



# **Arrowhead Regional Development Commission**

## **Revolving Loan Fund**

### **Purpose**

The purpose of the ARDC/RLF is to support business activities for which credit is not otherwise available on terms and conditions which would permit completion and/or the successful operation or accomplishment of the project in the seven county region of Northeast Minnesota.

The primary objective of the program is the stimulation of private investment in order to create and maintain productive, permanent employment through the establishment of new businesses or the expansion of existing businesses.

Financing provided in conjunction with this program is intended to compliment, not compete with private lending institutions. As such, securing private sector involvement is a critical factor in qualifying for this program. Loans will generally be subordinated to the interests of private sector lenders in order to encourage their involvement.

### **Other Financing Policies**

- Loan recipient must be a for-profit business.
- All loans must be adequately secured & personally guaranteed.
- All loans shall be subject to whatever agreements/documents are reasonably necessary to protect the interests of ARDC.
- Loan recipients must demonstrate that they are credit worthy.
- All recipients must demonstrate an acceptable level of job creation/retention and private sector investment.
- All loans shall be subject to the provisions of the Davis-Beacon Act with respect to prevailing wage rates.
- Applicants for RLF financing must demonstrate that credit is not otherwise available on terms and conditions which would permit completion and/or the successful operation or accomplishment of the project activities to be financed.

## *ARDC/Revolving Loan Fund*

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### **Eligible Businesses**

Priority economic sectors that are eligible for assistance through this program include:

- Aviation/Aerospace
- Manufacturing
- Renewable Resources
- Technology
- Energy
- Other

### **Leveraging Requirements**

#### **Jobs**

- Applicants must demonstrate that they will create or retain a minimum of one job per \$10,000 in ARDC/RLF assistance

#### **Private Sector Investment**

- Applicants must demonstrate that they will leverage a minimum ratio of two private sector dollars to one ARDC/RLF dollar (2 to 1).
- Applicants must also demonstrate the minimum leveraging ratio, exclusive of owner's equity investment is one private sector dollar to one ARDC/RLF dollar (1 to 1).

### **Financing Policies**

#### **Allowable Use of Proceeds**

- Minimum loan size - \$10,000
- Maximum loan size - \$250,000
- Fixed assets, including land and building purchases, building construction, leasehold improvements, and renovations (twenty year term max); and/or
- Acquisition, renovation or moving machinery and equipment (ten year term max); and/or
- Working capital (term loans only, five year max)

## **Term of Loan**

The length of any loan made by the ARDC/RLF will be based on the assets being financed.

## **Interest Rate**

Interest rates will be based on the current money center bank prime rate as quoted in the Wall Street Journal, minus four (4) percentage points, rounded up to the nearest 1/4 percentage point. Minimum interest rate of four (4) percent.

## **Fees and Charges**

### **Origination Fee**

- A 1½ percent loan origination fee will be charged to all borrowers participating in the ARDC/RLF. Such fee is to be paid only for approved loans, but must be paid at or prior to closing with the applicant's own resources.

### **Loan Servicing Fee**

- 1% per year, based on outstanding principle balance.

### **Legal Costs**

- Borrowers are responsible for legal costs incurred by the ARDC/RLF in the closing of the borrower's particular loan.

## **Application Process**

- Pre-applications are available from the Northspan Group, Inc., contracted agent of ARDC for purposes of administering the RLF. Prepare and submit pre-application to the Northspan Group (see address below). Northspan will notify applicant of project eligibility.
- Northspan staff will discuss full details of application preparation with applicant and advise if a full application is warranted.
- Prepare full application with all applicable and required exhibits and submit to address below.
- Completed full applications received no later than the 15<sup>th</sup> day of each month will be acted upon during the following month.
- Technical Advisory Committee review application and make recommendation to the Loan Review Board.
- Loan Review Board reviews and make final decision on application.
- *At any point in the review process, the application may be denied or sent back for further information.*

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