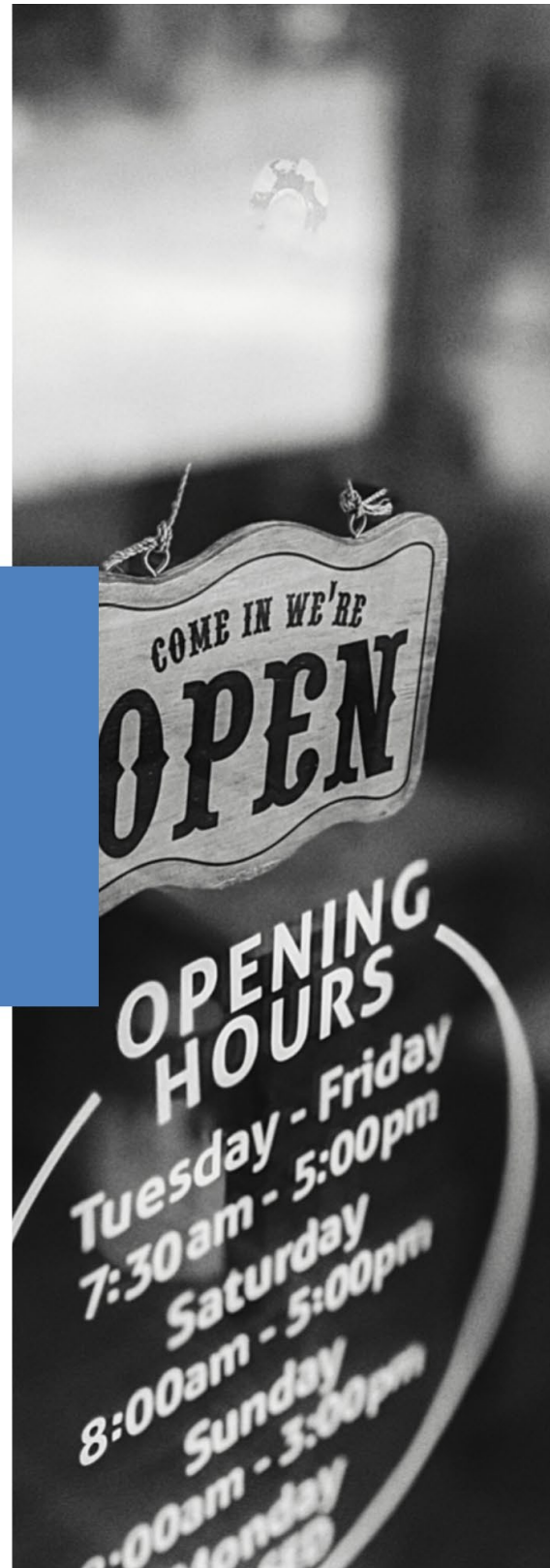**Small Business Finance Center**

JUMP START PROGRAM POLICY MANUAL

Revised July 27, 2022

I. Contents

II.   Jump Start Participation Requirements

Jump Start is a loan and financial literacy/technical assistance program targeted for small businesses in CDFI Investment Areas. By targeting only CDFI Investment Areas, the goal is to enable more small businesses to start, grow, and sustain their businesses, and make mini-micro-loans (Loans) available to low-wealth entrepreneurs, including low-wealth businesses owned by women, minorities, veterans, persons with disabilities, and persons previously incarcerated.

Business Requirements	▪ Must be a small business, or individual(s) becoming a small business, licensed in California.
	▪ Must be <u>either</u>:
	   o A small business located in a <u>low-wealth community</u> <u>or</u>:
	   o A <u>low-wealth borrower </u>with a per capita personal income equal to or less than the statewide average per capita income at the time of approval of the subject Jump Start Loan, as determined by the State of California's Employment Development Department (EDD) ($70,192 as of 2020)
	▪ <u>Low-wealth community</u> is defined as: community located in a designated Community Financial Development Institution (CDFI) Investment Area CDFI Investment Area [CDFI Public Viewer - InVision (cdfifund.gov)](cdfifund.gov)
	▪ Loan proceeds must be used in the State of California.

Authorized Loan Types or Uses	▪ $10,000 maximum loan(s) amount per business
	▪ $500 minimum loan amount per business
	▪ Term of up to 5-years, fully amortized
	▪ Eligible use of loan proceeds may include:
	   o Start-Up and Ongoing Costs
	   o Acquisition or leasing of; real property, buildings, machinery, equipment, and inventory
	   o Construction or repair of buildings, machinery and equipment, tenant Improvements
	   o Jump Start Fees
	▪ **Ineligible** use of loan proceeds may include:
	   o Working capital, debt refinance

Interest Rate & Fees	▪ Interest Rate: Prime + 5% o Prime Rate is determined by the rate listed in the Wall Street Journal on the date of the Jump Start Loan commitment ▪ Jump Start Fee: 3% of Loan Principal Amount

IBank will not accept an individual as the borrower, unless the proceeds of the Jump Start Loan are used to establish a business by that individual. It is permissible for an individual to be a guarantor on a Jump Start Loan.

III.   Making a Jump Start Loan

Jump Start FDC's will contract with IBank and adhere to **standardized credit underwriting**, and provide loan disbursement, servicing, financial literacy training and technical assistance to Jump Start Borrowers. Borrower must score 8+ points based on the point system displayed below:

	1 Point	2 Points	3 Points	
Credit	Challenged or No History	Challenged History + Adequate Justification	Positive History	
Collateral	None to 49% of loan amount	50%- 99% of loan amount	100%+ of loan amount	
Cash flow	1.0 + DSCR	1.2 + DSCR	1.3 + DSCR	
Technical Assistance	2 - 4 hours	4.5 - 7 hours	7.5 + hours	
Industry Experience	0 - 2 years	over 2 - 4 years	over 4 + years	
			Total Points	

Credit: No minimum credit score is required. However, the borrower's credit report must reflect a responsible payment history. Exceptions can be made with adequate justification. Credit that does not reflect responsible payment history and does not have adequate justification shall be declined.

Collateral: UCC -1 filing on all business assets including a first lien position on any purchased equipment and inventory funded with the Loan. Personal property may also be held as collateral, if appropriate. Personal guarantees are required from all individuals with a 20% or greater ownership share of the business.

Cash Flow: The borrower must be able to demonstrate the ability to service the proposed debt with business and/or personal revenue. Standardized cash flow and debt service calculations are as follows:

$$
\begin{array}{rl}
 & \text{Revenue} \\
- & \text{Expenses} \\
\hline
 & \text{Net Profit} \\
+ & \text{Interest Expense} \\
+ & \text{Depreciation/Amortization} \\
+ & \text{Non-Recurring Expenses}
\end{array}
$$

	-	Living Expenses
		Available to Service Debt
		Existing Debt Service
		Proposed Debt Service
		Total Debt Service
		Debt Service Coverage Ratio

Documents required from borrowers and guarantors:
- One year of tax returns
- Signed 4506T IRS
- Personal financial statement (Self-prepared accepted)

Technical Assistance: The borrower must complete a minimum of 2 hours of technical assistance within 6 months of receiving the Jump Start Loan. Eligible technical assistance may be provided by the Jump Start FDC or other entity deemed qualified by the Jump Start FDC. Prior to the loan, borrowers are required to capture, in writing, their business concept including descriptions of their management team, a marketing plan, and the business financial projections. These concepts may include: identifying potential customers; strategies to engage customers; business goals and objectives; management organization with identified key decision makers; resumes of key managers; and planned pricing of product or service.

Industry Experience: Points are awarded based on the years of experience possessed by the borrower in the industry of the business.

Completing the Jump Start Program Credit Memo:

In addition to the information listed in the Sample Credit Memo, the following issues are to be clearly identified and fully explained in the narrative portion of the Credit Memo:

- Business Overview including but not limited to:

    o Borrower contact information
    o Guarantor contact information (if applicable)
    o Loan Terms (amount requested, term in months, interest rate, maturity date)
    o Fees/Payment Schedule (individual and total fees, repayment terms, amortization, monthly and annual payments)
    o Employment data (Jobs created and retained as a result of the Loan)
    o Loan purpose (use of requested funds)
    o Management & experience
- Narrative components of the underwriting matrix

    o Credit
    o Collateral
    o Cash Flow
    o Technical Assistance
    o Industry Experience
- Recommendation

- President/CEO approval, signature, and date

IV. Sample Credit Memo

Jump Start Credit Memo

Borrower Information	
Borrower Name:	Business Age:
Address:	Business Legal Structure:
Zip Code:	Business Type:
County:	NAICS #:
Census Tract:	Annual Business Revenue:
Contact:	Ethnicity*:
Phone/Fax:	Gender*:
Email:	Veteran*:
Loan #:	Disabled*:
Loan Date:	Previously Incarcerated*:
Personal Annual Income:	Credit Score:

Guarantor Information	
Name:	Name:
Address:	Address:
Zip Code:	Zip Code:
County:	County:
Phone:	Phone:
Personal Annual Income:	Personal Annual Income:

Loan Information	
Term (months):	Interest Rate:
Loan Amount: $	Maturity Date:

Fees/Payment Schedule	
Loan Fee: $	Amortization:
Interest: $	Scheduled Monthly Payment:

Employment Data	
FTE's:	
Jobs Created:	Jobs Retained:

Loan Purpose

Underwriting

	1 Point	2 Points	3 Points	
Credit	Challenged or No History	Challenged History + Adequate Justification	Positive History	
Collateral	None to 49% of loan amount	50% - 99% of loan amount	100%+ of loan amount	
Cash flow	1.0 + DSCR	1.2 + DSCR	1.3 + DSCR	
Technical Assistance	2 - 4 hours	4.5 - 7 hours	7.5 + hours	
Industry Experience	0 - 2 years	over 2 - 4 years	over 4 + years	
			Total Points	

*Ethnicity, gender, veteran, disabled, previously incarcerated data is provided on a voluntary basis and not required to participate in the Jump Start Program.

Credit:

Collateral:

Cash Flow:

Technical Assistance:

Industry Experience:

Recommendation: Approve request as presented.

By: _____   Date: _____

President/CEO Determination:

       ☐ Approve
       ☐ Decline

Signature: _____   Date: _____

V.   Documentation, Disbursements, & Retention

<u>Documentation</u>

Prior to disbursement of Jump Start funds: the Jump Start Loan must be reviewed and approved by the FDC's Board of Directors or by the Jump Start FDC's loan committee, FDC President, Executive Director or Chief Credit Officer approved by the FDC's Board of Directors; and the loan documents must be executed by the Jump Start FDC and the borrower(s). Jump Start FDCs must submit to IBank the following fully completed, signed, and dated required Loan documentation with each Jump Start Loan.

Jump Start Loan documents must be received at IBank **within 7 business days** of the disbursement of funds to the borrower. Documents shall be sent to the SBFC's email at the following address: SBFC@IBank.CA.Gov.

Jump Start Loan documents are generated through D&H LaserPRO and may include:

1. Promissory Note
2. Business Loan Agreement
3. Commercial Security Agreement
4. UCC Financing Statement
5. Agreement to Provide Insurance
6. Notice of Insurance Requirements
7. Disbursement Request and Authorization
8. Notice of Final Agreement
9. Amortization Schedule

<u>Disbursements</u>

Requests for disbursement must be sent to SBFC@IBank.CA.GOV and include the following:
- Borrower Name
- Disbursement Amount (must be same as loan amount)
- Instructions for Disbursement as outlined in the Disbursement Authorization

<u>Retention Period</u>

Jump Start FDC must retain all financial records and supporting documents for at least four years from the date the Jump Start Loan is paid in full or, if the Jump Start Loan is in default of payment, for at least seven years after the payment default or last recovery payment received.

VI.   Default & Liquidation on a Jump Start Loan

<u>Overview</u>

Jump Start FDC's are to manage defaults pursuant to IBank's Jump Start Loan Default Procedures as outlined in Section **§** 5026 and Jump Start Loan Liquidation as displayed in Section **§** 5027 of IBank's Jump Start Directives and Requirements:

Default	• The Jump Start FDC will provide **IBank with written notice that a payment default has occurred within 14 days**. Jump Start FDC's are to follow default procedures.
	• The FDC will **arrange a meeting with the Jump Start Borrower upon a payment default occurrence** to resolve the default. Actions taken by the FDC's may include **with the written approval of IBank**, but are not limited to, the following:
	    ◦ Deferment of principal payment(s)
	    ◦ Re-amortization of or rescheduling the payment(s) on the loan
	    ◦ Reorganization
	    ◦ Additional collateral
	    ◦ Changes in the interest rate

If the Jump Start FDC is unable to resolve the payment default as approved by IBank **within 30 days of the default notice received by IBank**, then the FDC may begin liquidation procedures.

Liquidation	• The Jump Start FDC must create a liquidation plan and submit it to IBank for approval.
	• The Jump Start FDC must take the steps specified by the liquidation plan for the liquidation of the Jump Start Loan. Unless the Jump Start FDC receives objections from IBank to the liquidation plan **within 14 days** of submitting it to IBank, the plan will be deemed approved by IBank without any further action by the Jump Start FDC.
	• If the Jump Start FDC receives objection to the plan from IBank **within the 14 days**, IBank and the Jump Start FDC will negotiate a liquidation plan where there is mutual acceptance. Liquidation recoveries received for the Jump Start Loan will be applied in the following order of priority:
	    ◦ Pay liquidation costs approved by IBank
	    ◦ Pay principal
	    ◦ Pay interest
	• The Jump Start FDC **will not** initiate any legal action without the prior written approval of IBank

VII. Reporting Requirements

<u>Overview</u>

Jump Start FDCs are contractually required to regularly report to IBank on the status of Jump Start Loans made under the Jump Start Program. Each Jump Start FDC participating in the Jump Start Program will be required to provide monthly reports on their activities in the program and will be examined annually by IBank for purposes of determining compliance with the requirements of the Jump Start Program.

Each Jump Start FDC is required to submit a monthly report of Jump Start loan activity, a monthly report of technical assistance provided and monthly remittance of loan payments.

VIII.   Monthly Remittance of Loan Payments

Loan payments collected from Jump Start borrowers are to be remitted to the Trustee Bank on a monthly basis.

These payments shall include:

- 100% of the principal payment made by the borrower in the previous month
- 60% of the interest payment made by the borrower in the previous month

A detailed itemization of the payments being remitted shall be sent to the Trustee Bank with remittance and a copy sent electronically to IBank.

Monthly Remittance of Loan Payments are due to the Trustee Bank with an electronic copy to IBank by the 15th of the following month.

Sample Remittance Letter

				01/00/1900	Payment from Borrower			Payment to SBFC			01/00/1900
Loan ID	Borrower Name	Monthly Payment	Payment Received	Beginning Balance	Interest Payment	Principal Payment	Total Payment from Borrower	Interest to SBFC	Principal to SBFC	Total Payment to SBFC	Outstanding Balance
ID1	Borrower 1			4,500.00			0.00	0.00	0.00	0.00	4,500.00
ID2	Borrower 2			4,500.00			0.00	0.00	0.00	0.00	4,500.00
ID3	Borrower 3			4,500.00			0.00	0.00	0.00	0.00	4,500.00
ID4	test			4,500.00			0.00	0.00	0.00	0.00	4,500.00
ID5	test			500.00			0.00	0.00	0.00	0.00	500.00

IX.   Monthly Reporting

The Jump Start Monthly Report is due electronically to IBank by the 15th of the following month.

Field:	Information Needed:
Loan Number	Unique Jump Start loan number associated with the borrower's loan
Borrower Name	Name of business requesting the loan
Loan Date	Date loan is executed
Loan Amount	List the full amount of the term loan
Scheduled Monthly Payment	Monthly dollar amount due to IBank based on amortization schedule
Interest Payment from Borrower	Amount applied to interest payment determined by the interest rate on the loan
Principal Payment from Borrower	Amount applied to the principal owed on the loan
Total Payment from Borrower	Payment consisting of principal and interest amounts
Interest Payment to SBFC	60% of interest payment paid by the borrower, to be remitted to SBFC
Principal Payment to SBFC	100% of principal payment paid by the borrower, to be remitted to SBFC
Total Payment to SBFC	Total amount remitted to IBank's SBFC
Outstanding Balance	Amount of unpaid principal balance of the loan
Payment is Current	All payments are paid in full for the billing cycle
Secured	Loan where the borrower pledges an asset
Default	Failure to fulfill the loan obligation
Number of days in default	Days elapsed since last full payment
Default Amount (A)	Amount of principal owed at time of default
Default Recovery Amount (B)	Amount of default recovery
Loan Loss (= A – B)	Amount of principal funds outstanding on loan
Training Hours Post-Loan	Training hours after loan was established
Notes	Space to add pertinent information about the loan that month, if applicable.
Training Hours Pre-Loan	Training hours before loan was established
Interest Rate	Enter the interest rate for the loan
Maturity Date	Due date on which the installment loan will be paid in full
Use of Proceeds/Purpose	Use of the dollar amount for the business
Full Time Equivalents (FTEs)	Number of full time equivalent (FTE) employees of the business—rounded to the nearest whole number. Must be a minimum of 1 and cannot exceed 750. Refer to the SBLGP Forms and Instructions for details on how to report the number of FTEs.
Jobs Created	Number of jobs created for the business as a result of the Loan. Count each person, full or part time. If jobs are not created as a result of the loan, use "0".

Jobs Retained	Number of jobs retained for the business as a result of the Loan. Count each person, full or part time. If jobs are not retained as a result of the Loan, use "0". If enrolling multiple Loan for a business, only enter information for first enrolled loan, unless the jobs retained increases as a result of additional Jump Start Loans.
NAICS Code	Six-digit number used by the North American Industry Classification System (NAICS) to categorize business types. https://www.census.gov/naics/
Ethnicity	Select from drop down menu on report
Gender	Select from drop down menu on report
Veteran	A person who has served in the United States Armed Services
Disabled	Any person who has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such an impairment
Previously Incarcerated	Previously incarcerated/jailed
Business Age	Age of business (in months) since inception (0 for new business)
Business Legal Structure	Sole proprietorship, partnership, corporation
Annual Business Revenue	List the borrower's annual business revenues for the last fiscal year—rounded to the nearest whole dollar amount. If the business is a start-up, use the current income or $0.
Personal Income	List the borrower's income that qualifies them as a low-wealth individual
Credit Score	Borrower credit score
Business Type	Industry type by name i.e.…hair salon
Business Address	Location where business is located and loan funds are used
City	City where business is located
County	County where business is located
Zip Code	Zip Code where business is located
Census Tract #	11-digit number **(no decimal point)** used to identify the specific location of a business to provide more reporting consistency and uniformity. https://geomap.ffiec.gov/FFIECGeocMap/GeocodeMap1.aspx
Senate District	Territorial district of location of business where a senator is elected
Assembly District	Territorial district of location of business where the assembly is elected

X.   Annual Reporting

California Government Code Chapter 6 - Small Business Financial Assistance Act of 2013, Article 11 Section 63089.97 specifies reporting requirements for FDC. Pursuant to the Government Code, FDCs must annually submit their:

- Articles of Incorporations & Bylaws
- Audited Financial Statements/Form 990s
- Board Approved Budget
- Strategic Plan or Plan of Operation
- Projected Fiscal Year Summary of Authorized Program Activities
- Full FDC Staff Roster

All annual reports must be submitted to IBank **by July 31.** The Audited Financial Statements are due to IBank **by October 31** for the prior fiscal year. These reports can be in any format. IBank does not supply templates or have specific substance requirements other than what is listed in the Government Code. Refer to the SBFC Guidance Manual for the full text of Government Code 63089.97.

In addition, FDCs are also required to submit a full staff roster IBank. The staff roster should list names, titles, email addresses and phone numbers of all employees, loan committee members, and Board of Director members.

XI.   Change in FDC Points of Contact

To ensure the Jump Start FDC is aware of all current IBank Directives & Requirements as well as changes to program policies or practices, FDCs are required to keep IBank informed about any changes to key FDC contacts by providing IBank with the new or updated name, address, phone, or email contact information.

Updates should be submitted to IBank's SBFC email at: SBFC@ibank.ca.gov.