



Sources of Funds Documentation

NEIGHBORHOOD OPPORTUNITY FUND

ONLINE TOOLKITS

What does 'sources of funds documentation' mean?

Part of your NOF application includes showing how much money you have prepared for your project. In other words, the NOF wants to see how much financing for your project you have ready, and what kind of financing it is, in order to get a sense of the assistance you would need.

Important Notes:

- **Documentation must be from valid sources.** The NOF can't accept unverifiable documentation (such as photos of cash or checks), and your sources of funds must be able to be substantiated (by a bank, for example).
- **You do not need to have full funding at the time of your application.** Applicants who meet eligibility criteria outside financing may be placed in the NOF Project Pipeline and designated 'pipeline applicants.' Pipeline applicants may be paired with a Community Development Financial Institute (CDFI) for assistance improving certain readiness factors, especially financing, and are encouraged to reapply.

This toolkit will walk you through the documentation you are required to submit with your NOF grant application to show how much and what kind of financing you have available for your project.

Eligible Documentation

The following are common types of documentation submitted by NOF applicants to show prepared funding:

- ✓ **Bank statement(s) for funds you will dedicate to the business or project**
- ✓ **Bank statement(s) from an investor's account**
- ✓ **Closing documents for loans, such as:**
 - **Commitment letters** (*note: commitment letters are only accepted at the application stage*)
 - **Promissory notes**
 - **Loan agreements/term sheets**

Ineligible Documentation


Types of ineligible documentation include, but are not limited to:

- ✗ **Letters of intent (LOIs) from lenders.** LOIs do not offer enough security to be an adequate source of funds.
- ✗ **Letters from financiers.** Letters from financiers (including family or friends who intend to contribute funding to your NOF project) are not sufficient as there is no proof that the funding actually exists.
- ✗ **Photos of checks and/or photos of cash.** All documentation submissions must be from verifiable and substantiated sources.

The following are examples of eligible types of documentation

Bank Statement

- The statement must document money that will be dedicated to your project
- Make sure any sensitive information (like account and routing numbers) are redacted. **However, the statement must clearly show:**
 - The account holder's full name
 - The dates the statement is documenting
 - The total amount of funds that are in the account
- The statement must be compiled from the bank itself, indicated by the bank's letterhead or logo

 Your Local Bank, N.A. 1010 Bank Street Chicago, IL, 60604	August 15, 2024 through September 15, 2024 Account Number: [REDACTED]		
John Jones Jones Bakery LLC 123 W. Main Street Chicago, IL 60620			
ACCOUNT SUMMARY FOR THIS PERIOD			
	AMOUNT		
Beginning Balance	\$59,474.62		
Deposits and Additions	2,539.66		
Other Withdrawals, Fees & Charges	-3,748.62		
Ending Balance	\$58,265.66		
TRANSACTION DETAIL			
DATE	DESCRIPTION	AMOUNT	BALANCE
	Beginning Balance		\$59,474.62
08/16	[REDACTED]		
08/17	[REDACTED]		
08/21	[REDACTED]		
08/27	[REDACTED]		
08/28	[REDACTED]		
09/02	[REDACTED]		
09/04	[REDACTED]		
09/09	[REDACTED]		
09/15	[REDACTED]		
Total Deposits and Additions			\$58,265.66

Note: there is no standard format, the above is just an example

Loan Commitment Letter

- A commitment letter, unlike a letter of intent, is an agreement between a lender and a borrower that the loan will enter underwriting
- The letter must clearly show:
 - The borrower's full name and/or the business or project's name
 - The loan amount
 - The use of funds
 - A firm and final closing date
- The letter must be an official document from the lender, indicated by the lender's letterhead or logo



LETTER OF COMMITMENT

June 27, 2024

John Jones
Jones Bakery, LLC
123 W. Main Street
Chicago, IL 60620

Dear Mr. Muhammad:

Community Capital is pleased to offer you this commitment for the purpose of construction buildout of property. The terms of the commitment are as follows:

Loan Amount:	\$50,000
Borrower:	Jones Bakery, LLC, John Jones, Individually
Use of Funds:	To support construction costs of property located at 123 W. Main Street Chicago, IL 60620
Interest Rate:	3% Fixed Blended Rate, during initial term
Term:	5 Years
Amortization:	10 Year
Repayment:	Monthly Principal and Interest of \$966.30
Fees:	3% origination fee (\$1,500) + 3rd Party fees (\$21 UCC filing fee, \$200 Mortgage Filing Fee)
Collateral:	First lien security interest in all business assets
Closing Date:	July 20, 2024

This commitment shall expire on September 30, 2023. Should the transaction not close by the expiration date stated herein, this commitment shall be considered null and void.

Sincerely,

Sarah Brown

Sarah Brown
President, Community Capital

Note: there is no standard format and the above is just an example of a first page

Closing Documents and Promissory Note

- Closing documents outline the terms of the loan
- A promissory note is the part of closing documents that outlines payments on the loan from the borrower to the lender
- Closing documents typically include:
 - Loan amount
 - Interest rate
 - Repayment schedule
 - Collateral (if applicable)
 - Any conditions the borrower must meet
 - Default terms
 - Fees and penalties
- Closing documents and promissory notes must be on the lender's official letterhead



DATE	June 27, 2024		
TO	John Jones	FROM	CDFI Representative
SUBJECT	Term Sheet for Jones Bakery, LLC		

We are pleased to outline the proposed terms for a Patient Capital Loan to Jones Bakery, LLC for discussion purposes. The term sheet is provided in order for all parties to discuss the loan structure and pricing being considered. It is mutually understood that this term sheet does not constitute a commitment to lend.

Borrower:	Jones Bakery, LLC
Ownership Structure:	John Jones - 100% owner
Loan Amount:	\$88,000
Loan Term:	36 Months
Loan Purpose:	Start up costs, purchase equipment and closing costs and fees
Loan Disbursement:	Non-Revolving, Multiple Disbursement Loan, funds disbursed as needed within 90 days of loan closing.
Loan Interest Rate:	12.50% fixed per annum
Repayment:	Interest Only Payments for three months. Principal and interest based upon an 84 month amortization thereafter.
Prepayment Penalty:	None
Origination Fee:	3.00% of \$88,000 (\$2,640), payable at closing from loan proceeds.
Loan Loss Reserve:	3.00% of \$88,000 (\$2,640) Payable at closing from loan proceeds.
Estimated Closing Costs:	\$2,500 payable at closing from loan proceeds.
Collateral:	First lien security interest in all business assets
Guarantor:	An unlimited and unsecured guarantee from John Jones



Thank you!

If you still cannot find the answers you're looking for, don't hesitate to contact us at NOF@cityofchicago.org.