

Notes from the Field

By Stephen McHugh, VP / Sales & Business Development Manager

Over the last eleven months, I have spoken with many CEOs, CFOs, and senior lenders about the Jobs for New England (JNE) program. JNE offers zero percent funding for small business lending. Usually, about ten minutes into the discussion, the faces around the table adopt a bemused look. At the same time, heads tilt a bit to the side as if a different view could help figure it out. "Where's the catch?"

Guess what. There is no catch. The rate on these advances is really zero percent. Many loans qualify. The application is simple. The follow-on reporting is light. Jobs for New England is a great program that you shouldn't miss.

Let me elaborate. This program subsidizes the rate on a term advance to bring it down to zero percent. The maturity on the advance can range from one to ten years and is subject to the standard collateral and capital stock requirements. All we ask is that the funding discount is passed on to the borrower.

For example, let's say you are making a seven-year balloon loan with a twenty-year amortization schedule, and your regular spread over your cost of funds is 275 basis points. If you choose a three-year term JNE advance, the rate to the borrower for the first three years will be 2.75 percent and then reset to a market rate for the remaining term.

So, which businesses qualify for these discounted loans? The borrower has to be a small business. The loan proceeds must be used to support or expand a business. JNE has been used to finance the expansion of a micro brewery and renovation of new office space for a women-owned dental practice, among many other examples. In general, a loan to a landlord refinancing a building without using the proceeds to enhance the business in the space won't qualify. Jobs for New England funds can't be used to finance residential properties. If you are not sure if your loan will qualify, just give us a call and we'll let you know.

To make the application simple, the FHLB Boston adopted the SBA 504 guidelines for loan eligibility. There are six criteria and any one is sufficient. The most general criteria are to improve, diversify, or stabilize the economy of a community. We like an estimate for the number of jobs created or retained through the loan, but that is not a requirement. Also, JNE fits well with an SBA loan, but SBA participation is not required for the program.

The JNE application is submitted online through your community lending account. Chances are your institution already has one, but, if not, you can request one online. Once you are in, the application has six questions to document the business, loan spread, eligibility, and to describe the loan purpose. If you have the information, it will take about ten minutes to complete. If you need help, we can talk you through it. When you submit the application, we usually approve it within one business day.

After your application is approved, you have up to ninety days to take down the advance. We are often asked when during the loan closing process should the application be filed. The best answer is when you are reasonably confident that the loan will close within ninety days. If, for some reason, the loan is not made after the application has been approved, just let us know. There is no penalty for withdrawing the application. To extend that a bit further, if the loan prepays after the JNE advance has been disbursed, you can prepay the JNE advance without penalty.

Still waiting for the other shoe to drop? Well, there is no ongoing reporting required after the Jobs for New England advance is issued. No monthly statements, scheduled reviews, etc. One year after

disbursement, you will receive an email link to a one-page form to certify that the JNE funds were used as described on the approved application. That's it.

You may get a call to ask if you are interested in contributing to an article about the program for a local publication. Our members have received good publicity for supporting small businesses in their communities. Stories have appeared in the Boston Globe, Providence Journal, Worcester Gazette, and on NECN.

But, back to the bemused expressions in the meeting. Ten minutes later, the lenders in the room have raised their hands to ask about loans in their pipeline or loans you are competing with other lenders to fund. And one month later many of the presentations have turned into successful Jobs for New England applications. As of the end of 2016, borrowers have used the money for projects associated with creating or retaining 2,361 jobs. The businesses run the gamut from landscaping companies, to retail, to restaurants, to light manufacturing, to beauty salons, to breweries.

All of them have gotten a good deal, with no catch. And our members have helped support many small businesses. If you have used Jobs for New England this year, thank you. If you haven't, don't miss out in 2017. Please contact your FHLB Boston relationship manager for more information