

# Areawide Business Council, Inc.

## Loan Policies

### Loan Requirements

- Primary bank lender involvement is required in the project. ABC is intended to be a subordinate secondary lender that will file the “gap” existing in a financing package.
- Applicant must provide a 10 percent (minimum) equity contribution.
- Applicant must provide evidence that a portion of the needed financing is unavailable from conventional lending sources.

### Targeting Criteria

- ABC loans will attempt to leverage \$2 in private funds for every \$1 in RLF assistance.
- Loan amounts will be determined by the number of jobs being created and/or the economic impact.
- Industrial and manufacturing projects will be given precedence over retail business projects.
- Loans will be geographically dispersed across ABC’s service area whenever possible.
- Emphasis will be given to assisting minority businesses.

### Financing Policies

- Low interest – generally less than commercial bank rates (based on project).
- Loans for fixed assets will have a maximum term of 20 years, with a possible balloon after 5-8 years.
- Loans for working capital have a maximum term of 5 years.
- Benchmark for RLF assistance is approximately \$10,000 - \$15,000 per FTE (Full-Time Equivalent job).
- Repayment schedules will generally be set up on a monthly basis. Other terms may be available.
- Personal guarantees are required from all borrowers.
- A 1 – 1 ½% loan origination fee will be charged on all loans.

### Other Considerations

The RLF is funded in part with federal grant money from the Economic Development Administration (EDA). Total capitalization of the fund is made up of funding from:

- EDA
- Dakota Horizons (with assistance from GOED)
- Corsica Development Corporation
- Yankton Area Progressive Growth
- State of South Dakota (REDI)
- Area Banks
- Community Service Block Grants
- USDA Rural Development
- Mitchell Area Development Corporation
- South Dakota Community Foundation
- Aurora & Bon Homme Counties
- East River Electric Power Coop, Inc.
- Planning & Development District III

Successful applicants will be required to comply with various state and federal regulations associated with the RLF’s funding sources, such as documenting job creation/retention and submitting periodic financial reports.