

ELMIRA HEIGHTS URBAN RENEWAL
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The Loan Process . . .

What is the difference between Elmira Heights Urban Renewal and a private lending institution, such as a bank?

Differences exist in the basic purposes and goals of the two different organizations. Private lending institutions exist to make a profit for shareholders. Public lenders such as Elmira Heights Urban Renewal exist to promote economic development projects, increase local employment opportunities and provide banks with additional flexibility and a willingness to take additional risks. Private banking institutions are highly regulated and often unable to accept some higher risk projects.

However, private lending institutions and public lenders such as Elmira Heights Urban Renewal share more similarities than differences.

Similarities include:

Both entities must collect information about the prospective borrower, conduct a thorough due diligence analysis to determine risk and viability and establish procedures to service and collect on loans that are made.

- Both entities provide funds to assist borrowers in meeting their goals.
- Both entities must take prudent steps to protect their assets.

Accordingly, Elmira Heights Urban Renewal utilizes the following loan review process:

- 1) Submission of a loan pre-application; utilized to ensure the proposed project meets the eligibility criteria for Elmira Heights Urban Renewal's loan program. The pre-application will also be used to determine if the proposed financing structure best meets the needs of all parties involved; Elmira Heights Urban Renewal, the borrower, and any other financial institutions.
- 2) Submission of a full loan application accompanied by a written business plan and a credit report. These full loan applications are reviewed by the Loan Review Committee at that month's regularly scheduled review meeting.

Elmira Heights Urban Renewal, like many banks, will review your loan request based on what is commonly referred to as the five C's of credit.

The Five C's of Credit are:

Character:

A copy of your personal credit report must be submitted with your application in order for the review committee to evaluate your debt repayment trends. We want to know if you pay your bills and if you pay them on time. If there are blemishes on your report, they will need to be explained.

Cash Flow:

Historical and projected cash flow statements are reviewed to determine whether you will be able to repay the loan and still have sufficient money to run the business. Assumptions, which the cash flow projections are based on, must be included.

Collateral:

Collateral is an asset which will be secured by the lender to satisfy the loan in the event the loan is not repaid according to the required terms. The value of the collateral will be based on its value if it had to be sold at liquidation value, not what you paid for it. If there are insufficient business assets, Elmira Heights Urban Renewal will consider review of available personal assets.

Capitalization:

The basic resources of the company, including owner's equity, retained earnings and fixed assets.

Conditions:

The lender will consider factors that affect the success of the company yet are external to the business. This would include government regulation, competition and industry trends.

In addition to the five C's, Elmira Heights Urban Renewal also reviews the overall economic development impact of the project, which includes overall job impact (including the type of job, wage rate, full or part time, job creation or retention); private leverage, management experience, etc.

Feel free to contact us at the number listed on page 1 with any questions you may have about our application process.