

## Commercial Loan Insurance – Traditional Application

FAME expands financial institutions' ability to make business loans by providing insurance of up to 90%\* of a loan to an eligible business. Insurance is provided by FAME to financial institutions that have signed a master 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 business 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.

\*Note: Up to 100% pro-rata insurance is available for loans to veterans.

### Insurance Types

- 1) Pro-rata: Covers a percentage of a lender's loss after a default and liquidation, up to 100%.
- 2) Leveraged: Covers 100% of a lender's loss, up to 25% of the loan balance at the time of default.

For comparison, see Pro-Rata vs. Leveraged Insurance Example found in the Fees and Tools section on page 610.1.

### Loan Amount/FAME Insurance Exposure

- Term Loans: up to 90% insurance of a lender's loan on a pro-rata basis or up to 25% insurance on a leveraged basis (up to \$3,000,000); 100% pro-rata insurance may be available for loans to veterans. FAME exposure to any one relationship may not exceed \$8,500,000. (This amount is reviewed and set annually. Please verify this amount with FAME.)
- Refinance of Existing Lender Debt: up to 40% insurance of a currently uninsured lender's loan on a pro-rata basis. Certain criteria apply. See Special Credit Considerations below, and Guidelines for Refinancing Existing Lender Debt, page 210.1.

- Working Capital Lines: up to 90% pro-rata insurance limited to \$2,500,000 of FAME exposure, or up to 20% leveraged insurance limited to \$2,500,000 of FAME exposure.

***Blended Pro-Rata Insurance Percentage Example:*** Please see the table below, which describes a scenario in which the lending institution refinances uninsured debt currently held by said institution, and also incorporates new funds into the loan. Each allocation of monies can be insured up to the amounts outlined within the table. The total exposure may not exceed \$8,500,000 to any one relationship.

| Use of Funds                                     | Amount    | Insurance Percentage Requested | FAME-Insured Amount | Maximum        |
|--|-----------|--------------------------------|---------------------|----------------|
| New Funds  | \$100,000 | 60%                            | \$60,000            | 90% or 75% OLA |
| Refinance Existing Uninsured Debt Held by Lender | \$75,000  | 40%                            | \$30,000            | 40%            |
| Total Loan Request/ Insured Amount               | \$175,000 |                                | \$90,000            |                |
| Blended Insurance Percentage                     |           | 51%                            |                     |                |

### 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 must 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

| Loan Insurance Programs | FAME Exposure Amount | Commitment Fee | Annual Insurance Fee | 3-Year* Insurance Fee | 5-Year* Insurance Fee |
|-------------------------|----------------------|----------------|----------------------|-----------------------|-----------------------|
| Leveraged Term          | ≤ \$1MM              | 1%             | 2%                   | 5.75%                 | 7.95%                 |
|                         | > \$1MM**            | 1%             | 2.5%                 | 7.25%                 | 9.95%                 |
| Leveraged Line          | ≤ \$1MM              | 1%             | 2%                   | 5.75%                 | N/A                   |
|                         | > \$1MM**            | 1%             | 2.5%                 | 7.25%                 | N/A                   |
| Pro-Rata Term           | < \$1MM              | 1%             | 1%                   | 2.75%                 | 3.95%                 |
|                         | > \$1MM**            | 1%             | 1.25%                | 3.50%                 | 4.95%                 |
| Pro-Rata Line           | ≤ \$1MM              | 1%             | 1%                   | 2.75%                 | N/A                   |
|                         | > \$1MM**            | 1%             | 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.

\*\*There is an application fee of \$5,000 due with the loan application for loans greater than \$1,000,000. This fee is partially refundable in the case of denial, but only after the cost of FAME's due diligence is deducted. If the loan commitment is approved and accepted, the application fee may be applied to the commitment fee.

## 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.

## Process

The traditional application process requires the lender to submit a completed “paper” application accompanied by information and/or documentation sufficient to underwrite the loan request. The application is then underwritten by FAME’s credit department and an insurance decision is made within two weeks, in most cases, and communicated to the lender. If insurance is approved, a Loan Insurance Authorization outlining the terms and conditions of insurance is issued.

Most loan insurance decisions are made at the staff level; however, decisions on FAME loan insurance greater than \$1,500,000 may have to be approved by the FAME Board of Directors.

## Application

All documents listed below in Application Downloads must be completed and returned to FAME in order to complete the traditional loan application process.

## Application Downloads

- Loan Insurance Application
- Environmental Questionnaire
- Employment Plan (if business employs more than ten (10) employees)
- Department of Environmental Protection Assessment Application Application (if loan amount is equal to or greater than \$1,000,000)
- Personal Financial Statement (of all principal owners)

For a more complete list of supporting documents required in the complete loan application package, see: General Checklist for FAME Loan Programs which can be found in the Fees and Tools section, page 605.1.

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

### Contact FAME:

207-623-3263 or 1-800-228-3734

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