



## **New Jersey Economic Development Authority (NJEDA)**

### **Main Street Lenders Grant**

#### ***Notice of Funding Availability***

The New Jersey Economic Development Authority (NJEDA) will begin accepting applications for the *Main Street Lenders Grant* at 10:00 a.m. on May 25, 2022. The application can be accessed at <https://www.njeda.com/main-street-lenders-grant/> applications will be reviewed on a first come, first served basis. A \$1,000 application fee is required at time of application.

**Please be advised that the Main Street Lenders Grant is a grant program for organizations that lend to micro businesses, and is NOT a direct grant to micro businesses.**

#### ***Purpose***

The Main Street Lenders Grant - a pilot product under the Main Street Recovery Finance Program, N.J.S.A. 34:1B-351 et seq- is offering lending grants of up to \$1,000,000 to be used by eligible micro business lenders to create new or supplement existing micro business loan products. Lenders may also be eligible for an additional technical assistance grant equal to 50 percent of the lending grant request to better prepare micro businesses to qualify for these or other loan products. The Main Street Lenders Grant will be available to Community Development Financial Institutions (CDFIs); Minority Depository Institutions (MDIs); and other eligible lenders, as defined in N.J.S.A. 34:1B-353.

Grants will be disbursed at time of closing. All lending and technical assistance funds must be disbursed within three years from the NJEDA grant closing date.

#### ***Overview***

On August 11, 2021, NJEDA's Board approved the creation of the Main Street Recovery Finance Program - one of over 15 programs under the New Jersey Economic Recovery Act of 2020, P.L. 2020, c. 156 as amended by P.L. 2021, c. 160. On November 13, 2021, NJEDA's board approved the creation of the Main Street Lenders Grant under the Main Street Recovery Finance Program, N.J.S.A. 34:1B-351 et seq. Beyond meeting the statutory definition, the Authority will require that any entity applying for the lending grant have a demonstrated history of 10 years experience serving small and micro businesses. Furthermore, any entity applying for the technical assistance grant must demonstrate two years experience providing technical assistance to micro businesses either directly, or in collaboration with a technical assistance partner. The intent is for these grants to enable lending entities to provide micro businesses with technical assistance, and then to be able to offer a loan product to the micro business upon completion of the technical assistance.

#### ***Program Details***

The *Main Street Lenders Grant* will offer two types of grants to eligible entities. The first type of grant is a lending grant used as funding for new micro business lending products or as supplemental funding for existing micro business lending products. The maximum lending grant that can be awarded to each entity is \$1 million. The second type of grant, available as a

complement to the lending grant, is a technical assistance grant. The technical assistance grant will support eligible entities with the costs associated with providing technical assistance to micro businesses to best prepare and position these micro businesses to qualify for micro business loans. The maximum technical assistance grant an eligible lending entity may receive is 50 percent of the lending grant request amount (not to exceed \$500,000). Only lenders that receive a lending grant are eligible for the technical assistance grant.

Currently, the program has \$15 million in funding; it may be expanded as additional funds become available. Forty percent of all funding is set-aside for businesses located in eligible New Jersey Opportunity Zone census tracts.

### ***Eligibility***

To be eligible for the grant, applicants must have at least 10 years of small and micro business lending experience. These lending entities may be based outside of New Jersey but must use funds to service eligible New Jersey-based businesses only. If applying for the technical assistance grant, the lending entity must also demonstrate two years of experience providing technical assistance to micro businesses.

Applicants must be one of the following:

- Community Development Finance Institutions (CDFIs) as defined NJAC 19:315.2; a community development financial institution certified by the U.S. Department of the Treasury.
- Minority Depository Institutions (MDIs) as recognized by the FDIC;
- Entities defined as “other eligible lenders” under NJSA 34:1B-353(b), which includes: “a zone development corporation as defined in section 3 of P.L. 1983, c. 303 (C.52:27H-62) that is located in a municipality with a population greater than 100,000 or a nonprofit lender with at least 10 years’ experience lending to micro and small businesses.

As part of the evaluation of each organization’s grant application, the applicant must:

- Demonstrate the applicant has 10 years of lending experience to micro and small businesses.
- Provide a recap of portfolio activity in the last 10 years from the date of application demonstrating growth in capacity and lending efforts in the last year. For the previous year the applicant must provide a breakout of percentage of micro businesses served (using NJEDA’s definition of a micro business defined as a business in New Jersey with ten or fewer full-time employees and no greater than \$1.5 million in annual revenues). This percentage of micro businesses served in the last year must be at least 20% to be eligible.
- Provide detailed information related to the new product that will be created with these funds, or existing loan programs that will be leveraged with these funds, and that these products will meet Main Street Lender Grant product specifications for flexible loan products. A product term sheet must be provided as part of application and highlight eligibility criteria, loan terms, fees, and any other necessary criteria.
- Explain the applicant’s policy or plan for serving communities and business segments underserved by the banking sector and other financial institutions and show significant experience complying with such policy or plan.

- Provide a detailed marketing plan on how this product will be marketed to attract new micro businesses owners. The plan should highlight what steps will be taken to ensure the product will serve all micro business owners. Demonstrate how the target of closing 40 percent of loans in eligible [Opportunity Zone Census Tracts](#) will be achieved. Applicants must offer their product information in other languages, identifying the specific languages.
- Demonstrate at least two years experience providing technical assistance to small and micro business owners. Applicant-lender must be able to document direct technical assistance experience or document an association with a for-profit or non-profit entity that will be providing such eligible technical assistance activities to micro businesses looking to pursue the lending product. The applicant must provide the number of businesses served within the two years experience and the direct services provided, and indicate how the businesses served leveraged this support.
- Complete an online grant application to include a 1-3 page narrative proposal detailing how grant funding will be used and disclose financial metrics, such as the availability of capital, to demonstrate the applicant lender's ability to offer loan products.
- Be in substantial good standing with the New Jersey Department of Labor and Workforce Development (DOL), the New Jersey Department of Environmental Protection (DEP), and the New Jersey Department of Treasury at the time of application. A current tax clearance certification must be provided prior to approval, unless the applicant is not required to register with the Division of Taxation.

After execution of the grant agreement, the receiving entity must:

- Adhere to quarterly reporting requirements specified and provided by NJEDA.
- Fully disburse all NJEDA grant funds within three years from NJEDA grant agreement closing date to eligible micro businesses.
- Close 40 percent of loans funded by the grant to businesses that are in [Opportunity Zone Census](#) Tracts by the end of the three years grant period.

Failure to abide by the terms of the grant agreement may result in recapture of the grant funds. If grant funds are not used for eligible reasons as identified, then the lending entity is responsible for repayment to NJEDA. Any portion of the grant funds that remain unused three years from the NJEDA grant closing date must be returned to NJEDA.

### ***Eligible Uses***

*Main Street Lenders Grant funding* can only be used to create or supplement an existing lending product. The product must provide term working capital loans to qualified micro businesses offering the following features:

- The micro businesses must have less than 10 full time employees at the time of application and have less than \$1.5 million in annual revenue (based on their last federal tax return required to be filed).
- The micro businesses must have a commercial location in New Jersey, which can be a home-based business.
- The loans may be used by the micro businesses for any purpose except restructuring existing debts or financing, any construction, reconstruction, demolition, alteration,

repair work, maintenance work, or construction related to installation of equipment where such activity exceeds \$1,999.99. Additionally, home-based businesses are not permitted to use the working capital loans for rent, mortgage, property tax payments, utilities, or for the purchase of equipment that attaches to the property. Examples of permitted uses are equipment purchases, rolling stock, and operating expenses such as payroll, marketing, inventory, rent, mortgage/property tax payments, utilities, or any other expenses that are applicable to the daily operation of the business.

- Home-based businesses, non-profit organizations, for-profit entities, sole proprietors, and/or startups may be eligible to participate.
- Lending entities are required to collect a current New Jersey Business Tax Clearance Certificate from micro business applicants, if applicable.
- The minimum credit score required of the micro business to qualify for the loan must be under 650.
- Terms of the loan to applicants can go up to a 10-year term.
- Upon loan closing, a payment moratorium period of at least 12 months must be provided to the micro businesses.
- The loan product offered must be fully amortizing to avoid balloon payments.
- Interest rates cannot exceed five percent on each loan.
- Loan amounts must be no greater than \$100,000 and no lower than \$10,000.
- The product must allow for a minimum Debt Service Coverage Ratio on this program of 1.0, but the personal cash flow of the micro business owners who are personal guarantors may be considered.
- Application fees may be charged, but shall not exceed one percent of the loan amount.
- No prepayment penalty may be charged to the micro businesses.
- Collateral and personal guarantees are optional, as determined by lending entity.
- The program can allow for loan modifications as determined by entity.
- The lending entity must lend and disburse 40 percent of the total lending grant to micro businesses located in [Opportunity Zone Census Tracts](#).
- All lending and technical assistance funds must be disbursed within three years from NJEDA grant closing date.
- Lenders shall not provide any financial assistance to micro businesses that are engaged in any of the following: the conduct or purveyance of “adult” (i.e., pornographic, lewd, prurient, obscene or otherwise similarly disreputable) activities, services, products or materials (including nude or seminude performances or the sale of sexual aids or devices); any auction, bankruptcy, fire, “lost-our-lease,” “going-out of business,” or similar sale; sales by transient merchants, Christmas tree sales, or other outdoor storage; or any activity constituting a nuisance.

Applicants applying for the lending grant can also apply for a technical assistance grant. This grant is for micro businesses to be able to pursue or prepare to apply for a loan. The applicant must have the required two years of experience or use a partner to that has the required experienced and services micro businesses. The eligible uses for the technical assistance grant are:

Technical assistance services may only be offered to micro businesses that meet the definition of a micro business and are pursuing financing. The technical assistance

services offered by the lender that this grant can support may include, but are not limited to:

- Loan packaging assistance to applicants (for example, hiring new staff to directly serve those NJ-based micro businesses applying for new or existing loan products funded by the lending grant).
- Credit repair services that may be offered to help loan applicants repair their credit score to be eligible for new or existing loan products funded by the lending grant.
- Business plan preparation services.
- Projection preparation assistance for entities that need such information for their loan application.
- QuickBooks and Excel training services to help micro business owners better track their business operations.
- Online and social media specific marketing to help a micro business grow their operations and customer base.
- E-commerce services to help micro business owners pivot into better servicing their customer through a website (either creating or updating a current website) or to set up an e-commerce platform and pay for subscription fees.

### ***Grant Amounts***

The Lending Grant can be up to a \$1 million request and the technical assistance grant can be up to 50 percent of the lending grant request but cannot exceed \$500,000. Total grant award cannot be more than \$1.5 million per applicant.

### ***Application Process***

Online applications will be accepted on a first-come, first-served basis based upon the date the NJEDA receives a completed application submission. The application can be accessed at <https://www.njeda.com/main-street-lenders-grant/>

### ***Fees***

A \$1,000 non-refundable application fee per application is required at time of application.

### ***Additional Information***

Comprehensive information about the Main Street Lenders Grant is available at <https://www.njeda.com/main-street-lenders-grant/>