

# Switzerland County

## Revolving Loan Fund Guidelines and Procedures

### PURPOSE

To provide gap or seed financing for small private business in Switzerland County, Indiana.

The fund is self-perpetuating through loan repayments by borrowers where the revolving Characteristic will allow it to serve as a long-term loan source for emerging and expanding businesses in the future.

### PROCESS

Business applicants initiate the application for funds through The Switzerland County Economic Development Corporation (SCEDC) and submit compilation of all required documentation to SCEDC staff, which may include (but may not be limited to):

- Application with Business Summary
- Profit & Loss Statements – 2 years year end and current
- Tax ID & Articles of Organization
- Real Estate Contracts, Lease Agreements or any other contracts or agreements

For a Franchise:

- Franchise Agreements
- FTC Disclosure Report of Franchisor

The Loan Review Committee consists of at least 5 members, (with not more than 7 members) comprised of a banker, a business owner, a County Commissioner, and an SCEDC Board of Directors member. This committee reviews the documents and approves or denies the loan request.

The Committee will utilize the expertise of a business advisor (for example, the Southeast Indiana Small Business Development Center), to assist and evaluate applicants and to make a lending recommendation to the Committee. Applicants will be referred to this advisor upon initial intake.

(Committee may also meet via web meeting or conference call in lieu of fact-to-face). Committee shall constitute a quorum necessary for approving, rejecting or to table an application for funding from the RLF. A simple majority (51%) of members voting shall be necessary for approving, rejecting or to table an application.

Any tied vote by the Committee will be considered as a tabled application.

Upon approval of the loan, a committee designee will perform due diligence which may include title searches, UCC searches or any other loan generation process, prepare promissory note, loan agreement, security agreement and/or related collateral documents, guaranty agreements, etc. and perform the closing. A processing fee of \$50 would be paid by the client to be used for administrative expenses.

## ELIGIBILITY CRITERIA

1. Businesses must be located in Switzerland County Indiana
2. No loan shall be made without sufficient funds available in the applicable fund account.
3. Borrows must be Low/Moderate income or proceeds must be used to retain jobs for Low/Moderate income individuals.

## LOAN CONDITIONS

Loan Size - Minimum loan size – \$3,500, Maximum Loan Size - \$25,000 all loans are at the discretion of the Revolving Loan Fund Committee.

Terms – Depending on the project and need, loan terms can be up to five years.

Interest Rates – Subject to modification by the Loan Committee, the standard rate for loans will be 1.5% below the prime rate on the date of loan approval. In no case may the rate be above 2%.

Repayment – Borrower will be expected to make monthly payments until the term of the loan has been completely satisfied or payoff has occurred. Per Loan Review Committee, deferment *may* extend up to six months from date of closing. Prepayment penalties do not apply. The loan committee may, at its discretion, convert loan balances into grant after two years has passed since the signing of the loan agreement.

Required Communication(s) – Borrower must agree to and meet with Loan Committee, a member of Loan Committee, or a business advisor selected by the Loan Committee for consistent development consultations. These meetings must occur every other month until the disposition of the loan. Borrower also agrees & permits committee to communicate confidentially on behalf of business, with business professionals noted on application.

Exceptions - The RLF Loan Committee has the right to make an exception based on proper mitigation.

## POTENTIAL USE OF FUNDS

- Employee retention, payroll expenses, salaries, etc.
- Rents
- Purchase of equipment
- Furnishings, supplies, raw materials, inventory
- Working Capital
- Continue Operations
- Support Remote Work

## TYPICAL PROHIBITED USE OF FUNDS

- For personal use or
- For personal debt

## CONFIDENTIALITY OF PERSONAL INFORMATION

As personal, financial, and perhaps other personal information will be included in the loan application, it is imperative that careful control of this personal and confidential information is done. Indiana Code 5-14-3, Access to Public Records, clearly states those records that are excepted from disclosure requirements. Those types of records could include, but not limited to employer identification, confidential financial information, trade secret records, etc.

In order to provide the applicant a high degree of confidence that their personal data is protected, the following procedures will be the standard for securing this information and data from unauthorized individuals.

## EXAMPLE OF CONFIDENTIALITY PROCEDURES

After SCEDC has received all required forms and documents from the applicant, a secured file will be dispersed to the Loan Review Committee.

- The original file will be electronically secured and will be transmitted through a secured electronic system to the program administrator.
- The Committee members will receive these documents for their review, but must maintain confidentiality procedures.
- Following the completion of the loan process, all unnecessary copies will be properly secured or destroyed.
- All documents will be stored and maintained in accordance with loan document retention requirements.

