

**COMMUNITY DEVELOPMENT BLOCK GRANT RLF SUMMARY (fund A)**

**PURPOSE:**

1. To induce private sector investment into businesses to expand productivity and create new permanent jobs.
2. To provide bridge (gap) financing when necessary, working in partnership with the private commercial lending market.
3. To foster job retention.
4. To stabilize and diversify Washburn County's economic base.

**ELIGIBLE APPLICANTS:**

1. A sole proprietor or Chief Executive Officer of any business wishing to establish a new business operation or expand an existing operation in Washburn County.

**INELIGIBLE APPLICANTS:**

1. Speculative investment companies
2. Real estate investment companies
3. Lending institutions
4. Gambling operations
5. Non-public recreation facilities
6. Other businesses not serving the interest's of the community.

**ELIGIBLE ACTIVITIES:**

1. Acquisition of land, buildings, and fixed equipment.
2. Site preparation, construction and reconstruction of buildings, installation of fixed equipment.
3. Removal of structures, and rehabilitation of buildings.
4. The payment of public utility assessments if directly related to creating or retaining jobs.
5. Working capital (inventory and direct labor costs only).

**INELIGIBLE ACTIVITIES:**

1. Refinancing or consolidating of existing debt.
2. Reimbursement for expenditures prior to loan approval.
3. Specialized equipment that is not essential to the business operation.
4. Residential building construction or reconstruction

5. Routine maintenance
6. Professional services such as market studies, accounting, management services, and other similar services, except Legal service incurred in closing of a RLF loan.
7. Other activities that the WCIDA Board may identify during administration of the program.

**LOAN REQUIREMENTS:**

1. One FTE position must be created or retained within Washburn County for every \$20,000 of RLF funds loaned.
2. A minimum of 51% of the jobs created shall be made available to low and moderate-income persons.
3. The applicant must leverage a minimum of \$1.00 of private funds for every \$1.00 of loan funds requested.
4. Financial feasibility and business viability must be demonstrated.
5. The project must be completed within 24 months from the date the RLF loan is approved. The applicant must provide the WCIDA with a project implementation schedule not exceeding 24 months for both project completion and job creation. Jobs created must be maintained for 24 month.

**FINANCING TERM AND CONDITIONS (MINIMUM STANDARDS):**

1. Loan amounts: subject to the availability of program funds and applicants ability to repay.
2. Interest rates: Established by the WCIDA Board. Current interest rate is equal to the prime rate published in the Wall Street Journal. Loan interest rate is set for 5 years – after 5 years the WCIDA Board may adjust the interest.
3. Loan Terms:
  - a. Working Capital loans – maximum of 7 years.
  - b. Machinery, equipment, and fixtures – maximum of 10 years.
  - c. Real estate loans – maximum of 12 years, which can be amortized over 20 years with the option of refinancing for an additional 8 years.
  - d. In all cases, the RLF loan shall not have a term longer that the term of the other private financing in the project.
  - e. Terms may include longer amortization schedules with “balloon payments”. The Amortization schedules shall be set up for monthly payments.

- f. If merited in the loan application, payments of interest and/or principal may be deferred during the implementation period. Interest shall accrue during the deferment period and may be paid in full or added to the principal amount of the loan. Following the deferral period, interest and principal shall be paid monthly for the remaining term of the loan.**
- g. There shall be no prepayment penalties.**
- h. Collateral: The WCIDA Board will seek to have the best possible collateral position possible to ensure the RLF loans are adequately secured.**

**FMHA RLF SUMMARY (fund B) & UNRESTRICTED RLF (fund C)**

**PURPOSE:**

1. To induce private sector investment into businesses to expand productivity and create new permanent jobs.
2. To provide bridge (gap) financing when necessary, working in partnership with the private commercial lending market.
3. To foster job retention.
4. To stabilize and diversify Washburn County's economic base.

**ELIGIBLE APPLICANTS:**

1. A sole proprietor or Chief Executive Officer of any business wishing to establish a new business operation or expand an existing operation in Washburn County.
2. Municipalities within Washburn County.

**INELIGIBLE APPLICANTS:**

1. Speculative investment companies
3. Real estate investment companies
4. Lending institutions
5. Gambling operations
6. Non-public recreation facilities
7. Other businesses not serving the interest's of the community.

**ELIGIBLE ACTIVITIES (fund C, and maybe fund B):**

1. Acquisition of land, buildings, and fixed equipment.
2. Site preparation, construction and reconstruction of buildings, installation of fixed equipment.
3. Removal of structures, and rehabilitation of buildings.
4. The payment of public utility assessments if directly related to creating or retaining jobs.
5. Working capital (inventory and direct labor costs only).
6. Refinancing or consolidation of existing debt
7. Reimbursement for expenditures prior to loan approval.
8. Business Façade improvements and building renovation.

9. Professional services such as feasibility and marketing studies, accounting, management services, legal services, and other similar services.
10. Public Works projects including the purchase of lands for industrial parks.
11. Specialized equipment that is not essential to the business operation.
12. Residential building construction or reconstruction
13. Routine maintenance

**INELIGIBLE ACTIVITIES:**

1. Loan request that the WCIDA Board of Director may identify as “Not meeting”, and/or “Not within” the limits of the WCIDA Mission Statement, goals, and objective of the RLF’, or “Not meeting” the needs of the community.

**LOAN REQUIREMENTS:**

1. The applicant must leverage a minimum of \$1.00 of private funds for every \$1.00 of loan funds requested.
2. One FTE position created, or retained, within the County for every \$20,000 of WCIDA funds loaned.
3. Financial feasibility and business viability must be demonstrated.
4. The project must be completed within 24 months from the date the RLF loan is approved. The applicant must provide the WCIDA with a project implementation schedule not exceeding 24 months for both project completion and job creation. Jobs created must be maintained for 24 month.

**FINANCING TERM AND CONDITIONS (MINIMUM STANDARDS):**

1. Loan amounts: subject to the availability of program funds and applicants ability to repay.
2. Interest rates: Established by the WCIDA Board. Current interest rate is equal to the prime rate published in the Wall Street Journal. Loan interest rate is set for 5 years – after 5 years the WCIDA Board may adjust the interest.
3. Loan Terms:
  - a. Working Capital loans – maximum of 7 years.
  - b. Machinery, equipment, and fixtures – maximum of 10 years.
  - c. Real estate loans – maximum of 12 years, which can be amortized over 20 years with the option of refinancing for an additional 8 years.
  - d. In all cases, the RLF loan shall not have a term longer that the term of the other private financing in the project.

- e. Terms may include longer amortization schedules with “balloon payments”. The Amortization schedules shall be set up for monthly payments.**
- f. If merited in the loan application, payments of interest and/or principal may be deferred during the implementation period. Interest shall accrue during the deferment period and may be paid in full or added to the principal amount of the loan. Following the deferral period, interest and principal shall be paid monthly for the remaining term of the loan.**
- g. There shall be no prepayment penalties.**
- h. Collateral: The WCIDA Board will seek to have the best possible collateral position possible to ensure the RLF loans are adequately secured.**

## **MICRO LOAN FUND PROGRAM SUMMARY (fund D)**

### **PURPOSE:**

To provide short term, fixed rate, low down payment, low interest financing for business located in or wishing to locate in Washburn County. To aid small businesses, including those owned and operated by women, minorities, or other economically disadvantaged persons.

### **TARGETED BUSINESSES:**

1. Technology and manufacturing business
2. Service business
3. Others
4. Businesses that are underserved and to those where the prospect of obtaining conventional financing could be difficult.

### **ELEGIBLE PROJECTS:**

1. Used to assist small and emerging private businesses. Generally businesses which employ 12 or fewer new employees; has less than \$500,000 in projected gross revenues; has or will utilize technological innovation and commercialization of new products that can be produced or manufactured in rural areas.
2. If approved by the Board, the fund can be used to retain employees.
3. The business must be 75% owned by a permanent resident of the United States.
4. Commercial nurseries, timber operations, or limited agricultural production related to technical assistance projects.
5. Standards to achieve other economic benefits:
  - Linkage of borrowers with the areas existing economy
  - Multiplier effect on jobs and economy
  - Export potential
  - Women and minority business enterprises
  - Technology innovation
  - Growth potential of company

### **INELIGIBLE PROJECTS AND USE OF FUNDS:**

1. Speculative investment companies
2. Real Estate investment companies
3. Gambling operations
4. Non-public recreational facilities
5. To produce agricultural products.

6. To finance comprehensive (area-wide) planning. Planning cost for specific projects qualify.
7. Loans to third party applicant
8. To fund part of a project, unless there is a written commitment from the other lenders in the project.

**FINANCING STRUCTURE:**

1. Preferred loan size of \$500 - \$15,000
2. Term: Up to 3 years on relocation-remodeling, and eligible soft cost such as engineering, appraisals, and architectural fees. Based on need, payments of principal may be delayed for a period of time – determined by the WCIDA Board.
3. The WCIDA Board shall determine interest rate.
4. Equity requirement of borrower is 5% of the total cost on existing business, or 10% of cost of new business.
5. Collateral will be adequate to secure the loan.
6. If necessary, terms of an active loan may be restructured or modified to insure repayment.
7. The interest earned on loans will be used to cover administrative cost. The WCIDA reserves the right to charge a service fee if interest income is not sufficient to cover administrative costs.

**OTHER REQUIREMENTS:**

1. A market feasibility study may be required of a new business.

## **INTERMEDIARY RELENDING PROGRAM (RLF) SUMMARY (fund E)**

### **PURPOSE:**

**To alleviate poverty and increase economic activity and employment in rural communities, especially disadvantaged and remote communities**

### **ELIGIBLE APPLICANTS:**

- 1. Business ventures including corporations, partnerships, proprietorships, LLC's.**
- 2. Government Units including cities, villages, townships, regional authorities, non-profit entities, and tribal authorities.**

### **ELIGIBLE PROJECTS:**

- 1. Industrial/commercial developments**
- 2. Small business expansion**
- 3. Small business start-ups**
- 4. Community Infrastructure and Facilities**
- 5. Medical facilities, Training/Educational facilities**
- 6. Tourism projects**

### **QUALIFIED FINANCING:**

- 1. Fixed asset-financing including: Land, buildings, manufacturing equipment, office and work equipment, and infrastructure improvements.**
- 2. Working capital financing: Available in a limited amount only in conjunction with other RLF financing.**

### **INELIGIBLE ACTIVITIES FOR RLF FINANCING:**

- 1. Refinancing of existing debt, or payment to business owners or partners; Projects without supplemental financing.**
- 2. Activities determined to be for investment purposes.**
- 3. Agricultural production costs.**
- 4. Vehicle used for general purposes or for personal use.**
- 5. Projects that are primarily working capitals with limited security; Construction projects of an individual residential nature.**
- 6. Illegal activities and legalized activities that in the opinion of the WCIDA Board of Directors adversely affects RLF interests.**
- 7. Any project were in the judgment of the WCIDA Board of Directors a conflict of interests exists, could be created, or could appear to be a conflict of interest.**

#### **FINANCING STRUCTURE:**

- 1. Not more than 30% of the total amount that is needed for a project. Maximum amount loaned is \$150,000. Minimum amount loaned is \$5,000.**
- 2. 15% owner equity is required, with the balance of the project financed through other sources.**
- 3. Interest rates will be set by the Loan review Committee with the maximum interest rate equal to the prime rate as published in the Wall Street Journal on the date of loan closing. The minimum interest rate will be 2.5%.**
- 4. Servicing fees will be no more than 1% per year of the outstanding loan balance on the first day of each year of the loan. The loan recipient will reimburse the WCIDA for closing costs, legal cost, and all other third party cost associated with processing and closing the loan.**
- 5. Loan maturities: As general guidelines, loan term will be:**
  - a. Buildings – 10 years**
  - b. Real Estate – 10 years**
  - c. Equipment – 7 years of the depreciable life of the asset.**
  - d. Working Capital – 3 years**

#### **REPAYMENT TERMS:**

**Will not exceed 10 years, although fixed interest rates are only set for 5 years. Loans exceeding 5 years will be extended for an additional 5 years after the initial 5-year period. The interest rate will be reviewed and continued assuming the loan has been maintained in a proper manner.**

#### **LOAN SECURITY:**

- 1. Generally security will consist of a first lien position on real property. If the same collateral is used in a joint financing situation the RLF may require a parity position with the other lenders.**
- 2. Other types of security may include:**
  - a. Letters of credit from an acceptable financial institution**
  - b. Machinery and equipment, which have a developed market**
  - c. Accounts receivable and inventory for short term loans**
  - d. Securities issued by the Federal Government**
- 3. Personal guarantees from partners or stockholders will be required for all corporate or partnership loans where equity requirements are not fully met by cash.**
- 4. Loan recipients will be required to maintain fire and flood insurance if necessary of secured assets. In some cases, credit life or key man insurance will be required with the RLF as the loss payee.**

## **FUND F –RURAL MICROENTREPRENEUR LOAN FUND (2010) GUIDELINES**

### **PURPOSE:**

To support the development and ongoing success of rural Washburn County microentrepreneurs and micro enterprises (businesses generally with ten (10) or fewer employees in need of financing in the amount of \$50,000 or less). The USDA/RD Microentrepreneur Revolving Loan Fund will be used for relending purposes these eligible small businesses.

### **ELIGIBLE APPLICANTS:**

1. New or existing small (10 or fewer employees) business ventures including corporations, partnerships, proprietorships, LLC's.

### **ELIGIBLE PROJECTS:**

1. Industrial/Commercial Development
2. Small Business Expansion
3. Small Business Start-Ups
4. Tourism Projects
5. Refinancing for Purposes of Other Loan, Including RLF Loans that are in Good Standing

### **QUALIFIED FINANCING:**

1. Fixed asset-financing including: Land, buildings, manufacturing equipment, office and work equipment, and infrastructure improvements.
2. Working capital financing.
3. Refinancing of existing debt.

### **INELIGIBLE ACTIVITIES FOR RLF FINANCING:**

1. Activities determined to be for investment purposes.
2. Agricultural production costs.
3. Vehicle used for general purposes or for personal use.
4. Projects that are new construction whether industrial or commercial projects.
5. Housing or residential projects.
6. Illegal activities and legalized activities that in the opinion of the WCIDA Board of Directors adversely affects RLF interests.
7. Any project were in the judgment of the WCIDA Board of Directors a conflict of interests exists, could be created, or could appear to be a conflict of interest.

**FINANCING STRUCTURE:**

1. Not more than 75% of the total amount that is needed for a project. Maximum amount loaned is \$50,000. Minimum amount loaned is \$5,000.
2. 25% owner equity is required, with the balance of the project financed through other sources.
3. Interest rates will be set by the Loan review Committee with the maximum interest rate equal to the prime rate as published in the Wall Street Journal on the date of loan closing. The minimum interest rate will be 2.5%.
4. Servicing fees will be no more than 1% per year of the outstanding loan balance on the first day of each year of the loan. The loan recipient will reimburse the WCIDA for closing costs, legal cost, and all other third party cost associated with processing and closing the loan.
5. Loan maturities: As general guidelines, loan term will be:
  - a. Existing facility purchase or upgrade – 10 years
  - b. Real Estate (property for business and industry – 10 years
  - c. Equipment – 5-7 years of the depreciable life of the asset
  - d. Working Capital – 5 years
  - e. Refinancing of existing business related debt 5 - years

**REPAYMENT TERMS:**

Will not exceed 10 years, although fixed interest rates are only set for 5 years. Loans exceeding 5 years will be extended for an additional 5 years after the initial 5-year period. The loan will be reviewed by the Board and they will provide recommendations on term options and interest rates to be charged.

**LOAN SECURITY:**

1. Generally security will consist of a first lien position on real property. If the same collateral is used in a joint financing situation the RLF may require a parity position with the other lenders.
2. Other types of security may include:
  - a. Letters of credit from an acceptable financial institution
  - b. Machinery and equipment, which have a developed market
  - c. Accounts receivable and inventory for short term loans
  - d. Securities issued by the Federal Government
  - e. Owner equity/cash
3. Personal guarantees from partners or stockholders will be required for all corporate or partnership loans where equity requirements are not fully met by cash.
4. Loan recipients will be required to maintain fire and flood insurance on secured assets. In some cases, credit life or key man insurance will be required with the RLF as the loss payee.