

# Lifecycle of a SNAP Loan

Potential SNAP borrowers and banks frequently ask: “What can we expect going into a SNAP Loan transaction?” SNAP Loan participants can expect to experience three stages of the SNAP Loan: the Preparation Stage; the Application Stage; and the Closing Stage (and beyond).

**Preparation Stage:** When a nonprofit has plans to acquire or build a building, it usually spends a substantial amount of time exploring the plan with its Board of Directors and other stakeholders. It explores possible sources of funds, including grants, donations, and financing options. If financing is an option, a nonprofit may be able to obtain a lower interest rate than would otherwise be available by borrowing through the SNAP Loan program.

A nonprofit (or bank) interested in financing a SNAP Loan project contacts the OFA Executive Director to discuss the project and its viability for SNAP Loan financing. If the project appears to qualify for the program, the OFA Executive Director will arrange for OFA’s Financial Advisor to discuss with the nonprofit the issues that frequently arise in financing in general, and with SNAP Loan financing in particular. The nonprofit will usually approach the bank with which it has an existing relationship to explore financing, and many nonprofits also conduct an RFP process to assess how other banks would approach the financing. Bank selection marks the transition to the next stage of the process.

**Application Stage:** The first event in the Application Stage is the selected bank’s hosting of a “scoping call” with the nonprofit, bank, OFA Executive Director, SNAP Loan Counsel and a representative of the Office of the State Treasurer (OST). On this call, the team discusses the project, the terms of the bank loan, and the proposed financing schedule. This call allows the team to identify and clarify tax or other issues that could arise in the transaction. After most scoping calls, the OFA Executive Director invites the nonprofit to make an application to OFA for SNAP Loan financing, and together the nonprofit and the bank prepare an application to be submitted at an upcoming OFA Board meeting. At that meeting, the nonprofit and the bank explain the project and the financing plan to OFA’s Board and answer questions from the Board. If the OFA Board grants preliminary approval, the financing team will prepare the bank and loan documents, and complete the tax due diligence process. Throughout this stage, the bank works with OFA to coordinate the efforts of the financing team. When the loan documents are in substantially final form, and all business issues have been resolved, OFA’s Executive Director will schedule the nonprofit and bank to appear at an OFA Board meeting to request final approval.

Typically, a transaction will be ready for final approval two months from the meeting at which preliminary approval is given. For example, if preliminary approval is given in May, final approval would typically be requested in July. (If difficult issues arise, however, the process can take longer.) Nonprofits and banks that are experienced in the SNAP Loan financing process may be able to receive a conditional final approval in one meeting, under certain circumstances.

**The Closing Stage (and beyond):** Once final approval is granted, and OST gives its final approval to issue the bond, the financing team will close the transaction, usually in the same month as final approval is granted. Closing occurs at the offices of SNAP Bond Counsel. From closing onward, the SNAP Loan will seem, to the nonprofit, very much like any commercial loan with a bank. Annually, OFA asks each SNAP nonprofit to certify that it is following the tax and other rules relating to the loan, and twice yearly OFA asks the bank to confirm the outstanding balance on the loan. If amendments are needed to the loan at a later date, the bank, nonprofit and OFA will work together on these to achieve the goals of the nonprofit and bank.

*OFA’s Executive Director and SNAP Loan Counsel are available throughout these stages to assist nonprofits and banks with the SNAP Loan Financing process. Potential SNAP Loan borrowers and banks are encouraged to contact the OFA Executive Director to discuss projects and financing plans and to ask questions about the process.*

