

NEW HAMPSHIRE HEALTH AND EDUCATION
FACILITIES AUTHORITY

DIRECT LOAN AND DIRECT LOAN PLUS PROGRAM POLICY GUIDELINES
(as amended through 03/19/15)

This policy statement is adopted by the Board of Directors to express the Board's position regarding the Direct Loan and Direct Loan PLUS Program ("Program"). The Program is funded with fees collected by the Authority from borrower institutions of the Authority. No state monies are used in the Program.

PURPOSE:

The purpose of the Program will be to provide loans at a below market rate for qualified institutions for the purchase of capital equipment, the acquisition of real estate, construction or renovation of facilities, refinancing of existing debt or other matters as determined by the Board. Proceeds of loans made to eligible borrowers shall be used in a manner consistent with the uses of proceeds applicable to Borrowers under the Authority's tax-exempt bond, note and lease programs.

GUIDELINES:

1. In order to keep costs as low as possible, documentation will be standardized.
2. Loan terms will be limited to a five-year amortization.
3. For a Direct Loan, the Authority's minimum loan amount will be \$10,000 and its maximum shall not exceed \$100,000 per institution. For a Direct Loan PLUS Loan, the maximum shall not exceed \$200,000 per institution. The aggregate maximum amount that an institution may borrow under the Program is \$200,000. The aggregate maximum amount that an institution may borrow under this Program and the Authority's Capital Loan Program is \$600,000.
4. The Authority loan interest rate will be a fixed rate for the term of the loan. The fixed rate applicable to the Program loans will be established by the Authority annually and the rate applicable to a given loan will be the rate in effect as of the date on which the loan is closed.
5. The loans will be administered by the Authority. There will be no bank involved.
6. The loans will include customary financing provisions, such as penalties for late payment, regular financial reporting requirements, security interests in real and/or personal property, and other loan terms typical in a commercial loan.

7. Any institution that is qualified to borrow from the Authority through the Authority's tax-exempt bond, note or lease programs under RSA 195-D or 195-E is eligible to be a borrower under this Program.

8. Any institution wishing to participate in the Program shall fill out an application in substantially the form attached hereto as Exhibit 1 (as the same may be revised from time to time) for a Direct Loan or Exhibit 2 for a Direct Loan PLUS Loan (as the same may be amended from time to time).

9. Any institution wishing to participate in the Program shall agree to authorize a direct debit from their account by the Authority for the amount of the monthly loan payments.

10. Approval of a loan request by the Board of Directors will expire on the six month anniversary of the Board vote to approve the loan request. If the loan is not closed within that time period, another loan application and approval by the Board of Directors is required.

11. Unless otherwise waived by the Board, the program is limited to the financing of capital assets which are to be located and used within the State of New Hampshire or if a vehicle, registered in the State of New Hampshire.

12. There will be no fee charged by the Authority.

SELECTION OF BORROWER FOR A DIRECT LOAN:

The Board of Directors or a committee appointed by the Board of Directors shall select the borrowers under the Program. In making its decisions, the Board or such committee shall consider, among other things, the following guidelines, and shall assign to each such guideline such weight as the Board or such committee in its sole discretion shall deem appropriate:

- a) Likelihood of repayment;
- b) Borrower's relative need;
- c) Purpose of the loan relative to the Authority's mission;
- d) The extent and type of benefits provided to citizens of the State of New Hampshire;
- e) Dollar amount requested;
- f) Availability of other financing or grants;
- g) Impact of the loan on the Borrower's ability to perform its mission; and
- h) Other Authority loans that have been made to the Borrower.

SELECTION OF BORROWER FOR A DIRECT LOAN PLUS LOAN:

In addition to the above guidelines, the Board or such committee shall consider, among other things, the following guidelines with respect to borrowers who wish to obtain

a Direct Loan PLUS Loan, and shall assign to each such guideline such weight as the Board or such committee in its sole discretion shall deem appropriate:

- i) Three years of positive net income;
- j) Positive cash flow sufficient to support debt service;
- k) Unrestricted endowment;
- l) Unencumbered real estate property or sufficient collateral to secure loan;
- m) An existing bond issue;
- n) Operating budget greater than \$1,000,000;
- o) Debt service coverage ratio of 1.2 or better;
- p) In addition to the above, the Board will consider any other information regarding an institution that it deems relevant.

INVESTMENT:

The Program assets held by the Authority shall be invested at all times in accordance with the Investment Policy adopted by the Board at its meeting of December 19, 1991.

The Board may suspend, terminate or amend the program at any time or cap the funds available under the program.

ADOPTION:

This policy may be amended at any time with the written approval of a majority of the Board of Directors.

The foregoing Direct Lending Policy Guidelines which were originally adopted unanimously by the Board of Directors of the New Hampshire Health and Education Facilities Authority at the meeting on April 16, 2009 reflect all amendments through March 19, 2015 to date.

Amended March 21, 2013
Amended January 15, 2015
Amended March 19, 2015

3/19/15
HEFAdocs/Direct Loan Program