

BEDC DEBT CONSOLIDATION MICRO-LOAN PROGRAMME

SCOPE, PROCESS, & PRODUCT DETAILS

About the Debt Consolidation Micro Loan

BEDC can offer debt consolidation micro loans to small businesses up to a maximum of \$20,000. A total of \$200,000 has been allocated to this initiative.

The Debt Consolidation Micro Loan, a bridge product to BEDC's initial pure business development microloan, was created in line with BEDC's dialogue with small businesses over the last 3 years. Many communicated that, primarily due to the recent recession, such a product would be helpful to consolidate small debts, reduce their carrying costs, and thereby increase business cashflows.

What is the purpose of the BEDC Debt Consolidation Micro Loan?

The Debt Consolidation Micro Loan is designed to assist existing businesses with consolidating business back debts between \$5,000 and \$20,000.

General Conditions:

- The back debt must have been accumulated within the last 3 years
- Evidence of back debt related payment plans and/or evidence of attempts to repay as best as possible may be required

The details of the Debt Consolidation Micro Loan are as follows:

- Approved loans are granted unsecured, in other words, without the need for collateral.
- As BEDC will be providing an unsecured credit facility, all loans will be thoroughly vetted and if granted, will be structured in ways to enable approved applicants to successfully fulfill their loan obligations.
- Repayment terms between 9 and 24 months.
- Applications are processed by the BEDC Officers and all funds are loaned from BEDC to the client directly. BEDC processing, approval and disbursement within 15 business days from receipt of full application with all required documentation.
- 5.0% interest rate
- Application fee – \$200 or 2% of loan whichever is greater; payable at application submission
- Credit check fee - \$50 payable at application submission

Economic Empowerment Zone Businesses and Island Vendors

- 4.5% interest rate
- Application Fee – \$150 or 1.5% of loan whichever is greater; payable at application submission
- Credit check fee - \$50 payable at application submission

Who can apply?

The Micro Loan product is available to all small and medium sized businesses island wide, including vendors and those businesses located in a designated Economic Empowerment Zones.

The BEDC defines a small business as per the Act with at least three of the following:

- Bermudian owned, managed and operating locally
- Annual gross payroll not exceeding \$500,000

BEDC DEBT CONSOLIDATION MICRO-LOAN PROGRAMME

SCOPE, PROCESS, & PRODUCT DETAILS

- Annual sales revenues of less than \$1,000,000
- Less than 10 employees
- Not dominant in the industry

The BEDC defines a medium-sized business as per the Act with at least three of the following:

- Bermudian-owned & owner-operated business enterprise
- Gross annual revenues between \$1 million and \$5million
- Annual payroll between \$500K and \$2.5 million
- Minimum of 11 and a maximum of 50 employees
- In operation for a minimum of 10 years
- Net Assets of less than \$2.5 million

Although open to all businesses who meet the criteria, BEDC desires to expose Bermuda's small business to the unique opportunities arising during this time. As such, small businesses will be given priority.

Application Process

If you apply for a Debt Consolidation Micro Loan you will be required to provide BEDC with relevant information (i.e. personal financial information, business plan/profile, financial statements, cash flow projections, etc.).

The following Micro Loan Checklist will be able to guide you on the specific information required.

Checklist:

1st step:

Complete a Debt Consolidation Micro Loan Application Form and provide a copy of your ID. Passport preferred. Provide the required application fee at the time the application is submitted. Register your business with BEDC.

2nd step:

Provide BEDC with a complete business plan/business profile providing information about the history and future of the business, as well as management accounts (i.e. income statement, balance sheet and 12-month forward cash flow statement with assumptions). BEDC has templates of most of these items and can email the template requirements package for your completion. Provide any signed business contracts and/or revenue generating agreements to support application.

3rd step:

Complete a BEDC Personal Financial Statement and provide Bank Statements. BEDC has a template for this item. Also provide 6 months of bank statements for the business.

4th step:

Submit documentation to attest to the location of your business (i.e. lease, etc.) and where any permissions or licenses are required, please submit copies. If you are a vendor, please provide some confirmation of where you will be vending and a copy of your current vending license.

BEDC DEBT CONSOLIDATION MICRO-LOAN PROGRAMME SCOPE, PROCESS, & PRODUCT DETAILS

5th step:

Submit detailed listing of all payables to be consolidated. Note that all copies are to be on business letterhead to verify the legitimacy of the back debt payable.

6th step:

Your Officer will meet with you to discuss the details of your application and gain further insight into your business.

7th step:

Should you be approved, you will be required to sign a BEDC Loan Agreement as well as a Standing Order Agreement with your bank to ensure payments to BEDC are automatically deducted.

8th step:

The BEDC will then pay the vendors who are owed the back debts directly via direct deposit and provide you with evidence of all payments totaling the total amount of the BEDC back debt loan.

9th step:

After payment of all back debts, BEDC then schedules the first follow up meeting with you to take place within 2 weeks of the date of dispersed funds. The Officer will check in bi-monthly with you by phone and meet with you every month for the first 6 months and then quarterly for the life of the loan.

Further Details

Additional information can be obtained by contacting the BEDC directly at 292-5570 or by email at info@bedc.bm. Further details are also available on the BEDC website, www.bedc.bm.

BEDC DEBT CONSOLIDATION MICRO-LOAN PROGRAMME

SCOPE, PROCESS, & PRODUCT DETAILS

Application Info	General Small and Medium-Sized Businesses	EEZ and Vendor Businesses
Application Scope	General island-wide clients including EEZs and Vendors	
Type of Applicant	<ul style="list-style-type: none"> Any small or medium-sized business except those located in an EEZ No Vendors 	<ul style="list-style-type: none"> EEZ clients and island-wide vendors
Purpose	<ul style="list-style-type: none"> Business back debt consolidation 	Same
Minimum Loan	<ul style="list-style-type: none"> \$5,000 	Same
Maximum Loan	<ul style="list-style-type: none"> \$20,000 	Same
Loan Interest Rate	<ul style="list-style-type: none"> 5.0% 	<ul style="list-style-type: none"> 4.5%
Application Form	<ul style="list-style-type: none"> Must be filled out completely, accurately and signed by all owners of the business if more than one owner. 	Same
Application and Processing fee	<ul style="list-style-type: none"> Application Fee - \$200 or 2% of loan whichever is greater to be paid when application submitted 	<ul style="list-style-type: none"> Application Fee - \$150 or 1.5% of loan whichever is greater to be paid when application submitted
Monthly Repayment Terms:	<ul style="list-style-type: none"> 9 to 24 months 	Same
Security	<ul style="list-style-type: none"> None / unsecured 	Same
Approval Processing Times	<ul style="list-style-type: none"> 15 business days for BEDC approval from receipt of full application 2 business days for funds disbursements once approved 	Same
Maximum # of applications	<ul style="list-style-type: none"> \$200,000 has been allocated to this program on a first start basis; the maximum number of applicants will be determined within this aggregate amount of program funding. Unlimited once prior loan has been paid off successfully. 	Same

BEDC DEBT CONSOLIDATION MICRO-LOAN PROGRAMME SCOPE, PROCESS, & PRODUCT DETAILS

Application Info	General Small and Medium-Sized Businesses	EEZ and Vendor Businesses
Restrictions	<ul style="list-style-type: none"> Debt Consolidation Micro Loan product is a needs-based product It is not to be used by those businesses that have access to liquid assets 	Same
Early Relocation Penalty	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Early relocation from an EEZ prior to repayment of the loan results in an increase in the loan payment to account for the 0.5% interest differential.
Default Penalty	<ul style="list-style-type: none"> Default of payment of the loan as per the terms and conditions will incur an increase in the interest rate of the loan to double the loan interest rate. 	Same
Approval Process	<ul style="list-style-type: none"> The BEDC loan officer will work with the applicant to ensure all documents and plans are in order and then make a recommendation to the BEDC Microloan Committee 	Same
Loan Contract	<ul style="list-style-type: none"> Signed by the applicant, guarantor and BEDC once the loan is approved and the application fee is paid. 	Same
Loan Agreement	<ul style="list-style-type: none"> BEDC will prepare and execute the loan agreement A bank standing order for direct payments to BEDC will also be set up 	Same
Location of Business	<ul style="list-style-type: none"> Must submit documentation to attest to location of business and where permission/licenses are required, they are received. 	Same

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Identification	<ul style="list-style-type: none"> • Demonstrates that the applicant is Bermudian • Passport ID preferred • If non-Bermudian is a partner, the Bermudian must hold the controlling interest and a copy of the partnership agreement must be submitted 	Same
Credit Check	<ul style="list-style-type: none"> • Credit check to be conducted 	Same
Business Plan or at minimum Business Profile	<ul style="list-style-type: none"> • Providing information about the history and future of the business on a prepared template • Provide any signed contracts and/or agreements to support loan amount 	Same
Back Debts	<ul style="list-style-type: none"> • Detailed listing of back debts to be paid on individual business letterheads. • Invoices as back up should be provided. 	Same
Personal Financial Statement	<ul style="list-style-type: none"> • Personal financial details of each owner of the business. 	Same
Business and Personal References	<ul style="list-style-type: none"> • 1 business and 1 personal reference • Must not be related to applicant 	Same
Bank Statements	<ul style="list-style-type: none"> • 6 months of business bank statements required 	Same
Financial Information/Cash Flow Statement	<ul style="list-style-type: none"> • Required to submit at least the last 6 months of management accounts (Profit & Loss / Balance Sheet) • Required to submit forward Cash Flow Schedule (12 months) 	Same
Processing	<ul style="list-style-type: none"> • BEDC Officers check in with client weekly and meet with client twice per month 	Same