

The **Federally Qualified Health Center ("FQHC") Loan Program** was designed to provide start-up FQHCs with funding at a lower interest rate than available by conventional bank borrowing. Currently, there are no plans for any new FQHCs in the foreseeable future, but this funding will continue to be available if the situation changes.

At the December 2014 Authority meeting the **NJHCFFA** has *increased the scope* of the **FQHC Loan Program** to include providing direct loans to qualified FQHCs that wish to **upgrade or expand** their operations.

The **Expanded FQHC Direct Loan Program** would be set up very similarly to the existing program for start-up FQHCs:

1. Loan **repayments will not exceed ten years**, depending on the project, amount and financial information provided by the borrower;
2. Interest rate will be set at a **monthly variable interest rate of 200 basis points over** the previous month's interest rate paid by the New Jersey Cash Management Fund;
3. **Maximum loan amount will not exceed \$2,000,000**, based on availability of funds;
4. Security for the loan will be in the form of a first, parity or second mortgage and/or a first, parity or second lien on the gross revenues or accounts receivable of the FQHC.

New aspects of the expanded FQHC direct loan program are proposed as follows:

1. A **\$250 non-refundable application fee** payable to the Authority for its work evaluating the loan application;
2. A **\$250 closing fee** payable to the Authority for due diligence and documenting the loan; and
3. A **75 basis point annual fee** based on the outstanding balance of the loan payable to the Authority for monitoring the loan and processing requisitions of loan proceeds.

The **FQHC Loan Process** is a quick and simple process:

- Borrower requests an application
- Submitted application is reviewed by the Authority staff
- Due diligence process is completed
- Loan approval is requested at an Authority meeting
- The loan closes

In order to initiate review of an application, FQHCs must provide:

1. Detailed explanation of the purpose of the loan, including the requested amount and the specific use of loan proceeds;
2. Three most recent years of audited annual financial statements;
3. Quarterly unaudited financial statements for the stub period;
4. Utilization statistics for previous three years;
5. Current year's budget;
6. Proof of FQHC's Section 330 status and any license or permits required;
7. Copies of title, mortgage and/or lease for any property(ies) where the loan proceeds are expected to be used;
8. Proof that the applicant has submitted to the Department of Human Services, Division of Medical Assistance and Health Services (the "Division"), a change in scope of service application in accordance with N.J.A.C. 10:66-1.5(e)vi for any proposed expansion (if it is deemed that a change in scope of service application to the Division is necessary, no loan funds will be disbursed until an acknowledgment of receipt of a completed change in scope of service application by the Division);
9. Evidence that the FQHC has been in substantial compliance with all applicable State and federal requirements for at least one year prior to the request for the loan;
10. Proof that the applicant is currently in good standing under its letter of agreement with the Department of Health;
11. Three years of financial and utilization projections showing current trends without the expansion and WITH the expansion (may be shorter if the loan is for a shorter period);
12. Documentation from any existing loans or grants;
13. Curriculum vitae for key staff including the Chief Executive Officer, Chief Operating Officer (if any), Chief Medical Officer and Chief Financial Officer;
14. A list of the Board of Directors of the FQHC;
15. The FQHC's letter from the IRS indicating it is a 501(c)(3) organization; and
16. A \$250 non-refundable application fee.

### **What can the Program offer your FQHC organization?**

- Low interest rates for organizations with short-term operational history or limited past financial data
- Security provided through a mortgage and/or a lien on the gross revenues or accounts receivable
- Straightforward and uncomplicated prepayment terms