

VAN WERT AREA ECONOMIC DEVELOPMENT

# Revolving Loan Fund Program

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What you need to know about this financing option

## I. Standards for the RLF Portfolio

### A. Eligible Loan Types

Fixed Assets: RLF loans may be used for the acquisition and/or improvement of land, buildings, machinery and equipment, including new construction or renovation of existing facilities, demolition, and site preparation. Equipment must have at least a five-year life.

Working Capital: RLF funds may be used for working capital loans, but this is limited to 30 percent of the total RLF program cash income, unless prior written approval is received from OCD. Waivers may be requested to exceed the 30 percent cap.

Other CDBG Eligible Activities: Waivers may be requested from OCD to use RLF funds as grants for CDBG-eligible activities. A national objective must still be met. An example is a downtown renovation project.

### B. Ineligible Loan Activities

The following types of loans are ineligible for RLF assistance:

1. Financing of existing debts, non-capital equipment and training costs.
2. Financing of a project that involves a relocation of an industry or business from one area of the State of Ohio to another. Upon approval from the State, exceptions may be made if the relocation will demonstrate long-term job creation, and/or that the business or industry will demonstrate to the satisfaction of the State, that the operation cannot be continued in the existing location.
3. Financing speculative projects or buildings.
4. Financing of speculative activities such as land banking.
5. Financing of historically uncompetitive or unsuccessful ventures.
6. Financing of projects with unresolved environmental problems.
7. Financing of projects that do not involve proper patent rights, licenses, permits, certifications, etc.
8. Providing financing for businesses with a history of civil rights violations, or unfair labor practices, which are not otherwise willing to offer equal employment opportunity.
9. Providing financing to businesses which have the capacity to secure the needed funding through conventional terms.
10. Providing financing to businesses which are not current with taxes or other loans.
11. Providing financing to businesses with collection liens, judgments or with an unresolved bankruptcy.
12. Providing financing to projects which cannot demonstrate an ability to repay the loan, are intra-family transactions, or involve illegal activities.

### C. Loan Review Criteria

1. "Appropriate" Analysis and National Objective Compliance  
All RLF loans must meet the criteria of being "appropriate" and must meet a national objective of the CDBG program by ensuring that jobs are available to and/or taken by persons from LMI households. The necessary national objective checklist and the "appropriate" checklist along with explanations as required for compliance can be found within the Program Income Policies and Procedures Guidelines found within Appendix IB.

## 2. Job Creation

There is no minimum job creation level, but, each RLF loan should produce at least one (1) new or retained permanent, full-time equivalent (FTE) job for each \$25,000 of RLF program investment. This ratio should be as low as possible.

## 3. Job Creation for Persons from LMI Households

At least 51 percent of the permanent, FTE job opportunities created or retained must be made available to persons from LMI households. Job creation must occur within 24 months from project completion. (The project should be completed within 12 months of loan approval.) Appendix III contains the details regarding this policy and job tracking.

## 4. Required Leverage

Within the ED RLF Program, each RLF dollar must leverage at least another dollar of other public or private investment (including equity and contributed equity) in the project's total costs.

## 5. Required Equity

Within the ED RLF Program, the owner/borrower must invest at least 10% in cash equity toward the projects' total costs; however, this may vary depending on project.

## 6. Private Financing

Within the ED RLF Program, at least 50% of a project's total costs must be privately financed; this may include the owner/borrower's equity. The RLF Program is not to compete with private commercial financing, but exists to fill a gap in funding.

## 7. Eligible Applicants

This RLF program is available to any private for-profit enterprise with an eligible project that demonstrates compliance with all the policies contained within this RLF plan.

## 8. Equal Opportunity

No applicant may be denied a loan on the basis of race, color, national origin, religion, age, handicap, sex, or familial status.

## 9. Special Targeting Criteria

Although this program is available to any business which can demonstrate compliance with the standards and policies of this program, all other considerations equal, preference will be given to businesses and projects which meet one or more of the following criteria:

- a) Minority or women business enterprises.
- b) Businesses which offer proportionately high opportunities to persons of low- and moderate-income.
- c) Businesses which demonstrate a high growth potential.
- d) Businesses and/or projects which would not create additional competition for existing local industry.
- e) Businesses and/or projects which would create a high level of employment generation and local tax revenue.

- f) Businesses and/or projects that would prevent the loss of a significant number of job opportunities.
- g) Businesses and/or projects that would provide a direct linkage with other local job training or placement programs.
- h) Businesses and/or projects that involve pollution abatement.

#### 10. Prevailing Wage Rates

Applicants for RLF assistance must agree to pay federal prevailing wages on construction or installation of any part of a project funded with the RLF dollars. Documentation will be required and a labor interview may be conducted during the project period.

## II. Financing Policies and Techniques

### A. *Loan Size/Additional Loans*

**Revolving Loan Fund - There are no minimum or maximum loan amounts. For a business which has an open RLF loan to obtain an additional RLF loan, it must have successfully completed the initial project, reached its job creation commitment, and demonstrated compliance with all other terms of the loan agreements.**

**ED Loan – There is a \$100,000 minimum and \$480,000 maximum for any project with at least 5 full-time equivalent jobs being created.**

### B. *Equity Requirements*

Typically, 10% of the total project costs must be furnished by the principals or owners as equity; however, this may vary depending on project.

### C. *Interest Rate and Term*

The interest rate to be charged depends upon the financing needs of the business for the project. The RLF Committee may, at its option, stipulate within the note that, if the project becomes more profitable than projected (i.e. sales actually are twice what was projected in the pro-forma), then the interest rate on the outstanding balance could be adjusted upward. Or, a reduced term could be considered in special circumstances.

### D. *Repayment*

**Monthly payments will be required to repay ED RLF loans. A late payment charge of 5% of the monthly payment amount will be required for all payments that are 25 or more days late. All CDBG-ED RLF loan repayments (program income -including principal and interest) must be placed in the County of Van Wert RLF account. The RLF account funds must, at all times, remain with the County, as opposed to any administering agency.**

### E. *Special Financing Techniques*

To meet unique financial and credit needs of a business, special financing techniques may be offered. These include deferral of principal repayments for a period of time, deferral of both principal and interest payments for a period time if absolutely necessary, subordination of loans to primary and secondary lenders, and/or the use of "balloon" payments at the end of a shortened term. These types of techniques may be applied where the credit analysis determines that such special terms are necessary for the project to proceed successfully.

*F. Security for RLF Loans*

All RLF loans must be secured with a mortgage, security agreement, promissory note, and/or other assignment of rights in the assets of the assisted business, and/or the personal assets of the owners, to sufficiently protect the RLF loan. To the maximum extent possible, all RLF loans shall be additionally secured by personal and/or corporate guarantees for project completion and loan repayment.

In the event that it is determined that it is necessary or desirable to take actions to protect or further the interests of the RLF, actions will be taken to sell, collect, liquidate, or otherwise recover the funds extended by the RLF, in accordance with the legal rights of the borrower and the lender.

*G. Moving of Operations Assisted by an RLF Loan*

The loan agreements shall stipulate that if the business moves the subject operations from the geographic limits of the County, the RLF loan will be due and payable in its entirety.

*H. Application and Closing Fees*

A non-refundable application fee of \$25.00 to be paid prior to committee presentation, and closing costs of \$100.00 for loans under \$50,000 and .25% of loans over \$50,000 with a maximum of \$500, payable prior to loan closing, to cover application processing, loan administration and other related project costs.

*I. Submission of RLF Report Forms to OCD*

OCD must be notified in writing at least two weeks in advance of any closing of any RLF loan. Such notification shall utilize the form provided in Appendix V, (Loan Review Report Form or Infrastructure Review Report Form), and the loan closing shall not proceed until approval is received.

*J. Loan Commitments*

Loan commitments will be provided to prospective borrowers only after all program requirements, including the national objective and appropriate determination, have been met, documented, and approved by the RLF Committee in an open session, and fully recorded in the minutes. A typed document must be sent to the company stating that the loan has been approved and any loan conditions.

*K. Access to Information*

Participation in the RLF program requires that the business receiving assistance agree to provide access to project information that is necessary to determine that the RLF dollars (and other project dollars) have been expended properly and that projected accomplishments have been achieved. Businesses must submit invoices/receipts for all expenditures included in the total project cost, including those paid with bank proceeds and equity. Businesses may also be required to submit copies of annual financial statements or other similar information.

*L. Restructuring Loans*

The RLF Committee may consider requests to restructure loans, and may take prudent and reasonable steps toward ensuring that the RLF project and business stay viable, and that jobs that were created are maintained.

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# Revolving Loan Fund Program Application

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Van Wert Area Economic Development  
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Van Wert, Ohio 45891  
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In cooperation with the County of Van Wert

STRICTLY CONFIDENTIAL

**NOTE:** This Revolving Loan Fund (RLF) Program Application is designed to provide information regarding a proposed project for either ED RLF or MicroEnterprise financing. From the information provided, a decision will be made as to which source of funds are attainable. The application must be complete as to avoid delays in the process. A \$50 non-refundable fee is due with submission. Checks can be made payable to the Van Wert Revolving Loan Fund Program.

I. Type of State Assistance Desired (if not known, leave blank)

**MicroEnterprise Loan Funds**

- Up to 100% of total project cost not to exceed \$35,000 if funds are available. Must be income eligible.

**ED Revolving Loan Funds**

- Up to 50% of total project cost with 15% private investment and a minimum of 5% new owner equity required. Must create (1) FTE job per \$25,000 borrowed.

**CDBG Funds Direct Through the State of Ohio (OCD)**

- Same as above with job creation minimum of 5 and can only be applied to fixed asset portion of project. \$35,000 min.

Project Type:

- € Start-Up - Less than 2 years old
- € Expansion - New product or service /Construction
- € Retention – Building improvements /Machinery and Equipment

Type of Business

Principal Product/Service

II. Name of Applicant /Borrower (s)

Name of bank(s) in which applicant/business has existing accounts

Street Address of Applicant/Borrower (s)

Bank Name

Location

Telephone/Email of Applicant/Borrower (s)

Contact

Telephone

Name of Business

Bank Name

Location

Street Address of Business

Contact

Telephone

City

State

Zip

Did you meet with your Bank to discuss the Project? If so, when?

Township

County

Did you meet with an Accountant to discuss the Project? If so, when?

Telephone

Website/Email

Did you meet with an Attorney to discuss the Project? If so, when?

Federal Tax Identification Number

Did you meet with a Business Counselor on your Project? If so, who?

Date Established

Describe Project:

Business Structure

Percent of Ownership

Name and Title

Percent of Ownership

Current Number of Employees

Number of Jobs to Be Created within 24 months if loan is received

Will these jobs be retained? \_\_\_\_\_

Full - Time

Full-Time

Part - Time

Part-Time



**I. Project Cost/Use of Funds (round to nearest hundred)**

	Total	Loan Program	Borrower	Private Lender (Bank)	Other Public (Please identify)
Land Acquisition	_____	_____	_____	_____	_____
Building	_____	_____	_____	_____	_____
New Construction	_____	_____	_____	_____	_____
Infrastructure (sewer, gas, electric)	_____	_____	_____	_____	_____
Leasehold Improvements	_____	_____	_____	_____	_____
Machinery/Equipment Acquisition	_____	_____	_____	_____	_____
Inventory Purchase	_____	_____	_____	_____	_____
Working Capital	_____	_____	_____	_____	_____
Purchase Existing Business	_____	_____	_____	_____	_____
Other (Explain) _____	_____	_____	_____	_____	_____
<b>Total Project Costs</b>	_____	_____	_____	_____	_____

**Collateral Summary**  
(list assets that will be available for collateral)

Item	Fair Market Value	Existing & Future Liens	List all Owners of Collateral	(X) Attach verification of collateral (appraisal)
Business Land & Building				€
Business Machinery & Equipment				€
Personal Residence				€
Personal (Other)				€
Personal (Other)				€
Personal (Other)				€

**Time Frame**                  Project Start \_\_\_\_\_                  Job Creation Start \_\_\_\_\_

   Project Complete \_\_\_\_\_                  Job Creation Complete \_\_\_\_\_

**Project Impact**

	Most Current Year End 20 _____	Expected Results of the Project	
		Year One 20 _____	Year Three 20 _____
Annual Sales Revenue	\$ _____	\$ _____	\$ _____
Current Employment	_____	_____	_____
New Jobs Created	_____	_____	_____
Annual Pay Per Full-Time Employee	\$ _____	\$ _____	\$ _____

Historical Financial Information for Existing Business

	20____	20____	20____	Interim ____month
Annual Sales Revenue	\$ _____	\$ _____	\$ _____	\$ _____
Depreciation	\$ _____	\$ _____	\$ _____	\$ _____
Earnings Before Tax	\$ _____	\$ _____	\$ _____	\$ _____
Profit After Tax	\$ _____	\$ _____	\$ _____	\$ _____

Submit the following information, if applicable, with your **Revolving Loan Fund Program Application**.

	RLF Use Only	
Three years of Historical Financial Statements for Existing Business (Balance sheet, P&L)	yes	no
Three years of Projected Financial Statements for Existing Business (Balance sheet, P&L)	yes	no
Interim Financial Statements for Existing Business (not more than 90 days old)	yes	no
Business Plan with Description of New Project ( <i>reference Business Plan Outline in packet</i> )	yes	no
Business Licenses, Registrations, Articles of Incorporation	yes	no
Independent Project Cost Estimates ( <i>quotes</i> )	yes	no
New Construction ( <i>building plans, scope of work, quotes-federal prevailing wages apply</i> )	yes	no
<u>Proposed</u> Contracts ( <i>construction contracts, purchase or lease agreements</i> )	yes	no
Resume' and Copy of Driver's License for Borrower(s)	yes	no
Credit Report of Borrower(s) ( <i>&lt;30 days old and 3 agencies</i> ) <a href="http://www.annualcreditreport.com">www.annualcreditreport.com</a>	yes	no
Personal Financial Statement of Borrower(s) ( <i>form in loan packet</i> )	yes	no
Bank Statements of Borrower(s) ( <i>last 2 months</i> )	yes	no
Tax Returns of Borrower(s) ( <i>last 2-3 years, W-2s, current paystubs</i> )	yes	no
12-Month Cash Flow Projections ( <i>month by month</i> )	yes	no
Letter of Intent or Credit Denial Letter from Private Lender	yes	no
Job Creation Verification Form ( <i>form in loan packet</i> )	yes	no

Submission Acknowledgement:

As an authorized agent of the applicant business, I hereby submit this loan application. I understand that any false statement in this record may subject the applicant business and signer to criminal prosecution. I also understand that this application is for financial assistance through the Van Wert Revolving Loan Fund Program. I understand that additional information may be requested. I also understand that this document in no way constitutes a commitment to funds by the State of Ohio, Van Wert County, City of Van Wert and any of its loan programs. I also understand that no portion of the project may begin prior to State approval of funding.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

Please read; then place initials in box provided:

Upon approval of loan, a fixed interest rate and loan term will be established. The rate will not exceed the current prime lending rate and the term will be based on the use of funds. A personal guaranty of the borrower(s) is required. Prior to loan closing, background checks are required on all business start-ups. Loan closing costs are .25% of the loan amount with a minimum of \$25 and maximum of \$500. All loan applicant information is held strictly confidential; however, the Revolving Loan Fund Program is subject to the Ohio Revised Code Public Records Policy.