

# **EDA BUSINESS REVOLVING**

## **PROGRAM OUTLINE**

### **OVERVIEW:**

1. Public investment tools available to assist distressed areas.
2. For the purpose of making loans to achieve economic benefits.
3. RLF – Goals are for private sector job creation and capital formation.
4. RLF's are not substitutes for conventional lending sources.
5. RLF's are designed to fill gaps in existing local financial markets; provide or attract capital which otherwise would not be available for economic development.
6. EDA requires the RLF projects be administered in accordance with the Revolving Loan Fund Plan.
7. EDA monitors RLF project activities for conformance with the guidelines, the RLF Plan and other conditions of the grant agreement.

### **GOALS & OBJECTIVES:**

1. To help long-term economic deterioration problems or sudden and severe economic dislocations overcome specific gaps in local capital markets and to encourage greater private sector participation in local economic development activities.
2. The primary program objective is private-sector jobs creation and capital formation.
3. To support specific types of economic adjustment activities planned and underway in the areas including one or more of the following depending on local needs and conditions:
  - A. Small business development, including the start-up or expansion of locally owned businesses;
  - B. business and job retention;
  - C. Redevelopment of blighted land and vacant facilities for productive use;
  - D. Modernization and rehabilitation of existing industrial or manufacturing facilities;
  - E. Support for the use of new technologies, growth industries and/or high tech firms;

- F. Development of businesses owned and operated by minorities, women and members of other economically disadvantaged groups; and
  - G. Other economic adjustment activities, as appropriate.
4. Lending policies and financing techniques may include:
- A. Modifying repayment terms, such as deferral; of initial principal or interest payments;
  - B. taking greater risks than local banks are prepared to take, when substantial economic development benefits will result if the borrower does succeed;
  - C. providing below market interest rates;
  - D. providing longer term loans that are available locally for a particular type of financing;
  - E. processing applications with a short turn around time;
  - F. reducing the risk of commercial lenders by providing subordinate financing.

#### **ELIGIBLE BORROWERS AND TYPES OF LOANS**

1. For the purposes that result in private sector job creation or retention and contribute to the economic development or stabilization of the eligible area.
2. Normally finance industrial or commercial activities, including assistance for light manufacturing and service industries.
3. Emphasize direct job create/retention by providing capital for start-up, expansion or retention of business.
4. Activities which result in indirect job creation may also be considered if local conditions warrant this approach. For example, commercial area revitalization may be eligible if combined with other public and private redevelopment efforts to attract or retain major employers.
5. Activities which are consistent with the priorities of the U. S. Department of Commerce, such as export promotion, marine resource development, and minority business development, etc.

### **APPLICATION:**

First, call a member of the Business Finance Department to determine if your business is or will be eligible. If determined eligible a member of the Business Finance Department will help you with the application and any additional information about your business and the ownership and management of the business needed to process your loan.

### **INTEREST RATE:**

The interest rate will be computed at Prime, with a floor or minimum of 5% and a cap or maximum of 9%, with the rate adjusted on the anniversary date of each loan. This rate is subject to change according to economic and financial conditions. Please call a member of the Business Finance Department to determine the current rate.

### **FEES AND CHARGES:**

At time of application the borrower will pay for the estimated cost of a credit check and out of pocket costs anticipated for processing the application. NMDC will charge a one-time origination fee equal to one (1%) per cent of the EDA loan, due and payable at closing. The borrower will, also, pay legal fees and other out of pocket expenses incurred by NMDC in the closing of the loan.

### **LOAN LIMITS**

NMDC has an aggregate loan limit of \$500,000.00 established for any one borrower or affiliates.