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# New Markets Tax Credits Deal

## Alternative Healthcare Provider Becomes an Owner

### **Deal Location**

Northern New Jersey

### **Borrower Profile**

The borrower in this deal is a business that provides alternative healthcare systems for patients. The healthcare provider offers a range of services to patients, including non-invasive treatment of muscles, chiropractic care, meridian therapy and nutritional counseling.

### **Area of Economic Distress**

This deal is located in a CDFI Hot Zone, with a Median Family Income of 74.7%.

### **Description of the Deal**

The borrower in this deal had been leasing a business condominium space for over four years. When the possibility arose to purchase the space, the borrower saw an opportunity for additional stability to the business. With the new ownership, the borrower can transform the space into a permanent facility for his alternative healthcare equipment and operation.

### **Loan purpose and features**

The purpose of this loan was to provide permanent financing for the purchase of a business condominium.

### **Benefits to the Borrower**

This deal allowed the borrower to purchase the building, moving from renting to owning. This ownership provides additional stability to the borrower by controlling occupancy costs.

The combination of a lower interest rate and longer amortization term translates into a lower debt payment for the borrower. Under CRF's non-NMTC loan purchase program, the borrower would have a \$15,000 annual debt service. However, with the benefit of NMTC, the borrower's debt service is only \$12,000 annually. Overall, the NMTC allows the borrower to save \$3,000 annually with a total savings of \$21,000 over the seven year compliance period, keeping cash in the business to support growth.

### **Benefits to the Lender**

This deal provides the lending partner, a non-profit CDFI loan fund, the ability to provide additional financing on a much larger scale and to earn fee income for originating the loan.

### **Benefits to the Community**

This deal allows a community business the opportunity for further success and growth. In addition, the nature of the business provides the community with an alternative form of healthcare services.

### **Terms of the Loan**

Loan Amount: \$144,000

Payment: \$1021.44

Term: 25 Years

Collateral Type: First Mortgage on a Commercial Property

Value of Collateral: \$175,000

LTV: 82%

Owner Occupancy: 100%

Closing Date: February 2005

### **Strengths of the Deal**

This business has been operating for over five years, and has shown steady growth in revenues. Also, the use of alternative methods of treatment has increased over the past decade, increasing demand for the business's services.