



**CITY OF MOBILE, ALABAMA
COMMUNITY PLANNING & DEVELOPMENT DEPARTMENT**

Small Steps to Success

A LOAN PROGRAM FOR MICRO-ENTERPRISES

Community Planning & Development Department
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SMALL STEPS TO SUCCESS LOAN PROGRAM

A. Program Summary

The *Small Steps to Success Loan Program* is an alternative loan program for micro-enterprise businesses (commercial enterprises that have five or fewer employees, one or more of whom owns the business) that will promote economic development in distressed areas of the City or economic opportunities for individuals who are low to moderate-income (LMI). The Program is meant to benefit new or existing micro-enterprises that cannot qualify for traditional bank loans but have the capacity to repay loans at a modest interest rate.

The following is a brief description of the program. Specific guidelines are available from the City's Community Planning and Development Department.

B. Source of Funds

"Small Steps to Success" is funded by the Community Development Block Grant (CDBG) funds, granted to the City of Mobile by the U.S. Department of Housing and Urban Development (HUD).

C. Eligible Applicants (24-CFR 570.208)

TO be eligible, a Borrower must meet at least one of the following national CDBG objectives:

- His or her business serves all residents in an area of Mobile that is at
- His or her business serves all residents in an area of Mobile that is at least 51% LMI; or
- At least 51% of the business' owners and employees are LMI; or
- The business will create or retain jobs for LMI individuals.

D. What types of businesses are eligible?

The Small Steps to Success Loan Program is a good fit for micro-enterprises that maintain low overhead. Examples include, but are not limited to the following;

- Photography
- Seamstress or Tailor Shop
- Daycare
- Painter
- Cosmetology
- Construction Trade
- Barber Shop
- Auto Mechanic
- And many other service industry or home-based micro-enterprises

E. Eligible Uses of Loan Proceeds

Loans may be used for:

- Testing a product or business idea
- Starting a new micro-enterprise or expanding an existing micro-enterprise
- Marketing a micro-enterprise
- Purchasing equipment, inventory and supplies
- Licensing fees
- Other cost associated with growing and sustaining the micro-enterprise

F. Funding Options/Type of Loan

Loans are amortized (paid over time). Repayment terms depend upon the amount borrowed. Loans fall into three categories.

- Loans to an individual business owner.
- Co-lender Loans- A loan to more than one borrower (all borrowers are individually responsible)
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- Third-party guaranteed Loans- Another party guarantees the loan if the primary borrower(s) defaults.

1. Loan Amounts

Loans are available in the amount of \$2,500 up to \$50,000 annually. (The City may consider loan request over \$50,000.00 if the applicant demonstrates a strong need and realistic Business Plan.)

2. Loan Terms

The following table summarizes the payment schedule for the Small Steps to Success Loan Program for micro-enterprises:

AMOUNT	MAXIMUM TERM
\$ 2,500 - \$ 5,000	12 Months
Up to \$ 10,000	12 - 24 Months
Up to \$ 20,000	18 - 36 Months
\$ 25,000 - \$ 50,000	60 - 120 Months
Over \$ 50,000	60 - 120 Months

G. Interest

Interest rates will be between 1% to 4% depending on the borrower's financial status and credit rating.

H. Loan Security

The City will secure its interest, up to the amount of the loan, and shall record its security interest in documents recorded in the Mobile County Probate court. Collateral security may be required depending upon the amount borrowed.

Note: Applicants are encouraged to seek legal review of all loan documents.

I. Disclaimer

All funding decisions made under these guidelines shall be made solely at the discretion of the City of Mobile. The City in no way represents or warrants to any All funding decisions made under these guidelines shall be made solely at the discretion of the City of Mobile. The City in no way represents or warrants to any applicant, investor, lender, or any other party that a business activity funded by the City is, in fact, feasible or viable.

The City reserves the right to place special conditions on approved loans.

The City reserves the right to modify or waive, on a case-by-case basis for good cause, any condition of these guidelines that is not mandated by the 24 CFR Part 570.208.

The City reserves the right to exchange information with other local, state and federal allocating agencies and with other parties as deemed appropriate. By submitting an application for a loan, the applicant is acknowledging and agreeing to this exchange of information.

J. Default

If funds are expended by a business that is terminated before complete repayment, all expended funds shall become immediately due and payable and shall include any accrued interest. If borrowers fail to timely make loan payments, the City shall exercise any and all of its contractual rights under the loan documents and Alabama law.

K. Loan Application and Evaluation

Loan Application Process

- **Public Hearing**

At least one public hearing will be held to disseminate information, provide copies of loan applications and to address any and all questions.

- **Application Review**

A City Loan Review team will review applications, solicit additional information, if needed, and make recommendations to the CPD Department. All applicants will be notified of the City's funding decisions by U.S. mail.

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- **Commitment Letters and Loan Closing**

Commitment letters containing any conditions of which must be met before loan closing shall be mailed to successful applicants for signature.

Application Contents

Applicants will be asked to include a business plan and outline of a business idea, a personal financial statement, an income and expense

statement, last year's personal and/or business tax returns, valid state and local business license, and a valid photo ID.

All completed loan applications will be evaluated. Incomplete applications will not be considered.

L. Loan Closing

Once loans have been approved and commitment letters accepted, the City's Economic Development Coordinator will arrange for and coordinate the loan closing.

M. Equal Credit Opportunity Disclosure

The City shall comply with the Federal Equal Credit Opportunity Act which prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided that applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, D.C. 20580.

EXHIBIT I

SECTION 3

What is Section 3?

Section 3 is a provision of the Housing and Urban Development (HUD) Act of 1968 that helps foster local economic development, neighborhood economic improvement, and individual self-sufficiency. The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

How does Section 3 promote self-sufficiency?

Section 3 is a starting point to obtain job training, employment and contracting opportunities. From this integral foundation coupled with other resources comes the opportunity for economic advancement and self-sufficiency.

- Federal, state and local programs
- Advocacy groups
- Community and faith-based organizations

How does Section 3 promote homeownership?

Section 3 is a starting point to homeownership. Once a Section 3 resident has obtained employment or contracting opportunities they have begun the first step to self-sufficiency.

Remember, "It doesn't have to be fields of dreams". Homeownership is achievable. For more information visit HUD.gov.

Who are Section 3 residents?

Section 3 residents are:

- Public housing residents or
- Persons who live in the area where a HUD-assisted project is located and who have a household income that falls below [HUD's income limits](#).

Determining Income Levels

- Persons who live in the area where a HUD-assisted project is located and who have a household income that falls below [HUD's income limits](#).

Determining Income Levels

- Low income is defined as 80% or below the median income of that area.
- Very low income is defined as 50% or below the median income of that area.

What is a Section 3 business concern?

A business that:

- Is 51 percent or more owned by Section 3 residents;
- Employs Section 3 residents for at least 30 percent of its full-time, permanent staff; or
- Provides evidence of a commitment to subcontract to section 3 business concerns, 25 percent or more of the dollar amount of the awarded contract.

What programs are covered?

Section 3 applies to HUD-funded Public and Indian Housing assistance for development, operating, and modernization expenditures.

Section 3 also applies to certain HUD-funded Housing and Community Development projects that complete housing rehabilitation, housing construction, and other public construction.

What types of economic opportunities are available under Section 3?

- Job training
- Employment
- Contracts

Examples of Opportunities include:

Accounting	Electrical	Marketing
Architecture	Elevator Construction	Painting
Appliance repair	Engineering	Payroll Photography
Bookkeeping	Fencing	Plastering
Bricklaying	Florists	Plumbing
Carpentry	Heating	Printing Purchasing
Carpet Installation	Iron Works	Research
Catering	Janitorial	Surveying
Cement/Masonry	Landscaping	Tile Setting
Computer/Information	Machine Operation	Transportation
Demolition	Manufacturing	Word processing
Drywall		

Who will award the economic opportunities?

Recipients of HUD financial assistance will award the economic opportunities. They and their contractors and subcontractors are required to provide, to the greatest extent feasible, economic opportunities consistent with existing Federal, State, and local laws and regulations.

Who receives priority under Section 3?

and regulations:

Who receives priority under Section 3?

For training and employment:

- Persons in public and assisted housing
- Persons in the area where the HUD financial assistance is spent
- Participants in HUD Youth build programs
- Homeless persons

For contracting:

- Business that meet the definition of a Section 3 business concern.

How can businesses find Section 3 residents to work for them?

Businesses can recruit Section 3 residents in public housing developments and in the neighborhoods where the HUD assistance is being spent. Effective ways of informing residents about available training and job opportunities are:

- Contacting resident organizations, local community development and employment agencies
- Distributing flyers
- Posting signs
- Placing ads in local newspapers

Are recipients, contractors, and subcontractors required to provide long-term employment opportunities, not simply seasonal or temporary employment?

Recipients are required, to the greatest extent feasible, to provide all types of employment opportunities to low and very low-income persons, including permanent employment and long-term jobs.

Recipients and contractors are encouraged to have Section 3 residents make up at least 30 percent of their permanent, full-time staff.

A Section 3 resident who has been employed for 3 years may no longer be counted towards meeting the 30 percent requirement. This encourages recipients to continue hiring Section 3 residents when employment opportunities are available.

What if it appears an entity is not complying with Section 3?

There is a complaint process. Section 3 residents, businesses, or a representative for either may file a complaint if it seems a recipient is violating Section 3 requirements on a HUD-funded project.

Will HUD require compliance?

Yes, HUD monitors the performance of contractors, reviews annual reports from recipients, and investigates complaints. HUD also examines employment and contract records for evidence that recipients are training and employing Section 3 residents and awarding contracts to Section 3 businesses.

How can Section 3 residents or Section 3 business concerns allege Section 3

awarding contracts to Section 3 businesses.

How can Section 3 residents or Section 3 business concerns allege Section 3 violations?

You can file a written complaint with your [local HUD Field Office](#).

A written complaint should contain:

- Name and address of the person filing the complaint
- Name and address of subject of complaint (HUD recipient, contractor or subcontractor)
- Description of acts or omissions in alleged violation of Section 3
- Statement of corrective action sought i.e. training, employment or contracts