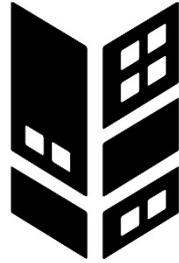


# **ECONOMIC DEVELOPMENT**



# **WEDA**

## **PARTICIPATION LENDING PROGRAM**

### **LOAN MANUAL**

December 2017



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# Introduction

## About This Manual

The Wisconsin Housing and Economic Development Authority (WHEDA) has been providing small business products since 1985, including industrial revenue bonding and small business loan guarantees. In 2012, WHEDA launched the Participation Lending Program (Participation Lending), partnering with local community lenders, banks, credit unions, economic development corporations, community development financial institutions, small business investment corporations, or other Participating Lenders who provide commercial loans in this state<sup>1</sup>.

WHEDA's Participation Lending program is intended to provide Wisconsin businesses financing that could not otherwise be secured through traditional lending, to create and retain jobs in the State of Wisconsin, and to promote economic development in both rural and urban communities. An emphasis will be placed on participation lending with local and regional lending partners.

In preparing this Manual, our aim has been to make it a simple and easy reference document for Participating Lenders. Please feel free to provide feedback on this Manual or any aspect of our loan product which could be improved. We are working towards constantly improving our products and service.

We look forward to working with you to promote small business development in the State of Wisconsin.

## Who to Contact

WHEDA has a Business and Community Engagement Group that is available to assist you. Please see the "WHEDA in Your Area" map on our website for a Business & Community Engagement Officer (BCEO) in your area.

Our BCEOs work with local lending institutions, local governments, and borrowers to provide product information and training on our products.

We also have Commercial Loan Officers and support staff in our Madison office to assist you.

### General Product Information:

(800) 334-6873

Ask for the Business & Community Engagement Officer  
in your county, or look on-line at [www.wheda.com](http://www.wheda.com)

### Status on an Application in Process, Underwriting Questions, Servicing, or Workouts:

(608) 266-7884

Ask for a Commercial Loan Officer

Commercial Lending Group  
WHEDA  
PO Box 1728  
Madison, WI 53701-1728

Fax: (608) 267-1099  
e-mail: [info@wheda.com](mailto:info@wheda.com)

<sup>1</sup> Chapter 234.01(5k)

## Eligibility & Program Requirements

Authority for the Participation Lending Program is governed by Wisconsin State Statutes, Chapter 234<sup>2</sup>, and by WHEDA's Members and Members Loan Committee<sup>3</sup>.

Eligibility covers Participating Lender participation requirements, the size of the business, the size of the loan, and the eligible projects that qualify.

### Participation Requirement

WHEDA will participate on an economic development loan<sup>4</sup> that is secured/collateralized<sup>5</sup> and where one or more financial institutions participate<sup>6</sup>. What this means is that WHEDA will require at least 50% participation from another participating lender(s).

Any local community lenders, banks, credit unions, economic development corporations, community development financial institutions, small business investment corporations, or other Participating Lenders which provide commercial loans in this state are eligible to participate on a loan with WHEDA. The Participating Lender is the applicant and must share in the financial risk of the loan. In the event of multiple participants, one participant will act as the lead participant and applicant.

In order to participate, the Participating Lender must enter into a signed Participation Agreement with WHEDA at the time of each loan closing. The Participation Agreement will be a negotiated document which will outline the Participating Lender's and WHEDA's responsibilities, collateral position, and servicing responsibilities for the loan.

### Job Retention and Creation

Job creation and retention is considered when deciding if a loan will be approved. WHEDA will need to determine if the project is expected to eliminate, create, or maintain jobs on the project site and elsewhere in the state and the net number of jobs expected to be eliminated, created, or maintained as a result of the project<sup>7</sup>. Reporting of job numbers over time to WHEDA will also be required of the Borrower (see Reporting Required of the Business Section below).

### Maximum Size of WHEDA's Loan

The maximum WHEDA participation is \$2 million or 50% of the loan. For example:

Loan Size	WHEDA Participation Max.	Participating Lender
\$2,000,000	\$1,000,000 (50%)	\$1,000,000 (50%)
\$4,000,000	\$2,000,000 (50%)	\$2,000,000 (50%)
\$6,000,000	\$2,000,000 (33%)	\$4,000,000 (67%)

<sup>2</sup> Chapter 234.01 and 234.65 are the primary sections that govern economic development lending.

<sup>3</sup> WHEDA's Loan Policy, as approved by the Members.

<sup>4</sup> Chapter 234.01 (4m) "Economic development loan" means an advance of moneys, supported by a written promise of repayment, to finance an economic development project.

<sup>5</sup> Chapter 234.65(3)(dg), the authority shall not assume unsecured or uncollateralized risk for any economic development loan.

<sup>6</sup> Chapter 234.65(3)(bm), one or more other financial institutions participate in the economic development project.

<sup>7</sup> Chapter 234.65(3)(am).

## **Eligible Business/Project**

An economic development project<sup>8</sup> will be eligible for the financing of land, plant, or equipment for any of the following:

1. Facilities for manufacturing or commercial real estate activities.
2. National or regional headquarters facilities.
3. Facilities for the storage or distribution of products of manufacturing activities, materials, components or equipment.
4. Facilities for the retail sale of goods or services.
5. Facilities for research and development activities.
6. Recreational and tourism facilities serving to attract visitors to this state.
7. Facilities for the production, packaging, processing or distribution of raw agricultural commodities.
8. Facilities for engaging in the business of operating a railroad.
9. Facilities for recycling<sup>9</sup>.

Activities of a long-term nature, such as research and development, or long-term working capital may also be eligible.

Finally, equipment, materials or labor used to make an energy-conserving improvement to a commercial or industrial facility would also be eligible.

## **Other Conditions**

Other conditions that must be met include:

1. The economic development project is or will be located in the State of Wisconsin<sup>10</sup>.
2. One or more other financial institutions participate in the economic development project<sup>11</sup>.
3. The authority shall not assume unsecured or uncollateralized risk for any economic development loan<sup>12</sup>.
4. The economic development loan will not be used to refinance existing debt, unless it is in conjunction with an expansion of the business or job creation<sup>13</sup>.
5. The name of the person receiving the loan does not appear on the statewide support lien docket under s. 49.854 (2) (b) or, if the person's name appears on that docket, the person provides to the authority a payment agreement that has been approved by the county child support agency under s. 59.53 (5) and that is consistent with rules promulgated under s. 49.858 (2) (a)<sup>14</sup>.

<sup>8</sup> Chapter 234.01 (4n).

<sup>9</sup> As defined by Section 287.13(1)(h).

<sup>10</sup> Section 234.65(3)(c).

<sup>11</sup> Section 234.65(3)(bm).

<sup>12</sup> Section 234.65(3)(dg).

<sup>13</sup> Section 234.65(3)(e). This would not apply to an economic development loan for equipment, materials or labor used to make an energy-conserving improvement to a commercial or industrial facility.

<sup>14</sup> Section 234.65(3)(f).

6. WHEDA has estimated whether the project is expected to eliminate, create or maintain jobs on the project site and elsewhere in this state and the net number of jobs expected to be eliminated, created or maintained as a result of the project<sup>15</sup>.

### **Other Considerations and Preferences**

WHEDA may finance an economic development loan only after considering all of the following<sup>16</sup>:

1. The extent to which an economic development project will maintain or increase employment in this state.
2. Whether an economic development project will be located in an area of high unemployment or low average income.
3. The number of financial institutions participating in the economic development project.
4. The extent to which the activities constituting the economic development project otherwise would not occur.

WHEDA shall also give preference to businesses<sup>17</sup>:

1. Which are more than 50% owned or controlled by women or minorities.
2. That, together with all of their affiliates, subsidiaries and parent companies, have current gross annual sales of \$5,000,000 or less or that employ 250 or fewer persons.
3. That have less than 50% of their ownership held or controlled by another business and have their principal operations in the State of Wisconsin.

### **Reporting Required of the Business**

1. Any economic development loan that a business receives from WHEDA to finance a project shall require the lead lender to submit to WHEDA the certified PLP job data collection form at closing and then two years following loan closing.
2. Some projects may involve funds from Federal, State, or local sources. WHEDA does not interpret or provide guidance related to these publicly funded activities. All requirements as to rules and regulations compliance, and specifically as to the Davis-Bacon Act, are the sole responsibility of the Borrower. For additional, specific guidance on the Davis Bacon Act, contact the Wisconsin Department of Workforce Development. Other compliance requirements should be obtained from the funding entity.

<sup>15</sup> Section 234.65(3r).

<sup>16</sup> Section 234.65(2)(a), but would not apply to an economic development loan for equipment, materials or labor used to make an energy-conserving improvement to a commercial or industrial facility.

<sup>17</sup> Section 234.65(1)(g).

## **Loan Process**

### **Application**

The credit review process **will not begin** until all requested information including the application is received by WHEDA from the Participating Lender. See the loan application in Exhibit A. A non-refundable application fee of \$250 is also required to process and underwrite any Loan. If the Loan closes, the application fee will be credited to the loan closing costs.

### **Incomplete Submission**

If incomplete information is received, WHEDA will request the missing information from the Participating Lender. The Participating Lender will have 30 days to submit the missing information to WHEDA. If the information is not received, the application will be considered withdrawn, and the application fee will not be refunded. WHEDA's review of the application is deferred pending receipt of the missing information.

### **Underwriting**

WHEDA's underwriting will include a review of the information package submitted by the Participating Lender. The Borrower's business will be evaluated against WHEDA's credit criteria.

WHEDA will work closely with the Participating Lender to clarify any unclear information and to negotiate and structure a final recommendation. WHEDA may visit the business as part of the review and may also require the Business to present to one of WHEDA's loan committees.

Please see the Underwriting/Credit Criteria Section for further information.

### **Loan Committee**

WHEDA has three loan committees.

The Department Loan Committee is comprised of WHEDA underwriters and management and can approve participation loans, where WHEDA's participation is under \$250,000.

The Internal Loan Committee (ILC) is comprised of WHEDA management and staff. Approval from the ILC is needed for any loan where WHEDA's participation is \$250,000 or greater. The Members Loan Committee is a subcommittee of WHEDA's Board Members. Approval from both committees is needed for any loan where WHEDA's participation is \$1,000,000 or greater.

WHEDA will notify the Participating Lender and/or Borrower by phone of the committee's decision following the meeting.

### **Terms and Conditions, Including Participation**

A draft of the proposed terms and conditions will be discussed with the Participating Lender before they are presented to the appropriate committee. The Participating Lender and WHEDA must concur with terms and conditions, including loan structure, loan rate, fees, collateral and collateral position, and servicing responsibility prior to the scheduled loan presentation.

### **Loan Commitment Letter**

Upon approval of a loan, WHEDA will send the Participating Lender a Loan Commitment Letter, which outlines the specific terms of WHEDA's participation. To amend any term or condition contained in the Loan Commitment Letter, a written request must be made prior to closing the proposed loan. WHEDA will consider the request, but may require additional information and/or take the request to loan committee for approval.

**Denial**

The denial of an application will result in written notification to the Participating Lender. The notification will clearly detail the basis upon which the decision was made. WHEDA will consider a request to re-evaluate an application within 30 days of denial, if the Participating Lender and/or Borrower can provide information which materially affects the original application and supporting documentation.

**Closing Timeframe**

Loans must close within 45 days from the date of the Loan Commitment Letter. If the Participating Lender is unable to close the loan within 45 days, please contact WHEDA to request an extension. WHEDA will consider extensions on a case-by-case basis. WHEDA reserves the right to review the current financial status of the Borrower to assure that no adverse changes have occurred from the time of the original approval. If there are adverse changes, WHEDA may revise its original Loan Commitment Letter to account for the additional risk or negotiate other changes to the original approval.

If the loan commitment is for permanent financing and the project is in the construction phase, the permanent loan must close within 180 days from the date of the Loan Commitment Letter, with the extension processes outlined above in affect.

**Closing Documents**

Standard Wisconsin Bankers Association (WBA) documents should be used when possible. In situations where the Participating Lender has their own Business Note or participation agreement, it may be used as long as it clearly states the terms of the approved loan and is approved by WHEDA. If the Borrower wants to make changes to the terms and conditions, WHEDA will require that the changes be reviewed by a WHEDA approved attorney at the Borrower's expense.

**Closing Costs**

The Borrower is responsible for all costs related to the loan closing, including legal and filing fees.

**Origination Fee**

An origination fee is required in most cases. The amount of the origination fee is based on the loan structure, complexity, and risk, but will typically be in the neighborhood of 1 - 3%. The loan origination fee is due with at the time of closing.

**Servicing**

The Participation Agreement between WHEDA and the Participation Lender will dictate the party who will have servicing and primary contact responsibilities with the Borrower, including construction draw management responsibilities if applicable. However, both WHEDA and the Participation Lender will be required to maintain a complete loan file on the Borrower. This may include, but may not be limited to, environmental reports, appraisals, market studies, surveys, plans and specifications, financial statements, and borrowing resolutions.

Please see the Servicing Section for further information.

## Underwriting/Credit Criteria

WHEDA reviews nine criteria, depending on loan type, when it underwrites a Loan. These criteria make the underwriting process more objective and predictable for WHEDA, Participating Lenders, and Borrowers. A Quick Reference to Underwriting Guidelines is outlined at the end of this chapter.

If some of the criteria do not meet established guidelines, but can be offset or mitigated to reduce the loan's risk, the loan can still be approved. However, any exceptions to underwriting guidelines will be scrutinized.

The underwriting is also subject to a quantitative risk rating system to assist in making the credit decision and in setting the risk based pricing of the loan.

For startup businesses<sup>19</sup>, the guidelines are different for owner's equity, market, management and business tenure than they are for existing businesses. Refer to the appropriate guidelines below.

### Criteria Defined

#### Debt Service Coverage:

The ratio between net operating cash flow and proforma debt service. Net operating cash flow is defined as net sales minus cost of goods sold and operating expenses (excluding interest expense). Proforma debt service includes the principal and interest payments on all term debt.

Guideline: The minimum projected debt service coverage is 1.2x based on all of the Borrower's debt as an average over two years where no single year is below 1.0x. For commercial developers, minimum projected debt service coverage of 1.2x after lease-up is achieved (interest reserves will be required to maintain minimum DCR levels during lease-up/stabilization). For all Borrower's, global debt service coverage will be established and must meet a minimum 1.2x.

#### Collateral Coverage:

The ratio of net available collateral after applying standard liquidation factors and subtracting liens to the amount of the proposed loan. This ratio will also be calculated using the collateral's estimated market value.

Guideline: This criteria's minimum guideline is 110% using estimated market values and 80% using standard liquidation factors. The value of any personal assets securing a personal guarantee can be included when calculating coverage.

#### Loan to Value:

The ratio between the loan amount and the collateral value.

Guideline for Commercial Developers: Lesser of 85% loan-to-appraised value or loan-to-cost. A third party appraisal is required on real estate loans. The Participating Lender is responsible for ordering the appraisal.

#### Mission:

The economic development project must retain and create jobs in Wisconsin, demonstrate strong community support and meet all eligibility requirements of the program.

Guideline: The Borrower must meet all eligibility requirements.

#### Owner's Equity:

The amount of cash or non-cash contribution made by the owner to the project.

Guideline for Existing: The guideline is for a cash or non-cash contribution of no less than 10%.

<sup>19</sup> A startup business is defined as having less than 12 months operating history to review.

Businesses: Non-cash equity may include items such as land, equipment, or complete standby debt. Cash contributions may also be in the form of gifts or home equity loans.

Guideline for Commercial Developers: The guideline is for a cash and non-cash contribution of no less than 15%, with the cash portion being no less than 10%. Cash portion must be in the form of cash or grants.

Guideline for Startup Businesses: The guideline is for a cash contribution of no less than 15%.

**Debt to Worth Ratio:**

The ratio of all business term debt to business net worth. All intangible assets should be subtracted from net worth.

Guideline: The debt to tangible net worth ratio must not exceed 4:1 unless the Borrower operates in an industry where the average ratio is higher than 4:1. WHEDA uses RMA (Risk Management Association) median industry standards.

WHEDA focuses on business debt when it reviews this criterion. Personal debt will be evaluated as part of the management review.

**Liquidity Ratio:**

The ratio of current assets to current liabilities.

Guideline: The established guideline is for a ratio of at least 1.2:1.

All proforma working capital must be included when calculating this ratio. Current liabilities must include items that are due within 12 months, including the current portion of long term debt.

**Market/Business Plan:**

Where the Borrower's product or service is sold and to whom it is sold.

Guideline for Existing Businesses: The Borrower must be able to show that a market exists for the products offered and that they operate in a stable industry. The Borrower's competition must be identified and the Borrower must discuss how it will differentiate itself from competitors.

Guideline for Commercial Developers: Market demand for commercial space is demonstrated by a detailed written market analysis completed by a third party.

Guideline for Startup Businesses: The Borrower must be able to show that a market exists for the products offered based upon a detailed market analysis. The Borrower's competition must be identified and the Borrower must discuss how it will differentiate itself from competitors.

The market analysis should provide written documentation and support for the Borrower's claims, which may be identified in the Borrower's business plan. Examples of written documentation may include surveys, questionnaires, and letters of support from community officials, traffic count studies, demographic and statistical data.

**Management Review:**

The key individuals or officers that execute the business plan.

Guideline for Existing Businesses: The proposed or existing management team must have a minimum two years of experience in the field they are/will be operating in or they must be able to show that other work experience has prepared them to be successful in their business. Global cash flow, personal debt, and credit scores will also be evaluated.

Guideline for Commercial Developers: The key individuals involved in the development project must have at least two successful projects completed, leased-up, and have demonstrated positive cash flow for the last 12 months. Global cash flow, personal debt, and credit scores will also be evaluated.

Guideline for Startup Businesses: The proposed management team must have a minimum two years of management level experience in the industry that the Borrower wishes to pursue. Global cash flows, personal debt, and credit scores will also be evaluated.

**Business Tenure:**

The length of time the business has operated.

Guideline for Existing Businesses: When the loan request involves the purchase of an existing business, the acquired business must have been in operation for at least one full fiscal year (twelve months).

If the Borrower is an existing business, it must be able to show satisfactory historical financial performance. Satisfactory performance means that the company can show steady growing revenues and profitability, and an ability to service its existing and proposed debt. If the Borrower's performance has not been satisfactory, a detailed explanation must be included in the application.

## Quick Reference to Underwriting Guidelines

Criteria	Guideline
Debt Service Coverage	Minimum projected debt service coverage of 1.2x based on all the Borrower's debt as an average over two years and where no single year is below 1.0x. <u>For Commercial Developers:</u> Minimum projected debt service of 1.2x after lease-up is achieved.
Collateral Coverage	Minimum collateral coverage of 110% using estimated market values. Minimum collateral coverage of 80% using standard liquidation values.
Loan to Value	<u>For Commercial Developers:</u> The lesser of 85% loan-to-appraised value or loan-to-cost. A third-party appraisal is required.
Mission	The project retains and creates jobs, has demonstrated community support and meets the eligibility requirements of the program.
Owner's Equity	<u>For Existing Businesses:</u> Cash or non-cash equivalent equity of no less than 10% of total project costs. <u>For Startup Businesses:</u> Cash equity of no less than 15% of total project costs. <u>For Commercial Developers:</u> Cash equity of no less than 10%, with a combined cash and non-cash contribution of 15%.
Leverage (Debt/Worth)	Debt to tangible net worth ratio of 4:1 or less. The acceptable ratio may vary based on published RMA (Robert Morris Associates) median industry standards.
Liquidity (Current Ratio)	Current ratio of 1.2:1 or better.
Market	<u>For Existing Businesses:</u> The Borrower is in an industry experiencing stable trends and/or the Borrower has a favorable competitive position and there is demonstrated market demand for the Borrower's product or service. <u>For Startup Businesses:</u> The proposed business will have a favorable competitive position and can demonstrate market demand for the Borrower's product or service based upon a detailed written market analysis. <u>For Commercial Developers:</u> Market demand for commercial space is demonstrated by a detailed written market analysis completed by a third party.
Management	<u>For Existing Businesses:</u> Management has a minimum of two years experience in related business ventures. <u>For Startup Businesses:</u> Management has a minimum of two years management level experience in the industry that Borrower wishes to pursue. <u>For Commercial Developers:</u> The key individuals involved in the development project must have at least two successful projects completed, leased-up, and have demonstrated positive cash flow.
Business Tenure	<u>For Existing Businesses:</u> a) The business has been in operation for at least one full fiscal year. b) The business can document satisfactory historical performance.

## **Servicing**

Servicing is the continual responsibility of either the Participating Lender or WHEDA, based on the negotiated terms in the Participation Agreement (the Servicer). Servicing continues until the loan is paid-in-full, or, in the case of problem/default loans, until all collateral and workout options have been exhausted.

### **General Responsibilities of the Servicer**

The Servicer is responsible for monitoring and servicing the loan in the manner that it would monitor and service its portfolio of conventional loans and consistent with the responsibilities pursuant to this Manual, the Participation Agreement and the loan documents.

### **Access to Files**

The Servicer must provide access to the Borrower's loan file, as well as other records relative to the Borrower's loan file, to the parties listed on the Participation Agreement, if requested.

### **Prompt Notification**

The Servicer must notify the parties listed on the Participation Agreement within thirty (30) days if there are adverse changes in a Borrower's financial situation or if there is an occurrence or likelihood of an occurrence that would result in the default of the Loan.

Prior to taking any action against the Borrower, the Servicer must notify the parties listed on the Participation Agreement of the situation.

Actions which require immediate notification to the parties listed on the Participation Agreement include, but are not limited to:

1. Borrower is prohibited from incurring outside business debt, except for those payables accrued in the normal course of business, without the written consent of the Participating Lenders and WHEDA.
2. Deferral of payment.
3. Making or consenting to any alteration in the terms of any loan document.
4. Making or consenting to release(s) of collateral.
5. Accelerating the maturity of the Note.
6. Taking legal action necessary to enforce the documents.
7. Waiving any claim against the Borrower, guarantor, obligor or standby creditor arising out of any loan document.
8. Assigning Participating Lender's or Borrower's rights or obligations under the Loan Document(s).
9. Knowledge of any misrepresentations or fraudulent acts committed by the Borrower or any guarantor relative to the loan.

### **Servicing Responsibilities**

Servicing tasks required will include, but are not limited to:

1. Creating and maintaining a loan file for each loan.
2. Creating, properly completing, and maintaining all loan documents.

3. Keeping written records of loan servicing activities including: repayment records, financial reviews, site visits and inspections, and conversations and correspondence with Borrower and Participating Lenders.
4. Maintaining valid and current security including, but not limited to, timely UCC filings, continuous insurance coverage and payment of real estate taxes, if applicable.
5. Collecting payments and appropriately applying to principal and interest and other obligations under the Note.
6. Monitoring construction draws, if any, including verification through physical inspection that the applicable work has been completed prior to distribution of the funds.
7. Receiving, analyzing, and forwarding to the parties listed on the Participation Agreement financial statements according to the terms of the Loan Document(s).
8. Performing periodic and/or annual site visits of the Borrower's operations.
9. Monitoring collateral.
10. Following up on all loan exceptions (i.e., covenant defaults).
11. Monitoring the loan for actual and potential default occurrences.
12. Reviewing and complying with terms of the loan documents on a continuous basis.
13. Collecting employment data from the lead lender to submit to WHEDA the PLP job data collection form at closing and then again two years following loan closing.

### **Delinquent/Defaulted Loans**

The Servicer is responsible for monitoring the loan. This includes, but is not limited to, sending out timely past due, Right to Cure and demand notices to bring the loan current.

The Servicer must also take all steps necessary to protect the collateral, rights or other interest of the loan. These actions may include declaring defaults, commencing foreclosure or pursuing other legal action on the collateral and otherwise taking prompt action to ensure maximum recovery from the disposition of the collateral.

A loan delinquency/default may be either monetary or non-monetary as defined below.

#### **Monetary Delinquency/Default**

WHEDA defines a monetary delinquency/default to be the failure to receive a complete principal and interest payment on a loan within thirty (30) days of its due date.

In the event of a monetary delinquency/default, the Servicer is responsible for notifying the parties listed on the Participation Agreement within thirty (30) days after payment is due. Monthly reports must be provided as long as the delinquency continues.

#### **Non-Monetary Delinquency/Default**

A non-monetary delinquency/default occurs when a Borrower or Participating Lender has violated any of the terms and conditions of the loan documents and agreements.

Some examples of a non-monetary delinquency/default include:

1. Releasing guarantors.
2. Releasing or substituting collateral without consent.
3. Failing to maintain required insurance policies.
4. Incurring additional borrowings without consent.
5. Modifying terms of the Note.

In the event of a non-monetary delinquency/default, the Servicer must immediately notify the parties listed on the Participation Agreement in writing. A Commercial Lending Officer and/or a Portfolio Risk Officer will be assigned to the delinquent or non-performing loan. Contact should be maintained with this Officer. Courses of action may include, but are not limited to:

1. Modifying the terms of the loan.
2. Refinancing the loan.
3. Beginning to liquidate the collateral and applying the proceeds per the Participation Agreement requirements.

#### **Collateral**

The Servicer must obtain a security interest in the physical plant, equipment, machinery, or other assets of the business and/or owner(s). In addition, personal guarantees will usually be required.

#### **Other Terms and Conditions**

WHEDA reserves the right to require additional terms and conditions that may include: limitations on owner draws, salary, capital expenditures, dividends, etc.



# WHEDA

## PARTICIPATION LENDING PROGRAM (WPLP)

### PURPOSE

- The WPLP is intended to provide Wisconsin businesses with financing that could not otherwise be secured through traditional lending.
- The program partners WHEDA with local community participating lenders, banks, credit unions, economic development corporations, community development financial institutions, small business investment corporations, and other entities that provide commercial loans in the state.
- Features and benefits include:
  - Reduced risk for the participating lender;
  - Available for use during construction—including SBA 504 construction loans.

### ELIGIBLE BUSINESSES

- Facilities for manufacturing or commercial real estate activities.
- National or regional headquarters facilities.
- Facilities for the storage or distribution of products of manufacturing activities, materials, components or equipment.
- Facilities for the retail sale of goods or services.
- Facilities for research and development activities.
- Recreational and tourism facilities serving to attract visitors to this state.
- Facilities for the production, packaging, processing or distribution of raw agricultural commodities.
- Facilities for engaging in the business of operating a railroad.
- Facilities for recycling.
- Businesses where the principals do not owe past-due child support.
- Activities of a long-term nature, such as research and development, or long-term working capital may also be eligible. In addition, equipment, materials or labor used to make an energy-conserving improvement to a commercial or industrial facility would also be eligible.

### TERMS

- Maximum WHEDA participation rate of 50% of loan amount.
- Maximum WHEDA loan participation of \$2 Million.
- Maximum Term: 10 years for fixed assets, 15 years for real estate (target less than 7 Years).
- Maximum combined LTV: 85% or 90% on SBA 504 Construction Loans.

<p><b>FEEES</b></p>	<ul style="list-style-type: none"> <li>■ Nonrefundable \$250 application fee (Credit toward origination fee at closing if approved).</li> <li>■ Origination fee and interest rate: Varies with risk, structure, and complexity of transaction (generally between 1-3%).</li> </ul>
<p><b>HOW IS AN APPLICATION UNDERWRITTEN</b></p>	<ul style="list-style-type: none"> <li>■ The underwriting process begins when the participating lender provides WHEDA with all requested information including the application, together with a nonrefundable application fee of \$250.</li> <li>■ WHEDA reviews the participating lender’s application package. The business will be evaluated against WHEDA’s credit criteria to determine the risk associated with the transaction. During this process, a site visit may be performed by WHEDA.</li> <li>■ WHEDA underwrites the loan participation request against standard underwriting criteria to assure a consistent and objective process. Underwriting is also subject to a quantitative risk rating system used both in evaluating credit criteria and in establishing risk-based pricing.</li> </ul>
<p><b>PRIORITY CONSIDERATIONS</b></p>	<ul style="list-style-type: none"> <li>■ WHEDA will give priority to economic development projects which: <ul style="list-style-type: none"> <li>• Maintain or increase employment in Wisconsin</li> <li>• Will be located in an area of high unemployment or low average income</li> <li>• Provide services or activities that would otherwise not be available in the community or in Wisconsin</li> <li>• Are more than 50% owned by women or minorities.</li> <li>• Have current gross annual sales of \$5 Million or less or that employ 250 or fewer people.</li> <li>• For new businesses, have less than 50% of their ownership held or controlled by another business and have their principal business operations in this state.</li> <li>• Have multiple financial institutions or other financing sources participating in the economic development project.</li> </ul> </li> </ul>
<p><b>ELIGIBLE USES OF LOAN PROCEEDS</b></p>	<ul style="list-style-type: none"> <li>■ Land purchase;</li> <li>■ Facility purchase or construction (office, plant, production facilities, etc.);</li> <li>■ Equipment;</li> <li>■ Long-term (permanent) working capital;</li> <li>■ Equipment, materials and labor employed in improvements to commercial facilities that result in energy conservation;</li> <li>■ Facilities for the production, packaging, processing or distribution of raw agricultural commodities.</li> </ul>
<p><b>CONTACT INFORMATION</b></p>	<ul style="list-style-type: none"> <li>■ Contact a Commercial Lending Officer <ul style="list-style-type: none"> <li>• Telephone: 608-266-7884 • Toll Free: 800-334-6873</li> <li>TTY/TTD: 800-943-9430 (Teletypewriter/Telecommunication Device for the Deaf)</li> <li>• Wisconsin Housing and Economic Development Authority, 201 West Washington, Ste. 700, Madison, WI 53703, <a href="http://www.wheda.com">www.wheda.com</a></li> </ul> </li> </ul>



# **PARTICIPATION LOAN PROGRAM APPLICATION**



# **WHEDA**

**201 West Washington Avenue, Suite 700  
PO Box 1728  
Madison WI 53701-1728  
608-266-7884**

**611 W National Avenue, Suite 110  
Milwaukee WI 53204-1768  
414-227-4039**

**September 2017**

# PARTICIPATION LOAN PROGRAM APPLICATION

For WHEDA Use Only Date Received: _____ Application #: _____ MID: _____ CLO: _____
--

## 1. BORROWER INFORMATION

Borrower Name:		
Borrower Contact:		
Borrower Address:		
City:	Wisconsin	Zip:
County:		
Telephone:	Fax:	
Email Address:		
Ownership Type:    Sole Proprietorship    Partnership    C-Corp    Sub S Corp    LLC    Not-for Profit    Other		
Tax ID:		

## 2. BUSINESS INFORMATION

Name of Business:		
Business Contact:		
Business Address:		
City:	Wisconsin	Zip:
County:	Census tract:	
Telephone:	Fax:	
Email Address:		
Ownership Type:    Sole Proprietorship    Partnership    C-Corp    Sub S Corp    LLC    Not-for Profit    Other		

1. When was the business originally established? \_\_\_\_\_
2. When did/will you establish or purchase this business? \_\_\_\_\_
3. Report the gross annual sales for the past two years:  
 Year \_\_\_\_\_ \$ \_\_\_\_\_      Year \_\_\_\_\_ \$ \_\_\_\_\_
4. Do you buy from, sell to or use the services of any business in which someone from your company has a significant (80% control) financial interest?    Yes \_\_\_\_\_    No \_\_\_\_\_  
 (If yes, provide subsidiary or affiliate financial statements)
5. How many FTE employees does this business currently employ? \_\_\_\_\_  
 Include the owner(s) that are actively engaged in the day-to-day operation of the business.

### 3. OWNER AND MANAGEMENT INFORMATION

**Owners:** List all individuals who have an ownership interest in the business

Name and Social Security Number	Title	% Owned	Race	Gender
		100%		

**Management:** List the key managers who are vital to the day-to-day operations

Name	Title	Primary Responsibilities

### 4. LENDER

Participation Lender:		
Loan Officer/Contact:		
Address:		
City:	State:	Zip:
County:		
Telephone:	Fax:	
Email Address:		

### 5. LOAN PARTICIPATION

#### PROPOSED FINANCING INFORMATION

Total Loan Amount	\$	WHEHA Participation Amount	\$
Proposed Interest Rate	%	Fixed	Variable
Term	Months	Amortization	Months
Proposed Closing Date			

<b>FINANCING TYPE</b> <i>(Check all that apply)</i>		
Construction & Permanent Mortgage		
Permanent only		
Construction only		
Other		

**6. LEVERAGING SUPPORT**

Provide a list of the amounts and sources of other funding used in conjunction with this project.

<b>FUNDING SOURCE</b>	<b>AMOUNT</b>	<b>TYPE</b>
Matching Funds (provide source under "Type")	\$	
Community Involvement (types include TIF, grants, revolving loan funds, etc.)	\$	
Other Credit Enhancement/Loan Guarantee (types include SBA, USDA, etc.)	\$	
<b>TOTAL</b>		

**7. ECONOMIC IMPACT**

Provide answers to and explanations for the following:

	<b>YES/NO</b>	<b>EXPLANATION</b>
Will the project provide a service not currently available in the community?		
Will the project support other businesses in the community?		
Will the project provide entry-level jobs in high unemployment areas?		

## 8. SOURCES AND USEDS OF ENTIRE PROJECT

Provide the **total** project costs including the proposed or actual financing source.

	WHEDA	Equity	Other:		Total
			Amount	Source	
Land/Building	\$	\$	\$		\$
Construction/Expansion	\$	\$	\$		\$
Repairs/Improvements	\$	\$	\$		\$
Furniture/Fixtures	\$	\$	\$		\$
Machinery/Equipment	\$	\$	\$		\$
Inventory <sup>1</sup>	\$	\$	\$		\$
Refinancing <sup>1</sup>	\$	\$	\$		\$
Permanent Working Capital	\$	\$	\$		\$
Revolving Working Capital <sup>1</sup>	\$	\$	\$		\$
Marketing Expenses <sup>1</sup>	\$	\$	\$		\$
Goodwill <sup>1</sup>	\$	\$	\$		\$
WHEDA Fees <sup>1</sup>	\$	\$	\$		\$
Other:	\$	\$	\$		\$
<b>TOTAL</b>	\$	\$	\$		\$

<sup>1</sup>Not eligible uses under the Participation Loan Program.

## 9. COLLATERAL

In the table below, enter all figures in actual numbers.

Collateral Item	Collateral Value <sup>1</sup>	Valuation Source	Prior Liens	Name of Lienholder(s)	Proposed lien position
Land/Building	\$		\$		
Machinery/Equipment	\$		\$		
Inventory	\$		\$		
Accounts Receivable	\$		\$		
Personal Real Estate	\$		\$		
Other:	\$		\$		
Other:	\$		\$		
Total	\$		\$		

<sup>1</sup>Use the lower of cost or market value. Real estate values should be based on an appraisal less than 12 months old.

**TO BE COMPLETED BY BORROWER**

**10. SCHEDULE OF CURRENT INDEBTEDNESS (existing businesses only)**

As of: \_\_\_\_\_ (within 90 days of application)

Include all business debts except accounts payable and accrued expenses. Do not list any personal debts. Attach additional pages, if necessary.

Creditor	Loan Purpose	Original Balance	Origination Date	Current Balance	Interest Rate	Maturity Date	Monthly Payment	Collateral	Payment Status
		Total		Total		Total			

Indicate if the loan is current or delinquent.

**LENDER CERTIFICATION**

**TO BE COMPLETED BY LENDER**

1. Based on the analysis and review performed by the lender, the lender believes that the borrower will be able to repay the proposed loan in full.
  
2. Lender's employees, officers, directors or substantial stockholders do not have more than a 10% financial interest in the business applicant.
  
3. The information presented in the Participation Loan Program application and supporting information (submitted to WHEDA or retained in lender's own file) is true and accurate to the best of the lender's knowledge. The lender understands that submitting false or misleading information in connection with this application may result in the termination of WHEDA's participation. The lender further understands that the legal implications of receiving public or private funds or other property as a consequence of false representations and the use of such funds for any purpose other than those stated constitutes an act of fraud. False, misleading, or incomplete information may result in the termination of WHEDA's participation.

The lender further acknowledges that this information is being submitted to WHEDA to assist in determining whether to participate on the proposed loan. The lender acknowledges that WHEDA reserves the right to request additional information it deems necessary in making its decision.

Legal Name of Financial Institution: \_\_\_\_\_

Signature of Loan Officer: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_ Date: \_\_\_\_\_

# PARTICIPATION LOAN PROGRAM CHECKLIST

## PART I: PROJECT AND BORROWER INFORMATION

- A. Please submit the items listed on this checklist that are applicable to the proposed project. Enter "N/A" for items that do not apply.
- B. If your credit proposal (item #3) includes information requested on the checklist, reference that next to the appropriate checklist item.
- C. Your application will not be reviewed until a complete application, including a \$250 application fee is received.

- \_\_\_\_\_ 1. Non-refundable Application Fee of \$250
- \_\_\_\_\_ 2. Completed PLP Application
- \_\_\_\_\_ 3. Completed Lender Credit Proposal addressing project cash flow, collateral coverage, management capacity and market conditions
- \_\_\_\_\_ 4. Business Plan, if completed
- \_\_\_\_\_ 5. Sources and Uses of Funds for the project
- \_\_\_\_\_ 6. Number of full time jobs being created/retained with salaries above and below \$23,000/year
- \_\_\_\_\_ 7. List of all owners with their Social Security number and percent ownership in the business
- \_\_\_\_\_ 8. Description of the business and proposed project
- \_\_\_\_\_ 9. Resumes of key management and any owners with 20% or more ownership in the business
- \_\_\_\_\_ 10. Bylaws/Operating Agreement/Partnership Agreement
- \_\_\_\_\_ 11. Articles of Incorporation/Organization
- \_\_\_\_\_ 12. Community Support Letters (if any)
- \_\_\_\_\_ 13. Copies of Commitment Letters from other project funding sources
- \_\_\_\_\_ 14. Other Project Documentation **as applicable to the project**
  - ✓ Offers to Purchase
  - ✓ Bids or Estimates on Construction Costs
  - ✓ Evidence of Site Control
  - ✓ Purchase Agreement
  - ✓ Cost Breakdown of Equipment and Machinery
  - ✓ Market Study Analysis
  - ✓ Property Survey

**PART II: FINANCIAL INFORMATION:**

- \_\_\_\_\_ 1. Last three years' audited or reviewed Financial Statements OR Federal Tax Returns and all supporting schedules of the business if audits/reviewed statements are not available.  
**NOTE:** If subsidiaries exist, also provide the most current financial statement of the subsidiary(s)
- \_\_\_\_\_ 2. Interim accountant prepared Balance Sheet and Income Statements dated within 90 days of the application
- \_\_\_\_\_ 3. Three years of projected Balance Sheets and Income Statements including assumptions
- \_\_\_\_\_ 4. Monthly Business Cash Flow Statement for year one and Annual Cash Flow Statement for years two and three
- \_\_\_\_\_ 5. Personal Financial Statements dated within 90 days of the application for any owner with greater than 20% ownership and the last two years of tax returns
- \_\_\_\_\_ 6. Credit reports of any owners with at least 20% ownership in the business. Must be dated within 90 days of application
- \_\_\_\_\_ 7. Most recent financial statement of key tenants if the property will be leased

**PART III: COLLATERAL INFORMATION:**

- \_\_\_\_\_ 1. Copies of current real estate and equipment appraisals and the most recent property tax assessment
- \_\_\_\_\_ 2. Copies of leases or letters of intent for property to be leased
- \_\_\_\_\_ 3. Copies of Environmental Site Reports and Studies for Real Estate Properties

**PART IV: OTHER DOCUMENTATION:**

- \_\_\_\_\_ 1. Signed and dated Borrower Declaration Form and Jobs Data Collection Statement (provided by WHEDA)
- \_\_\_\_\_ 2. Information provided to the Participating Lender, but not requested on this checklist

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**Mail to:  
WHEDA  
Commercial Lending  
201 West Washington Ave., Suite 700  
PO Box 1728  
Madison WI 53701-1728**



# Loan Participation Program

## *Borrower Attestations*

*To be completed by borrower*

**BORROWER /CONTACT** \_\_\_\_\_

**NAME OF BUSINESS** \_\_\_\_\_

**BORROWER ADDRESS** \_\_\_\_\_

**CITY, STATE, COUNTY** \_\_\_\_\_

**BORROWER EMAIL** \_\_\_\_\_

**BORROWER PHONE #** \_\_\_\_\_

**BORROWER FAX #** \_\_\_\_\_

**PARTICIPATING LENDER** \_\_\_\_\_

**LOAN OFFICER/CONTACT** \_\_\_\_\_

**LENDER ADDRESS** \_\_\_\_\_

**CITY, STATE, COUNTY** \_\_\_\_\_

**LENDER EMAIL** \_\_\_\_\_

<b>BORROWER DECLARATIONS</b>
------------------------------

- |  |                              |                             |
|--|------------------------------|-----------------------------|
| 1. Are all of the ownership parties U.S. Citizens?<br>If no, attach copy of Alien Registration Card (Form I 688 or I 551)  | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2. Have any of the parties ever been convicted of any criminal offense other than minor motor vehicle violations? <sup>9</sup>   | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 3. Do any unsatisfied judgments exist against any ownership parties, principal(s) or any related party? <sup>9</sup>   | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 4. Have any of the parties ever been involved in any litigation, including real estate foreclosure or bankruptcy within the past 7 years? <sup>9</sup>   | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 5. Are any of the parties delinquent in child support or maintenance payments? <sup>9</sup>  | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 6. Are any of the parties delinquent on any of the following taxes:<br>Federal Income, State Income, FICA, Unemployment, Real Estate, Personal Property, Sales & Withholdings? <sup>9</sup>  | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 7. Does the proposed loan provide financing for any of the following?  | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <ul style="list-style-type: none"> <li>• Facilities for manufacturing activities</li> <li>• National or regional headquarters facilities</li> <li>• Facilities for the storage or distribution of products of manufacturing activities, materials, components or equipment</li> <li>• Facilities for the retail sale of goods or services to consumers</li> <li>• Facilities for research and development activities relating to productions of tangible products</li> <li>• Recreational and tourism facilities serving to attract visitors to this state</li> <li>• Facilities for the production, packaging, processing or distribution of raw agricultural commodities</li> <li>• Facilities for engaging in the business of operating a railroad</li> <li>• Facilities for recycling</li> </ul> |                              |                             |

<sup>9</sup>If any of the questions 2-6 or 10-11 were answered "Yes", attach a detailed explanation signed and dated by the borrower(s).

8. Is the project financed by the proposed loan located in the State of Wisconsin?  Yes  No
9. If the proposed loan being used to refinance debt not in conjunction with job creation or business expansion?  Yes  No

The undersigned, on behalf of the borrower, hereby certifies that:

1. The information presented in this application and the accompanying supporting information is true and accurate and has been prepared with due diligence. The borrower understands that submitting false or misleading information in connection with this application may result in the borrower being found ineligible for financial assistance. The borrower further understands that the legal implication of receiving public or private funds or other property as a consequence of false representations and the use of such funds for any purposes other than those stated constitutes an act of fraud.
2. The borrower further acknowledges that this information is being submitted to the Wisconsin Housing and Economic Development Authority ("WHEDA") to assist in determining whether to provide the proposed loan. The borrower acknowledges that WHEDA reserves the right to request additional information it deems necessary in making its decision.
3. The borrower agrees to provide WHEDA within 12 months after the project is completed or two years after a loan is issued to finance the project, whichever is sooner, the net number of jobs eliminated, created, or maintained on the project site and elsewhere in this state as a result of the project.
4. The borrower agrees to indemnify and hold harmless WHEDA, its members, officers, employees and agents, from and against any and all claims, suits, damages, costs and expenses arising out of WHEDA's review of and decisions with regard to the application. WHEDA's analysis and review of the application and related documentation is for their own purposes. The borrower is not entitled to rely on such analysis and review. WHEDA is not responsible for any actions taken by the borrower in reliance on a prospective loan commitment from WHEDA. WHEDA is not liable for damages resulting directly or indirectly from such actions. A financing commitment does not exist until WHEDA has issued a Loan Authorization.
5. The borrower, by initialing the line below, grants permission to WHEDA to issue a press release of the Loan Approval.  
 Owner/Borrower Initials

**If borrower is a sole proprietorship or partnership, sign below:**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

**If borrower is a corporation, sign below:**

Corporation Name: \_\_\_\_\_

By President: \_\_\_\_\_

Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

**Mail to: Economic Development  
 WHEDA  
 201 West Washington Ave.  
 Suite 700  
 Madison WI 53703**



# Jobs Data Collection Statement Economic Development

<b>Business/Project Name:</b>	
<b>Business/Project City:</b>	
<b>Borrowing/Ownership Entity:</b>	
<b>WHEDA Project Number (Internal Use Only):</b>	

**Tip: You are required to fill out all the fields for Current, Year 1, Year 2, and Year 3. Do not leave one of these fields blank, if the value is zero, enter a zero.**

<b>1) Current FTE Employees:</b>			
a) Current FTE <sup>1</sup> including owners.	Current		
<b>2) Created New FTE Jobs - Permanent:</b>	<b>Estimated<sup>3</sup></b>	<b>Estimated<sup>3</sup></b>	<b>Estimated<sup>3</sup></b>
a) Estimated new FTE <sup>1</sup> to be hired after the transaction closes, do not include current FTE <sup>1</sup> transferred as part of the planned construction/business transaction.	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
b) Of the Created New FTE Jobs - Permanent: how many of those will pay a salary at or greater than: \$14.45/hr <sup>4</sup> or \$30,047/year <sup>4</sup> .			
<b>3) Created New FTE Jobs - Permanent from Commercial Space Tenants:</b>	<b>Estimated<sup>3</sup></b>	<b>Estimated<sup>3</sup></b>	<b>Estimated<sup>3</sup></b>
a) If commercial space is to be created as part of the planned construction/business transaction, estimate how many new FTE <sup>1</sup> will be hired to staff that space. Do not include those in the direct employ of the business/developer. This total count should be above and beyond the Created New FTE Jobs - Permanent total listed above.	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
b) Of the Created New FTE Jobs - Permanent from Commercial Space Tenants: how many of those will pay a salary at or greater than: \$14.45/hr <sup>4</sup> or \$30,047/year <sup>4</sup> .			
<b>4) Created New Employees - Temporary/Construction:</b>	<b>Estimated<sup>3</sup></b>	<b>Estimated<sup>3</sup></b>	<b>Estimated<sup>3</sup></b>
a) Estimated new Employees <sup>2</sup> to be hired that a) are not a direct employee business/developer, or b) are not expected to last, in duration, beyond the planned construction/business transaction.	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
b) Of the Created New Employees - Temporary/Construction: how many of those will receive a salary at or greater than: \$14.45/hr <sup>4</sup> or \$30,047/year <sup>4</sup> .			

**Note 1:** FTE is defined as 2080 hours/year or 40 hours/week.

**How to calculate FTE Example:**  
 2 full time employees at 40 hrs/wk, 1 part time employee at 20 hrs/wk, and 1 part time at 10hrs/wk.  
 Calculation: 40+40+20+10 = **110 hrs/wk**. 110 hrs/wk x 52 wks/yr = **5720 hrs/yr**. 5720 hrs/yr ÷ 2080 hrs/yr = **2.75 FTE**

**Note 2:** This employees count shall include all temporary, part-time, and full-time employees regardless of the number of hours worked. A FTE Calculation is not required for this category.

**Note 3:** The figures for Year 1 could be a partial year ending Dec. 31. The figures for Years 2,3 should be for a full calendar year, defined as Jan. 1-Dec. 31.

**Note 4:** As established by U.S. Department of Housing & Urban Development (HUD) to produce fair market rent estimates.

Please return this completed Jobs Data Collection Statement to: I hereby certify that the information provided above is accurate.

**Sam Haile**  
**Program Specialist**  
**608-267-1087**  
**sam.haile@wheda.com**

	Borrower/Owner Signature
	Borrower/Owner Last Name
	Borrower/Owner First Name
	Date