



**MICRO LOAN PROGRAM
LOCAL COMMITTEE MANUAL
JULY, 2016**



REGIONAL BUSINESS FUND, INC.

FOR MORE INFORMATION CONTACT:

**REGIONAL BUSINESS FUND, INC.
800 WISCONSIN STREET, MAIL BOX 9
EAU CLAIRE, WI 54703**

**Phone: 715-836-2918
Fax: 715-836-2886**

**TOBI LEMAHIEU, FUND MANAGER
tlemahieu@wcrpc.org
Ext. 19**

**JORDAN POSPISHIL, LENDING SPECIALIST
jpospishil@wcrpc.org
Ext. 14**

Web address: www.rbfinc.org

LOCAL COMMITTEE MANUAL

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- **Checklist for Micro Loan Committee Approval**
- **Sample Micro Loan Application**

MICRO LOAN PROGRAM

Purpose

The Micro Loan Program is designed to provide small loans to start-up, newly established, or growing small business concerns. A key objective of the program is to assist business owners, who have traditionally had difficulty accessing debt financing, by affording them another alternative for obtaining credit.

Eligibility

Each Applicant is expected to have good character, strong commitment to their business idea, signs of feasibility and economic viability, and a credit history to suggest a reasonable assurance that the loan will be repaid. The applicant should have some management skills or relevant industry experience to support the project's purpose.

Applicants located in communities that consolidated their revolving loan fund programs will receive priority over other applications.

Eligible applicants should not have annual sales over \$1,000,000 over the past two years and should have fewer than 25 employees.

Applicants cannot apply for a second micro loan unless the first micro loan is fully repaid. They may apply for RLF, TEF or Downtown Façade loans before repaying a micro loan.

Private funds must be invested, but there are no minimum matching requirements.

Use of Funds

Loan funds can be used for working capital, inventory purchases, machinery and equipment, furniture, fixtures, supplies, leasehold improvements, building renovation/rehabilitation, real estate acquisition, and natural disaster recovery.

Ineligible Activities

- a. Residential building construction or reconstruction (unless such reconstruction is intended to convert the building to a business or industrial operation)
- b. Non-business expenses
- c. Routine maintenance
- d. Relocation of a business from one community within the region to another community within the region without extenuating circumstances
- e. Compensation for a fundamental business weakness or a poor credit history
- f. Other activities the Corporation or the Loan Committees may identify during the administration of the program

Ineligible Businesses

- a. Gambling activities including any business whose principal activity is gambling
- b. Adult Bookstores or adult/companion escort or entertainment services
- c. Night Clubs and bars without food services except for façade loans
- d. Businesses not serving the interests of West Central Wisconsin
- e. Real estate investment speculation unless a proposed project will assist a specific business tenant, special purpose building and can be substantiated with a multi-year signed lease agreement with the opportunity for the tenant business to purchase the building in the future

Terms and Conditions

<u>Loan Size</u>	\$5,000 to \$30,000
<u>Loan Terms</u>	Cannot exceed ten (10) years. Working capital loans cannot exceed three (3) years. Consideration will be given to the type of assets pledged.
<u>Interest Rate</u>	4.0% fixed interest rate for the term of the loan
<u>Prepayment Penalty</u>	None
<u>Collateral</u>	Collateral is required and will usually take the form of a security interest in all of the applicant's assets. Real estate, equipment, inventory and receivables are common assets pledged.
<u>Guarantees</u>	Unlimited personal guarantees are required from any person with a 20% or greater ownership interest in the business.
<u>Payment Deferral</u>	Deferral of payments may be allowed.
<u>Fee</u>	Equal to 2% of the loan amount to enroll the loan in the Capital Access Program. The fee is due at closing and can be financed with the loan proceeds.

Application

Applicants will complete the application and will mail the application and attachments to the Program Administrator. The Program Administrator is the Regional Business Fund, Inc. Agent at the West Central Wisconsin Regional Planning Commission. Contact information is located at the beginning of this manual. A sample application is attached.

The Program Administrator will check the request for eligibility and completeness. Once complete, the Program Administrator will request personal credit bureau reports and perform a search of Wisconsin Circuit Court liens and notify the designated loan committee of the application.

Review/Approval

The primary contact person for the designated micro loan committee will schedule meetings. Committees are encouraged to invite the applicants to attend. The Program Administrator will forward the application and supporting documentation to the appropriate loan committee.

The micro loan committees will conduct basic financial underwriting prior to approving loans. As an example, the objectives are to ensure that:

- a. The recipient can repay the proposed assistance
- b. Project costs are reasonable
- c. All sources of project financing are committed
- d. Private capital is invested
- e. The project is financially feasible
- f. To the extent practicable, the return on the owner's equity investment will not be unreasonably high

- g. Does not enable a business to compete unfairly with existing businesses in the community offering similar goods or services

If the loan is approved, the committee will sign and return a checklist (see attached) with the terms and conditions certifying the action. Meeting minutes must also accompany the application packet. The Program Administrator will review the recommendation for compliance and availability of funding and issue a commitment letter.

Loan Closing

If the applicant accepts the commitment, the Program Administrator will send an email notice to the community. The Program Administrator will close the loan, disburse funds, and service the loan.

Loan Servicing

The Program Administrator shall service the loan according to RBF, Inc. loan servicing guidelines.

LOCAL GOVERNMENT ROLE

Local eligible governments will market the funds and assist local businesses with applications and communicate with the Economic Development Corporations and the West Central Wisconsin Regional Planning Commission about economic development projects and priorities in their communities.

Local governments will identify a person of the local government or its loan committee who will schedule loan meetings for all loans reviewed by locally designated micro or downtown loan committees.

The governments may use their existing business loan committees and will only need to provide a list of members to the Program Administrator and documentation that at least one member is a commercial lender. Some communities may designate a local business organization or the County EDC as the loan review committee for micro loans in their communities if they don't want a separate committee. The micro loan committees should have at least three (3) members and at least one (1) member must be a commercial lender.

MICRO LOAN COMMITTEE ROLE

The loan committee will be responsible for the review and approval or denial of loan applications. Members will adhere to the requirements established by each program. A majority of the committee must approve any action. These committees shall have the authority to process loan applications and approve micro loans up to \$25,000 per loan. No loan shall be made without the approval of an authorized loan committee.

All eligible communities with micro loan committees must provide the Program Administrator the names and addresses of the committee members and documentation that at least one member is a commercial lender.

The primary purpose of the Micro Loan Committee is to review the application and conduct basic financial underwriting to determine that the project/applicant meets the program objectives identified in this manual.

UNDERWRITING GUIDELINES

Underwriting a Micro Loan application should rely most heavily upon the character of the business owner(s) and the historical and/or projected cash flow of the business. Character can be assessed via personal references, credit checks, or by other means where appropriate. Committees shall confirm that the applicant has a strong commitment to the business and willingness to repay the note. The lender on the committee shall confirm that the business cash flows sufficiently to repay the proposed debt. Collateral and capital shall be considered, but shall not be of overriding concern when rendering a decision. Most often the collateral will be insufficient to cover the outstanding debt in the case of liquidation. However, any approval shall be conditioned upon taking the appropriate collateral which will be perfected by the Administrator. Personal guarantees will be required for any individual with 20% or more ownership in the business.



REGIONAL BUSINESS FUND, INC.

Checklist for Micro Loan Committee Approval

- The micro loan committee has conducted basic financial underwriting prior to approval and the recipient can pay the proposed assistance.
- Project costs are reasonable and all sources of project financing are committed.
- Private capital is invested.
- Does not enable a business to compete unfairly with existing businesses in the community offering similar goods or services.

LOAN DETAILS

Borrower Name: _____
 Amount: _____ (\$5,000 to \$30,000)
 Purpose: _____
 Term*: _____
 Amortization*: _____

*Term & amortization must be less than 10 years. If the request is for working capital, the term & amortization shall be for no more than 3 years.

Repayment: Monthly principal and interest payments for the term of the loan with no deferral period unless indicated in exceptions.

Interest Rate: 4% fixed

Security (check all that apply):

Purchase money security interest in the equipment as described as:

A lien on all business assets

Real Estate Mortgage on the property described as:

Personal Guarantees (required on all owners of 20% or greater)

Any additional security should be noted in exceptions

- The request complies with all requirements of Micro Loan Program policies and guidelines except as noted below:

Approved: _____ Denied: _____ Date: _____

Committee Members Initials:



REGIONAL BUSINESS FUND, INC.

AN ECONOMIC DEVELOPMENT PARTNER PROMOTING BUSINESS AND ECONOMIC DEVELOPMENT IN WEST CENTRAL WISCONSIN

Micro Loan Application

revision date 1.2012

Applicant's Name and Contact Information

Date of Submission: _____

Company Name: _____ Date Established: _____

Type of Company/Organization LLC LLP Partnership S Corporation C Corporation
 Sole Proprietorship Non-Profit Organization

Company Mailing Address: _____

Project Address (If Different): _____

Contact Person: _____ Title: _____

Contact's Address: _____

Telephone Number: _____ Tax ID #: _____

Email Address: _____ Website: _____

Management Information(owner(s), officer(s), director(s), & shareholder(s) who own 20% or more shares of the company)*

Name	Title	% Ownership	Minority Owner	Woman Owner
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>

*Personal financial statements and tax returns are required for those with 20% or greater ownership interest. The Regional Business Fund, Inc. and/or its agents reserve the right to obtain credit bureaus on any business or individual in connection with this application.

Bank Information

Name of Lead Bank and Contact Person: _____

Phone Number: _____ E-mail Address: _____

Micro Loan Amount and Terms Requested

Amount of Loan: _____

Use of Funds: _____

Repayment Terms: _____

Anticipated Uses and Sources of All Project Funds

Sources include the loan you are requesting from the RBF, Inc. plus any other financing that will go into the project, including but not limited to bank financing and owner cash. Uses include equipment purchases, working capital, construction costs, etc. The total sources must equal the total uses.

Source(s)	Amount (\$)		Use(s)	Amount (\$)
Total:			Total:	

Existing and Projected Employment

Number of Existing Employees				Projected Job Creation				
Full Time	Part Time	Women	Minorities	Year One		Year Two		Total Created
				Full Time	Part Time	Full Time	Part Time	

THE FOLLOWING EXHIBITS MUST BE COMPLETED WHERE APPLICABLE AND INCLUDED AS PART OF YOUR APPLICATION. *The RBF, Inc. reserves the right to request additional information above and beyond this list.*

- Business Plan. At a minimum this should include
 - a brief business description and company history;
 - a project summary;
 - a discussion of the business industry, sales, markets and competition; and
 - a summary of all those listed under "Management".
- Business Tax return and balance sheet/profit and loss statement for the last two years and for an interim period less than ninety days from date of application with schedule of business debt.
- Balance sheet/profit and loss statement projections for two years from date of application.
- Personal financial statement of principal owners and first two pages of most recent income tax return (all owners with 20% or more ownership).

Note: If you do not currently have a Comprehensive Business Plan, the following may be of assistance:

- County Economic Development Corporation
- Small Business Development Centers
- SCORE or
- Wisconsin Entrepreneur's Network

Example forms, including income statements, balance sheets, personal financial statements and business plans can be found at www.score.org/template_gallery.html.

Please Answer the Following Questions (Check box that applies)

	Yes	No
Has the company, any officer, subsidiary or affiliate of your company been involved in any bankruptcy or insolvency proceedings in the last 36 months? <i>If yes, please provide the details as a separate exhibit.</i>	<input type="checkbox"/>	<input type="checkbox"/>
Has the company, any officer, subsidiary or affiliate of your company been involved in any lawsuits in the last 36 months? <i>If yes, please provide the details as a separate exhibit.</i>	<input type="checkbox"/>	<input type="checkbox"/>
Does the company, any officer, subsidiary or affiliate have any outstanding tax liens?	<input type="checkbox"/>	<input type="checkbox"/>
Does the company, owner(s), or member of Management Team have a controlling interest in other businesses? <i>If yes, please provide their names and relationship with your company along with a current balance sheet and income statement for each as a separate exhibit.</i>	<input type="checkbox"/>	<input type="checkbox"/>
Does your company buy from, sell to, or use the services of any concern in which owner(s), shareholder(s) or member(s) of the management team have a significant financial interest? <i>If yes, please provide the details as a separate exhibit.</i>	<input type="checkbox"/>	<input type="checkbox"/>
Are any of the individuals listed under "Management" on parole or probation? <i>If yes, please provide the details as a separate exhibit.</i>	<input type="checkbox"/>	<input type="checkbox"/>
Have any of the individuals listed under "Management" been convicted of a crime? <i>If yes, please provide the details as a separate exhibit.</i>	<input type="checkbox"/>	<input type="checkbox"/>

BY SIGNING BELOW, THE APPLICANT

- certifies that to the best of its knowledge and belief, the information being submitted to the Regional Business Fund, Inc. and its agent is true and correct;
- certifies that the applicant is in compliance with all laws, regulations, ordinances, and orders of public authorities applicable to it;
- certifies that the applicant is not in default under the terms and conditions of any grant or loan agreements, leases, or financing arrangements with its other creditors;
- certifies that the Regional Business Fund, Inc. and its agent is authorized to obtain a credit check on any principal or business associated with this application for the purposes of determining credit worthiness;
- agrees to reimburse the Regional Business Fund, Inc. and its agent for any reasonable expenses made in connection with this loan request, including, but not limited to, title work, legal fees, appraisals, recording/filing fees, etc.;
- certifies that the applicant has disclosed and will continue to disclose any occurrence or event that could have an adverse material impact on the project. Adverse material impact includes but is not limited to lawsuits, criminal or civil actions, bankruptcy proceedings, regulatory intervention or inadequate capital to complete the project; and
- understands that unless it qualifies as a trade secret, all information submitted to the RBF, Inc. is subject to Wisconsin's Open Records Law.
- agrees to complete a direct payment authorization form allowing loan payments to be electronically debited via automatic clearing House (ACH) in the event credit is extended.
- agrees to pay a fee equal to 2% of the loan amount to enroll the loan into the Capital Access Program, and may finance this fee with loan proceeds in the event credit is extended.

Signature	Title
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Print Name	Date	Social Security #
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Signature	Title
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Print Name	Date	Social Security #
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Please submit application to:

Your Local Economic Development Corporation

OR

WCVRPC 800 Wisconsin St., Mail Box 9, Eau Claire, WI 54703

PH (715) 836-2918 FX (715) 836-2886

Tobi LeMahieu – tlemahieu@wcvrpc.org or Jordan Pospishil – jpospishil@wcvrpc.org