

FAME Commercial Loan Insurance Guidelines

FAME creates business and economic development opportunities through its willingness to invest at greater risk based on public benefit. The following are guidelines utilized in assessing the eligibility of a business or project:

- **Public Benefit**

In assessing public benefit, FAME shall consider:

- i. jobs created and/or retained, including direct, indirect and induced, as well as quality of the jobs;
- ii. the environmental impact of the project;
- iii. whether a business or project involves a targeted industry and/or market;
- iv. regional and community benefits; and
- v. total investment/financing capital leveraged.

- **Loan to Value**

Any loan which exceeds a 110% discounted loan to value will be considered a major exception to FAME's Loan Policy.

- **Cash Flow and Debt Service Coverage**

Approval of a loan where historic cash available for debt service is not sufficient to cover the go-forward debt service on at least a 0.8:1 basis is a major exception to FAME's Loan Policy. In cases where historical cash flow is insufficient, there must be a reasonable finding that cash flow will be sufficient going forward as substantiated by reliable projections or continued trend improvement.

- **Timing Expectations**

To ensure the most efficient turnaround time, the Lender should provide a complete underwriting package to the Authority. (The most common reason for longer response time is an [incomplete application](#)). Deals in excess of \$1,500,000 of FAME exposure typically require board approval. As the board meets once each month, this may prolong the assessment process.

- **Guarantees**

Any person or entity owning at least 20%, or owning more than 5% and receiving substantial income from the Borrower should be a guarantor. Exceptions to this requirement must be approved by a two-thirds (2/3) vote of the FAME Board.

- **Leveraged Lending**

If a transaction creates a substantial amount of goodwill to be financed, significant subordinated debt or equity, including seller notes, will be required in the capital stack. In addition, debt in excess of tangible collateral should be paid down by at least 50% over a five- to seven-year period.

- **Lien Position**
Where the Authority's commercial loan insurance exposure exceeds \$1,000,000, the insured loan must have a first, or shared first priority lien on all material collateral that secures the loan.
- **Working Capital Loans**
Regardless of loan amount, working capital loans must have a first lien position on A/R and/or inventory.
- **Construction Loans**
Loan insurance shall not be effective until construction is completed and all costs of construction are paid, unless the loan is otherwise adequately insured by a Payment and Performance Bond acceptable to the Authority;
- **Targeted Industries and/or Markets**
Targeted industries and/or markets are defined by the Maine Legislature and include:
 - Biotechnology;
 - Information Technology (including, Broadband);
 - Composites and Advanced Materials;
 - Marine Technology and Aquaculture;
 - Forest Products, Fishing and Agriculture;
 - Precision Manufacturing; and
 - Environmental Products.