review and confirm all necessary paperwork has been submitted. Incomplete applications will not be processed. The applicant will be notified of the deficiencies of the application and given a period of time in which to provide the missing information.
3. **Management/Feasibility Assessment** – A management assessment of the business owners and managers will be made by a WDC staff member. WDC staff will also obtain information regarding the feasibility of the project which will be provided to the Project Committee.
4. **Assignment to Credit Analyst** – The completed loan applications will be screened by WDC staff.
5. **Lending/Credit Criteria** – The financial condition of the company and its owners will be considered; particularly, their ability to meet the repayment schedule. The company's potential for growth and the owner's ability to meet personal obligations will also be considered. The credit criteria includes:
  - a. Ability to repay the loan must exist. Debt service coverage of at least 1:1 (or better) is required. Projections may be utilized in addition to the owner's personal history as repayment ability when past history does not support repayment.
  - b. Collateral must be 1:1 or better – WDC will require a first lien on purchased assets or existing unencumbered assets of the business, the borrower and/or the guarantor. WDC may also require a second lien on encumbered assets of the company, the borrower and/or guarantor.

- c. Assets being purchased will be given 100% value; existing assets will be given market value or cost, whichever is lower. Assets minus depreciation may also be accepted as that value, rather than cost or market value.
- d. A minimum of 10% cash/equity investment is required on existing businesses and a minimum of 20% cash/equity investment will be required on start-up businesses. WDC reserves the right to require a higher equity position prior to loan funding.
- e. A guarantor or co-maker may be required. The borrower's and guarantor's credit history will be evaluated; and explanations required from the borrower(s) on any credit issues.
- f. Obtaining personal and business credit reports as part of the business proposal package review.
- g. The number of jobs to be created or retained if the project is completed.

## **C. REVIEW, ANALYSIS, AND APPROVAL PROCESS**

### **1. Loan Report**

WDC Staff will prepare a Loan Report which includes the project description, loan application analysis, management capabilities of the business owners, and credit analysis of the applicants.

### **2. Loan Approval**

The WDC President will review each loan report prepared by the WDC staff and provide a recommendation of either "approve" or "decline". If a loan application receives a funding "decline" based on the information provided to the WDC staff and loan application analysis, the applicant will be notified, and the application will not be referred for Committee review.

"Approved" applications by the WDC President, will next be reviewed by the Loan and Grant Committee. Applications that receive "approve" recommendation from the committee will then be presented to the WDC Board for final consideration and loan funding decision.

### **3. Approval Letter of Commitment**

The client must sign the "Commitment Letter", followed by the signature and approval of the assigned WDC staff.

## **D. FUNDING PROCESS**

1. Where possible, WDC loans will be leveraged with WDC, CDLF, LiftFund and/or other lenders.
2. Preparation of Closing Documents (i.e. legal costs may be rolled into loan)

*An attorney contracted by WDC must prepare all closing documents. The loan may be closed by the same attorney or by WDC staff. And the WDC President must attest the documents.*

A Title Company must be used in the closing of all real estate loans and for Mortgage Title Policy obtained on all real estate secured loans.

## **E. LOAN SERVICING**

### **1. Account Management**

WDC financial staff are responsible for monitoring the loan portfolio, processing monthly loan payments, and responding to the needs of the borrower.

For each loan, Loan Servicing will provide the following services:

- a. Monthly accounting reports of principal and interest received, balances remaining and any fees charges.
- b. Late payment notices to borrower.
- c. Year-end statements to borrower showing interest and principal payment made.
- d. Maintenance of a database for monitoring and following up of UCC filings, insurance, financial statements or other requirements as stated in the loan approval.
- e. Any other record-keeping or services required by the WDC for management of the account.

### **2. Credit Management**

To assure the WDC loans are managed and serviced in accordance with the program's objectives, programs administrative staff will periodically report on all loans serviced to the WDC Board. The WDC staff will review the information to determine if there has been compliance with terms of the loan AGREEMENTS.

Credit management will include:

- a. Receipt of quality financial statements prepared by an accountant or generated by an accounting program such as Quickbooks.
- b. Regular and timely receipt of financial statements.
- c. A review of submitted financial information.
- d. Verification of financial data by phone and/or onsite visits when warranted.
- e. Reviewing the “terms’ of the loan AGREEMENT and other documents with borrower to assure complete understanding of borrower’s obligations.
- f. Requiring annual, quarterly, or monthly financial statements from the borrower to assess the ongoing financial position of business.
- g. When necessary, conduct technical assistance conferences with borrower to analyze business condition and financial position. If needed, additional technical assistance will be scheduled to mitigate potential problems.
- h. When necessary, require or recommend borrower attend seminars or classes in business and/or accounting to improve management ability and repayment ability of borrower in conjunction with approval of loan application.

### **3. Problem Loans**

To avoid problems with credit delinquency and possible losses, program administrator’s staff along with WDC staff will review the borrower’s financials and those factors that indicate loan payment deterioration.

Some of the danger signals include:

- a. Delinquency
- b. Anticipated renewal request.
- c. Adverse financial trends.
- d. Incorrect or improperly prepared financial information.
- e. Overly optimistic P&L and Cash Flow statements.
- f. Failure to provide any requested information in a timely manner.
- g. Disappearance of collateral or other assets.

- h. Borrowers hesitant to permit WDC staff to visit business.
- i. Appearance of other creditors and credit inquiries.

#### **4. Delinquent Loans**

Loans become delinquent the day after the payment is due. Collection procedures may commence if payment is not made within 15 days following payment due date, or if the business exhibits some of the danger signals listed in the Problem Loan Section. WDC assigned staff will make a determination of the seriousness of the problem by a review of:

- a. Cooperation of borrower.
- b. Ability of debt service.
- c. Collateral value.
- d. Extent of borrower's involvement with other creditors.

Step 1: The cooperation of the borrower is assessed based on the borrower's willingness to meet with WDC staff to identify the problem and reach a workable solution.

Step 2: The ability of debt service by the borrower will be determined based on re-evaluation of both historical and projected future cash flows.

Step 3: The collateral positions for the loan will be determined by verifying the value of collateral held, by actually locating the collateral and by reviewing its condition. Verification as to the correctness of UCC filings and other security instruments will also be made.

Step 4: The extent of the borrower's additional borrowing with other creditors will be determined through updated credit reports, trade checking, search of public record for liens and judgments, etc.

Step 5: If a workable solution to the loan delinquency results in a modification of terms and conditions to the original approval, the modification must be in writing, it must be signed by the borrower and it must be approved and signed by the WDC President. All delinquent loans will be reviewed by the WDC Finance Committee.

#### **5. Loans in Default**

When no workable solution results from meeting with the borrower, the loan will be in default. Loans will be considered in default if any portion of a loan payment is more than sixty (60) days past due.

Staff will take the following actions:



- a. Notification to borrowers of default by registered mail.
- b. Borrower will be given thirty (30) days to correct default.
- c. If default is not corrected within sixty (60) days, WDC staff will take any actions necessary to collect the loan balance. Such actions include, but are not limited to, liquidating any collateral.
- d. If default is not corrected within one hundred eighty (180) days, the loan can be charged off. Loans that are secured by real estate as the primary collateral will be charged off after the collateral is liquidated.

All defaulted loans will be reviewed by the WDC Finance Committee and then referred to the WDC Board of Directors with a recommendation for disposition.

## **Loan Application Flowchart**

**Application**



**WDC Staff**



**WDC President**



**WDC Loan and Grant Committee**



**WDC Board of Directors**



**Attorney for Loan Closing  
(if approval)**



**Funding**

# **WDC LOAN PROGRAM**

## **Loan Purpose:**

Any legitimate business purpose including, but not limited to:

- Permanent Working Capital
- Seasonal Working Capital
- Fixed Assets Acquisition
- Leasehold Improvements
- Real Estate Equity Loans
- Business Start-Up Expenses

## **Loan Amounts:**

- \$15,000 - \$80,000

## **Loan Terms:**

- 12-120 months
- WDC may consider a 15 or 20-year amortization with up to a 10-year call

## **Loans Rates:**

Competitive Fixed Rates of no less than 2% and no more than 3% over current money center bank prime rate as quoted in the Wall Street Journal. The locked rate of each loan will be set by the Finance Committee during application review.

For example, if the WSJ Prime Rate is 4.25% then WDC rates would be no less than 6.25% and no more than 7.25%.

## **Loan Fees:**

WDC will charge the following fees:

- An origination fee of 1% of the loan amount (principal and incorporated fees) will be charged
- Attorney and accounting fees
- \$500 to cover other closing costs such as collateral lien search, UCC-filing costs, Notary and recording of loan.
- Additional fees that may be charged are:
  - Appraisal Fees o Survey Fees
  - Title Company Fees
  - Additional Attorney Fees, based on scope of project

All fees may be incorporated into the loan.

### **Collateral:**

Collateral requirement can be as high as 100% loan-to-value. Accounts Receivable, Inventory, Equipment, Vehicles, Real Estate and Personal Guarantee may be required.

- Equipment and Real Estate will be valued at the lower of cost or appraised value.
- Vehicles will be valued at NADA (Blue Book) loan value.

### **Financial Information:**

- Minimum of three (3) years business financial statements (P&L, Cash Flow, Balance Sheet) prepared by an Accountant or generated from an approved accounting software such as Quickbooks.
- Minimum of three years of business and personal tax returns
- Most recent interim financial statements (P&L, Cash Flow, and Balance Sheet) (dated within 30 days of loan application)
- One (1) year of Business Cash Flow Projections – financial or cash budget
- Detailed business plan for all applicants
- Current guarantor financial statement and tax returns – when required
- Credit report for each applicant
- Lien Search

### **Underwriting Standards:**

- The borrower must show adequate earnings to retire its obligations. The WDC shall have a debt service coverage of no less than 1:1 of historical earnings or projections.
- The borrower must show up to 100% collateral coverage.
- The borrower must show management capabilities.
- The borrow must have current and quick ratios of at least 1:1.

### **Credit History:**

- A credit score of 550 or more.
- If no traditional credit history exists, the administrator may use its discretion.
- All outstanding judgments must be paid, and all delinquent accounts need to be brought current.

### **Technical Assistance:**

Existing businesses (2+ yrs) will be screened, primarily on the basics of historical financial performance, to determine the appropriate level of technical assistance needed.

Recommended technical assistance will consist of proposed 4-12 weeks

Business/Entrepreneurial Training Program. The length of the training will depend on the demonstrated capabilities of the borrower or completion of an approved outside entrepreneurial program.

On-going Technical Assistance is recommended for start-up businesses for the first full year of operations.

Monitoring/Counseling may be conducted on a quarterly basis for start-up businesses and no less than semi-annually for existing businesses to compare actual results against the business plan or projections.