FINANCE AUTHORITY OF MAINE

# 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% LTDV will be considered a major exception to FAME's Loan Policy for approval purposes.

- **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 for loan insurance applications, it is important that the Lender submits a complete underwriting package to the Authority. The most common reason for extended response times is an incomplete application, which can delay the review and decision-making process.

  In most cases, loan insurance decisions are handled at the staff level, allowing for a quicker assessment. However, if total FAME exposure including the proposed request is $2,000,000 or greater, the decision may require approval from the FAME board of directors. Since the board meets only once each month, this additional step can further prolong the overall assessment process.

- **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.

- **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**

  Insured Working Capital Loans (regardless of size) must have a first lien position on A/R and/or inventory. In accordance with the Rule, loans predominantly secured with other assets are not considered working capital loans.

- **Construction Loans**

  Loan insurance on loans where a material part is to finance construction or renovation of a facility shall not be effective until construction is completed and all costs of construction are paid, unless the loan is otherwise (not construction project) adequately secured or the completion of construction is adequately ensured 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
  - Environmental Products