



**Buchanan County Economic Development Commission (BCEDC)
Revolving Loan Fund (RLF)
Business Growth Loan
Program Guidelines**

Approved: October 23, 2018

***An economic development tool that is designed
to offer financial assistance to new and expanding
businesses in Buchanan County, Iowa***



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Buchanan County Economic Development has an established revolving loan program to grow and maintain the economic base of Buchanan County by assisting new and expanding small businesses. The University of Northern Iowa's Small Business Development Center (SBDC) has agreed to support this program by providing technical

assistance to the applicant and assisting in evaluating requests for funding. The program is funded through grant dollars earned from the United States Department of Agriculture's Rural Development program and other state and local economic development funding programs.



Note: The Buchanan County Economic Development Commission will determine the level of funding available for the program on a continual basis

The **Buchanan County Economic Development Commission (BCEDC) Revolving Loan Fund (RLF)** is intended to provide supplemental financing in support of new or expanding businesses located within Buchanan County through loans or loan guarantees.

The Program will make loans or loan guarantees for the following purposes:

- *To increase employment opportunities by increasing the number and type of businesses located within Buchanan County.*
- *To offer financial assistance that will promote the retention and expansion of existing businesses with operations in Buchanan County.*
- *To increase the local property tax base of the communities of Buchanan County*
- *To diversify the community's economic composition by encouraging unique or essential business startups and expansions in Buchanan County.*
- *To encourage entrepreneurship throughout Buchanan County.*

Funded projects must have the objective to make investment into the community's tax base, create and retain permanent jobs or provide a unique service within the communities of Buchanan County, Iowa.

The University of Northern Iowa's Small Business Development Center's (SBDC) role with this program is to provide resources and guidance to the Program applicants. Examples of SBDC assistance include, but are not limited to, developing a business plan, seeking other matching funds, networking, etc.



Program Requirements

The Program will provide direct loans, or loan guarantees, to new or expanding small businesses located, or locating, in Buchanan County, Iowa. The amount of the loan and other terms will be determined for each project individually, based on demonstrated need and the availability of funds.

All applications must satisfy the following minimum requirements to be eligible for assistance:

- The applicant must consult with Buchanan County Economic Development's *loan officer* prior to submitting a BCEDC Revolving Loan Fund application. Applicant may be required to visit a representative with the University of Northern Iowa's Small Business Development Center or another local entrepreneurial development organization such as SCORE, US Small Business Administration or Entrepreneurial Development Center.
- The project must be located within Buchanan County or one of the incorporated cities of the county.
- The typical maximum request per project is \$25,000 and cannot exceed more than 20% of available loan program funds. Typically, loans will not be less than \$5,000. The maximum allowable repayment schedule for any loan cannot exceed seven years. The interest rate on the loan will be 3%. The loan review committee will determine the amount and term for the loan on the project.
- Loan payments will initiate six months after the loan papers have been signed, at which time interest on the loan will begin to accrue.
- The Program typically shall not constitute more than one-third of the financing for any project. There must be evidence of adequate private equity. The equity must be in the form of cash from the owners/investors, must be at least 10% of the total project financing, and must be injected into the project after the application has been approved. Bank financing from a Buchanan County financial institution is encouraged. There must be evidence that Program Money is necessary to make the proposed project feasible. There are several ways in which to prove need for the funding, including but not limited to: a financing gap, credit history, capital availability or locational incentive.
- The applicant must be a private for-profit business enterprise, and must be able to demonstrate that it can, if a loan commitment is made, continue as a sustainable business in the foreseeable future without any additional or ongoing below market rate financial assistance. This is accomplished with projected financial statements.
- The majority owner of the company must be either a citizen of the United States or reside in the United States after being legally admitted for permanent residence.
- Applications by members of the Buchanan County Economic Development Commission, its Loan Review Committee, Staff and their immediate family members shall be ineligible for funding.
- The project must conform to the county and/or city zoning requirements, and other applicable federal, state, and local codes and regulations.
- The project does not produce growing agricultural products, other than commercial nurseries and others detailed in the USDA RLF Guidelines for BCEDC.

Evaluation Criteria

The following criteria are used to evaluate applications:

- A \$50 application fee shall be submitted with each application. Costs associated with processing the application (e.g. credit report fees, UCC and lien search fees, filing security documents, filing legal documents fees, etc.) shall be the responsibility of the applicant. The Loan Review Committee may waive or amend this fee structure.
- The overall reliability, feasibility and quality of the application materials.
- The need for Program monies exhibited through balance sheets, income statements, cash flow projections and personal interview with the BCEDC *loan officer*.
- Applications with the greatest anticipated economic impact for the community shall receive greatest priority. Preference for consideration will include local employment conditions, resultant new economic activity, the quality of jobs potentially created, project schedule, property tax enhancement, and exporting of goods and services outside the Cedar Valley Region.
 - If job creation is required for the project, that will be detailed in the agreement.
- The total program funds requested, desired term, desired interest rate and percent of the total financial package are key considerations.
- Refinancing or restructuring of existing loans typically will not be considered.
- Availability of collateral on the loan.
 - Security shall consist of the lien available on real estate, equipment, inventory, etc. The discounted value of the security (using typical lender discount rates) shall equal or exceed the value of the loan. ***The Loan Review Committee may require personal guarantees and/or co-signors to the documents.***
- The Loan Review Committee may require the proposed project be presented to them by the prospective business owner or her/his representative. Applicant presentation shall be at the discretion of the Loan Review Committee.
- The Loan Review Committee may require written feasibility studies, business plans, market studies, etc. as appropriate for the business type.
- In accordance with Federal law and U.S. Department of Agriculture policy, the Loan Review Committee will not discriminate on the basis of race, color, national origin, sex, religion, age, disability, or marital or family status.
- The Loan Review Committee will be responsible for determining priorities of application to be funded. Eligibility of applicants will typically be determined within 30 days of receipt of a complete application. An application will be considered complete when all information necessary for the Loan Review Committee to make a decision has been received.

Application Procedure

Printed Application Packets for assistance must be submitted to:

Buchanan County Economic Development
Attention: Revolving Loan Fund Review Committee
PO Box 109
112 First Street East
Independence, Iowa 50644

BCEDC staff will review the application for completeness and accuracy. After review, the application will either be returned to the applicant with deficiencies noted or forwarded to the Revolving Loan Fund Review Committee.

The Loan Review Committee will consist of the following members: *One member of the BCEDC Executive Board; One member of the remaining BCEDC Board of Directors; Two or more designees from different partner financial institutions in Buchanan County; One locally based business leader or small business consultant as appointed by the BCEDC Board Chair. The Buchanan County Economic Development Executive Director will serve as a non-voting member of the committee.*

The Loan Review Committee will have 30 days from receipt of a full and complete application to review and respond with a decision. That decision:

- Could include a request from the applicant for additional information or clarification of information submitted as part of the application. This could defer action until additional information and/or clarification is received.
- Will include a review of credit history and references provided and not provided by the applicant.
- Could include the denying of the application for consideration for funding.
- Will include the submission of the application to the Buchanan County Economic Development Commission with a recommendation for approval with, or without, conditions and suggested terms of the loan. The BCEDC will consider the Loan Review Committee's recommendations at its next regularly scheduled meeting. A special meeting could be considered if necessary.
- Could provide an approved application of the loan, with the terms and conditions recommended by the Loan Review Committee.
- If an application is denied, a written letter will be provided to the applicant outlining reasons of denial.
- After the BCEDC makes a decision, BCEDC staff will notify the applicant of the decision in writing.

NOTE: The applicant must agree to allow the Loan Review Committee to research the company's history, make credit checks, contact the company's financial institution(s) and perform other related activities necessary for reasonable evaluation of the application. In the event inaccuracies, omissions, or errors are found, the Loan Review Committee has the discretion to determine what action shall be taken.

Additional Details

If an application is recommended for approval, the applicant must sign a contractual agreement with the Buchanan County Economic Development Commission. This agreement establishes:

- The terms and conditions of the loan, including, but not limited to, interest rate, frequency of loan payments and penalties for late payments.
- Potential job creation and/or retention performance as described in the application.
- Penalties may incur for failure to meet the potential job creation or retention goals, or for relocating the business outside of Buchanan County or its incorporated communities.
- Other terms and conditions recommended by the Loan Review Committee and approved by the Buchanan County Economic Development Commission.

Program Funds are preferably secured by mortgages and/or liens against fixed assets or personal property and may be supplemented by personal guarantees. Such mortgages, liens, and/or personal guarantees may be subordinated to conventional bank financing.

The loan recipient is responsible for payment of direct costs, such as recording fees or legal costs, associated with making and/or closing the loan. Evidence of payment is required at closing.

In general, the repayment of loans will be made via equal payments over the term of the loan, such as monthly or quarterly. The due date of the first payment is negotiated on a project-by-project basis.

The project described in the approved application becomes the performance goals in the program contract documents. If the applicant fails to complete the project and/or create the potential jobs pledged, the applicant may be determined to be in breach of contract. The percentage completed may have a direct bearing upon any action taken by the Buchanan County Economic Development Commission. The Program may be subject to immediate repayment based upon the percentage of the project and/or creation of jobs not completed and penalties may be imposed.

Recipients may be required to submit at minimum semi-annual performance reports, including financial statements and information related to potential job creation to the Review Committee. All records related to the BCEDC Revolving Loan Fund program must be retained for a period of at least three years after the date upon which the final loan payment is received.

Contacts

For more information, contact:



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