



FAME Business Programs:

How FAME Works for Maine Lenders & Businesses

JULY 21, 2021

To Maine people, FAME is the leading financial resource that expands business and educational capabilities through our willingness to invest at greater risk based on public benefit.

FAME was established as Maine's business finance agency in 1983 and charged with supporting the start-up, expansion, and growth plans of Maine's business community.

- Since its founding, FAME has partnered to deploy **over \$2 billion** in loans and equity capital.
- These partnerships have resulted in nearly **100,000 jobs created and/or retained** across all of Maine's major industries.

Commercial Loan Insurance

FAME's commercial loan insurance insures a portion of loans made through participating financial institutions.

Lenders can apply for commercial loan insurance in two ways:

- OnLine Answer (OLA) application process
- Traditional (paper) application process

Lenders can choose from two types of insurance:

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

Any business located in the State of Maine is eligible, except for businesses/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

POLL: Online Answer (OLA) Application Process

**How would you rate your
experience level with FAME's
Online Answer (OLA)
application process?**

Commercial Loan Insurance: OnLine Answer (OLA)

Pro-rata term loans and lines of credit:

- 75% maximum insurance up to \$750,000 FAME exposure.
- 60% maximum insurance for start-ups (open less than one year) up to \$500,000 FAME exposure
- Use of projections in cash flow limits availability to \$500,000 FAME exposure

Pro-rata refinance of existing lender debt:

- 40% insurance on up to \$500,000 FAME exposure. (Certain criteria apply) (leveraged insurance is not available for refinancing existing debt)

Leveraged term loans:

- Up to 25% insurance on up to \$250,000 FAME exposure.

Leveraged line of credit loans:

- Up to 20% insurance on up to \$250,000 FAME exposure.

FAME's aggregate exposure per borrower in OLA is \$750,000. This can be a combination of pro-rata and leveraged insurance with a \$250,000 limit on leveraged insurance.

Works for ME ✓

Commercial Loan Insurance: OnLine Answer (OLA)

Interest rate and term: Decided by the lender

Security: All types of collateral are eligible, subject to review and acceptance by FAME

Insurance for term loans: One-, three-, and five-year options

Insurance for lines of credit: One- and three-year options

OLA Fees

Loan Program	FAME Exposure	Commitment Fee	Annual 1-year insurance fee	3-year insurance fee	5-year insurance fee
OLA Leveraged Term	≤\$250M	0.5%	2%	5.75%	7.95%
OLA Leveraged Line	≤\$250M	0.5%	2%	5.75%	N/A
OLA Pro-rata Term	≤\$750M	0.5%	1%	2.75%	3.95%
OLA Pro-rata Line	≤\$750M	0.5%	1%	2.75%	N/A

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Commercial Loan Insurance: OnLine Answer (OLA)

Have questions about OLA?
Let us know in the Q&A.

POLL: Traditional Paper Application Process

**How would you rate your
experience level with FAME's
traditional paper application process?**

Commercial Loan Insurance: Traditional Paper Application

Pro-rata Term Loans:

- Up to 75% loan insurance for up to \$7.5 million (not available for start-up companies)
- Up to 90% loan insurance for up to \$5.25 million
- Up to 100% loan insurance for loans to Veterans

Leveraged Term Loans:

- Up to 25% loan insurance up to \$2,500,000

Refinance Existing Lender Debt:

- Up to 40% insurance of currently uninsured lender's loan on a pro-rata basis.
(Certain criteria apply)

Working Capital Line of Credit:

- Up to 90% pro-rata insurance limited to FAME exposure of \$1,000,000 or 20% leverage insurance limited to FAME exposure of \$1,000,000

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

Works for ME ✓

Commercial Loan Insurance: Traditional Paper Application

Interest rate and term: Decided by the lender

Security: All types of collateral are eligible, subject to review and acceptance by FAME

Insurance for term loans: One-, three-, and five-year options

Insurance for lines of credit: One- and three-year options

Traditional Paper Application Fees

Loan Program	FAME Exposure	Commitment Fee	Annual 1-year insurance fee	3-year insurance fee	5-year insurance fee
Leveraged Term	≤\$1MM**	1%	2%	5.75%	7.95%
Leveraged Line	≤\$1MM	1%	2%	5.75%	N/A
Leveraged Term	> \$1MM**	1%	2.5%	7.25%	9.95%
Pro-rata Term	<\$1MM	1%	1%	2.75%	3.95%
Pro-rata Line	≤\$1MM**	1%	1%	2.75%	N/A
Pro-rata Term	≥\$1MM**	1%	1.25%	3.50%	4.95%

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Commercial Loan Insurance: Traditional Paper Application

**Have questions about the traditional
(paper) application process?**

Let us know in the Q&A.

**How would you rate your
understanding of the
differences between pro rata and
leveraged insurance?**

Term Loans	Inputs
Loan Amount	\$950,000
Leveraged Insurance %	25%
Pro-Rata Insurance %	75%
Balance at Default	\$850,000
Disposition / Liquidation of Collateral	\$500,000
Reasonable Collection Costs & 90 Days of Interest	\$1,500

Pro Rata is best when there is a greater gap between the original loan amount and the value of the collateral.

	Leveraged	Pro-Rata	Variance
Loan Amount	\$950,000	\$950,000	
Insurance %	25%	75%	
Insured Balance	\$237,500	\$712,500	
Year-1 Fee	3%	Year-1 Fee (<\$1MM = 2% / >\$1MM 2.25%)	
Fee Total	\$7,125	\$14,250	(\$7,125)

			Variance
Loan Amount	\$950,000	Loan Amount	\$950,000
Default Balance	\$850,000	Default Balance	\$850,000
Disposition / Liquidation of Collateral	(\$500,000)	Disposition / Liquidation of Collateral	(\$500,000)
Reasonable Collection Costs & 90 Days of Interest	\$1,500	Reasonable Collection Costs & 90 days of Interest	\$1,500
Lender Loss Prior to Submission	\$351,500	Lender Loss Prior to Submission	\$351,500
			\$0

Leveraged claims are based on the lowest of three scenarios	Pro-Rata claims are based on the lowest of two scenarios	Variance
1. 100% of the Lender's Loss \$351,500	1. Lender Loss Prior to Submission * Insurance % (75%) \$263,625	
2. Loan Balance at Default + Collection Costs * Insurance % (25%) \$212,875	2. Original Insured Balance \$712,500	
3. Original Insured Balance \$237,500		
Leveraged Claim Paid \$212,875	Pro-Rata Claim Paid \$263,625	(\$50,750)
Lender Loss \$138,625	Lender Loss \$87,875	\$50,750

This simplified tool is provided for illustration purposes only and is intended to highlight differences in methodology for calculation of claim payments between leveraged and pro-rata insurance. While accurate for the examples tested, each FAME insurance claim is analyzed based on the terms of the Master Loan Insurance Agreement, the Loan Insurance Authorization, and the facts and circumstances of each claim, which may differ from the result calculated by the tool.

Term Loans

Inputs

Loan Amount	\$950,000
Leveraged Insurance %	25%
Pro-Rata Insurance %	75%
Balance at Default	\$750,000
Disposition / Liquidation of Collateral	\$600,000
Reasonable Collection Costs & 90 Days of Interest	\$1,500

Leveraged insurance is best when the value of the liquidated asset is closer to the loan value.

	Leveraged		Pro-Rata	Variance
Loan Amount	\$950,000	Loan Amount	\$950,000	
Insurance %	25%	Insurance %	75%	
Insured Balance	\$237,500	Insured Balance	\$712,500	
Year-1 Fee	3%	Year-1 Fee (<\$1MM = 2% / >\$1MM 2.25%)	2.00%	
Fee Total	\$7,125	Fee Total	\$14,250	(\$7,125)

Loan Amount	\$950,000	Loan Amount	\$950,000	Variance
Default Balance	\$750,000	Default Balance	\$750,000	
Disposition / Liquidation of Collateral	(\$600,000)	Disposition / Liquidation of Collateral	(\$600,000)	
Reasonable Collection Costs & 90 Days of Interest	\$1,500	Reasonable Collection Costs & 90 days of Interest	\$1,500	
Lender Loss Prior to Submission	\$151,500	Lender Loss Prior to Submission	\$151,500	\$0

Leveraged claims are based on the lowest of three scenarios

1. 100% of the Lender's Loss	\$151,500
2. Loan Balance at Default + Collection Costs * Insurance % (25%)	\$187,875
3. Original Insured Balance	\$237,500

Leveraged Claim Paid	\$151,500
Lender Loss	\$0

Pro-Rata claims are based on the lowest of two scenarios

1. Lender Loss Prior to Submission * Insurance % (75%)	\$113,625
2. Original Insured Balance	\$712,500

Pro-Rata Claim Paid	\$113,625
Lender Loss	\$37,875

Variance

\$37,875
(\$37,875)

This simplified tool is provided for illustration purposes only and is intended to highlight differences in methodology for calculation of claim payments between leveraged and pro-rata insurance. While accurate for the examples tested, each FAME insurance claim is analyzed based on the terms of the Master Loan Insurance Agreement, the Loan Insurance Authorization, and the facts and circumstances of each claim, which may differ from the result calculated by the tool.

Commercial Loan Insurance: Pro Rata vs. Leveraged

**Have questions about pro-rata vs.
leveraged insurance, or about commercial
loan insurance in general?**

Let us know in the Q&A.

- For businesses who've been unable to secure funding elsewhere
- \$1,000,000 maximum loan amount
- Fixed rate of WSJP + 2%
- Five year term – requires a balloon payment
- Amortization is determined by collateral
- 1% first year commitment fee
- Not a grant program
- Applications can be found at www.famemaine.com

Direct loan requests of \$500,000 or more will be presented to the FAME Board of Directors for approval.

- **Maine Rural Development Authority (MRDA)** provides financial assistance to communities to help develop or redevelop underutilized commercial industrial properties.
- **Compliance Assistance Loan Program** helps businesses finance the renovation, removal, disposal or replacement of all or any part of certain oil storage facilities or tanks and certain air quality improvement equipment.
- **Regional Economic Development Revolving Loan Program** makes loans through Maine's regional economic development agencies.

Agriculture Loan Programs

- **Agricultural Marketing Loan Fund** provides agricultural businesses with funding to improve products and connect with consumers.
- **Dairy Improvement Fund** helps Maine dairy farms and other dairy enterprises fund capital improvements to maintain and enhance the viability of their businesses.
- **Potato Marketing Improvement Fund** assists Maine potato growers with funding to make their product competitive in a larger marketplace.
- **Nutrient Management Loan Program** provides financing to certain agricultural businesses for projects that protect the environment.
- **Linked Investment Program for Agriculture** helps reduce a borrower's interest rate (approved and funded by the lender according to their policies).

What happens if your insured loan is in trouble?

- Contact your FAME loan officer with your concerns.
- Lending institution and FAME will work cohesively to find the best solution for you and your borrower.
 - Including consents for payment arrangements
 - Release of collateral
 - Change to terms
 - Possible claims process
- As with applications, all claims are processed here in Maine.
- A claims process guide is available and will be provided as needed.

Any additional questions?

Let us know in the Q&A.

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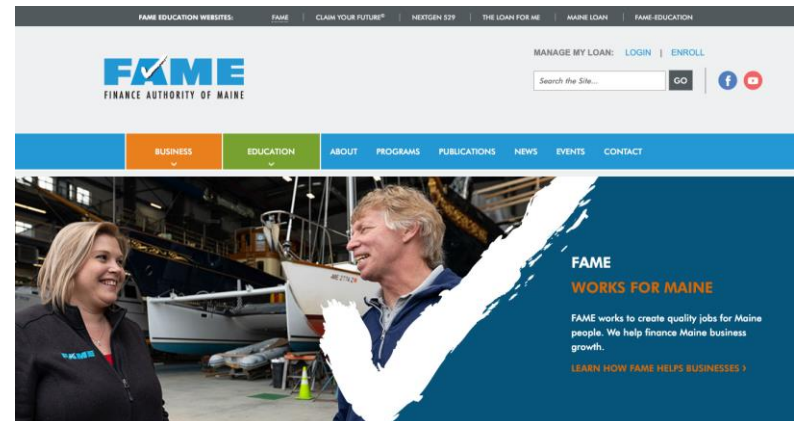


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Thank you for joining us today!

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