

Commercial Loan Insurance – Online Answer (OLA) Application

FAME makes it easy for financial institutions to apply and be approved for pro-rata and leveraged insurance. Using Online Answer (OLA), which is a secure web application, lenders can apply for loan insurance online by entering a limited amount of data to receive a decision in seconds. OLA is provided by FAME to financial institutions that have signed both the master Loan Insurance Agreement and the Addendum to Loan Insurance Agreement with FAME.

Pro-rata and leveraged insurance are available for both term and line-of-credit loans. For term loans, lenders may choose from one-, three- and five-year fee options; for lines of credit, lenders may choose from one- and three-year fee options.

Eligibility

Any business or project for any such business that is located in the state of Maine is eligible, except for businesses or uses as follows:

- Religious or fraternal organizations
- Gambling or adult entertainment facilities
- Residential housing
- Investment real estate (50% or more non-owner occupied)
- Personal, family or household expenses

Insurance Available Maximum

- **Pro-rata term loans and lines of credit**
 - 75% maximum CLI up to \$1,500,000 FAME exposure
 - 60% maximum CLI for start-ups (businesses open less than one year) up to \$1,000,000 FAME exposure
 - Use of projections in cash-flow analysis limits availability to \$1,000,000 FAME exposure
- **Pro-rata refinance of existing debt:** 40% insurance up to \$1,000,000 FAME exposure. See Guidelines for Refinancing Existing Lender Debt, page 210.1. (Leveraged insurance is not available for refinancing existing debt.)
- **Leveraged term loans:** Up to 25% insurance on up to \$1,000,000 FAME exposure
- **Leveraged lines of credit:** Up to 20% insurance on up to \$1,000,000 FAME exposure

FAME's aggregate exposure per related entity (borrower/guarantor) in OLA is \$1,500,000. This can be a combination of pro-rata and leveraged insurance with a \$500,000 limit on leveraged insurance.

Interest Rate and Loan Term

Determined by lender (term should not exceed useful life of assets financed or serving as collateral).

Security

All types of collateral are eligible, subject to review and acceptance by FAME. Loans predominantly secured by accounts receivable and/or inventory require first-priority lien on said assets.

Guarantees

Any individual or entity that owns 20% or more of the borrower, or owns 5% or more of the borrower and receives substantial income from the borrower, must guarantee the loan. All loans shall be guaranteed by owners of at least 51% of the borrower in aggregate, except for nonprofit borrowers and borrowers owned by 20 or more shareholders. Exceptions to this policy must be approved by the FAME board.

Fees

OLA Loan Insurance Program	FAME Exposure Amount	Commitment Fee	Annual Insurance Fee	3-Year* Insurance Fee	5-Year* Insurance Fee
OLA Leveraged Term	≤ \$500M	0.50%	2.00%	5.75%	7.95%
OLA Leveraged Line	≤ \$500M	0.50%	2.00%	5.75%	N/A
OLA Pro-Rata Term	≤ \$1.0MM	0.50%	1.00%	2.75%	3.95%
	> \$1.0MM	0.50%	1.25%	3.50%	4.95%
OLA Pro-Rata Line	≤ \$1.0MM	0.50%	1.00%	2.75%	N/A
	> \$1.0MM	0.50%	1.25%	3.50%	N/A

*Once the multi-year term is over, the insurance will automatically continue on an annual basis unless the insurance is canceled or the lender reapplies for an additional multi-year term.

Underwriting Criteria

Underwriting of OLA loans is done by a computerized scoring system, based on the information provided in the application process. The formula considers: global cash flow, collateral coverage, credit score, and public benefit, all as determined by FAME. Below is a summary of how FAME analyzes these factors.

- Cash Flow: Applications reflecting historical debt service coverage (DSC) of 0.8:1 or lower are not likely to be approved.
- Credit Scores: Applications reflecting personal/guarantor credit scores of 600 or lower are not likely to be approved.
- Public Benefit: Jobs created and retained (including number, quality of pay/benefits, multiplier effect and local unemployment rate/region), possible environmental impact, and whether the business is in an industry targeted by State Economic Development Plan are considered and measured against the

collateral loan-to-value ratio. Applications reflecting uncollateralized exposure of more than \$10,000 per job are not likely to be approved.

Special Credit Considerations – Refinancing Existing Debt, Floor Plans, Construction Loans

Loan insurance for refinancing of seller debt, floor plan lending, and construction lending has special credit considerations and limitations. Please contact a FAME commercial loan officer for additional details.

Other Requirements

- Environmental Questionnaire: if business real estate is collateral (to be kept in lender's file)
- Employment Plan: if business currently has more than 10 employees (to be submitted to FAME with insurance authorization and premium after approval)

Application Downloads

- Environmental Questionnaire (if applicable)
- Employment Plan (if more than 10 employees)

All documents are available for download in PDF format from FAMEmaine.com. Downloaded documents should be viewed with Adobe Acrobat.

Contact FAME

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