



**Northern
Maine
Development
Commission**

RD/IRP V

RURAL DEVELOPMENT INTERMEDIARY RELENDING PROGRAM

PROGRAM OUTLINE

PURPOSE

It is the purpose of this program to provide financing for business activity and community development to help create and/or retain jobs within the economic development district serviced by the Northern Maine Development Commission. It is important to concentrate on readjustment of existing businesses as well as creating new opportunities for startup businesses.

ELIGIBILITY

Borrowers may be private or public organizations or individuals. At least fifty-one (51%) percent of the owners of the Borrowers must be United States citizens or admitted for permanent residence. Loan program allows NMDC to lend up to seventy-five (75%) percent maximum for a total project cost, but generally prefers not to exceed twenty-five (25%) percent of the total project cost. Each borrower's loan package must include other sources of financing and a minimum equity participation of at least 10%.

PRIORITY

Priority will be given to businesses located within the Aroostook County Empowerment Zone.

USES

Loans to Borrowers must be for the establishment of new businesses, the expansion of existing businesses, creation of employment opportunities, saving of existing jobs, or community development projects.

INELIGIBLE USES

RD/RDA IRP Program loans cannot be used for the following purposes:

1. For distribution or payment to the owner, partners, shareholders, or beneficiaries of the Borrower or members of their families when such persons will retain any portion of their equity in the Borrower.
2. Charitable institutions that would not have revenue from sales or fees to support the operation and repay the loan, churches, organizations affiliated with or sponsored by churches, and fraternal organizations.
3. For assistance to government employees, active duty military personnel, or principals or employees of the NMDC who are directors, officers or have major ownership (20 percent or more) in the Borrower.
4. For relending in a city with a population of twenty-five thousand or more as determined by the latest decennial census.
5. For a loan to a Borrower which has applied or received a loan from another lender (intermediary) funded by the RD/IRP program provides prior written approval for such loan.
6. For agricultural production, which means the cultivation, production (growing), harvesting, either directly or through integrated operations, of agricultural products (crops, animals, birds and marine life, either for fiber or food for human consumption, and disposal or marketing thereof, the raising, housing, feeding, breeding, hatching, control and/or management of farm and domestic animals). Exceptions to this definition are:
 - A. Aqua-culture.
 - B. Commercial nurseries primarily engaged in the production of ornamental plants and trees and other nursery products such as bulbs, florists' greens, flowers, shrubbery, flower and vegetable seeds, sod, the growing of vegetables from seed to the transplant stage.
 - C. Forestry which includes establishments primarily engaged in the operation of timber tracts, tree farms, forest nurseries, and related activities such as reforestation.
 - D. Financial assistance for livestock and poultry processing as identified under eligible purposes.
 - E. The growing of mushrooms or hydroponics.

7. For the transfer of ownership unless the loan will keep the business from closing, or prevent the loss of employment opportunities in the area, or provide expanded job opportunities.
8. For community antenna television services or facilities.
9. For any illegal activity.
10. For any otherwise eligible project that is in violation of either a Federal, State or local environmental protection law or regulation or an enforceable land use restriction unless the financial assistance given will result in curing or removing the violation.
11. Lending and investment institutions and insurance companies.
12. Golf courses, race tracks, or gambling facilities.
13. Delinquent debt to the Federal Government.

LOAN SIZE

The goal of the program is to help as many businesses as possible while creating/retaining the highest number of jobs possible. All other sources of financing, allowing for terms, collateral requirements and cost, will be proposed when available to reduce the amount needed of this fund before consideration of financing is made. The maximum loan amount to anyone borrower for IRP funds, which would include NMDC funds or any other IRP lender will not exceed \$250,000, subject to availability of funds, or seventy-five (75%) percent of the total project cost (preferred maximum twenty-five (25%) percent or \$10,000 per job created or retained.

LOAN LIMITS

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

COLLATERAL REQUIREMENTS

Collateral will depend on the loan requested. Generally, any assets purchased with the loan proceeds will be taken as collateral. The collateral adequacy will be given proper analysis and consideration. Real property serving as security for loans to Borrowers will be appraised by a qualified appraiser. For all other types of property, a valuation shall be made using any recognized, standard technique for the type of property involved (including standard reference manuals), and this valuation shall be described in the loan file.

It has been the policy, and will continue with this program, to require the borrower to provide key person life insurance for the amount of the loan. Additionally, the need for personal assets to be pledged will be a consideration on a case by case basis. We believe that the business owners must demonstrate a commitment to the business in order to show a strong desire to reach its goals and objectives.

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 IRP loan, due and payable at time of commitment. The borrower will, also, pay legal fees and other out of pocket expenses incurred by NMDC in the closing of the loan.

