Northern
Maine
Development
Commission

RMAP

RURAL MICROENTREPRENEUR ASSISTANCE PROGRAM

PROGRAM OUTLINE

PURPOSE

It is the purpose of this program to support the development and ongoing success of rural microentrepreneurs and microenterprises.

ELIGIBILITY

These loan funds are for microenterprises located in a rural area. A microenterprise means: (1) a sole proprietorship located in a rural area; or (2) A business entity located in a rural area with not more than 10 full-time-equivalent employees. Rural microenterprises are businesses employing 10 people or fewer that are in need of $50,000 or less in business capital and/or in need of business based technical assistance and training. Such businesses may include any type of legal business that meets local standards of decency. Business types may also include agricultural producers provided they meet the stipulations in this definition; and (3) all microenterprises assisted under this regulation must be located in a rural area.

USES

Loans may be made for qualified business activities and expenses including, but not limited to:

1. Working capital, excluding revolving lines of credit;
2. The purchase of furniture, fixtures, supplies, inventory or equipment;
3. Debt refinancing;
4. Business acquisitions; and

5. The purchase or lease of real estate that is already improved and will be used for the location of the subject business only, provided no demolition or construction will be accomplished with program funding. Neither interior decorating, nor the affixing of chattel to walls, floors, or ceilings are considered to be demolition or construction.

INELIGIBLE USES

Loans cannot be made for the following purposes:

1. Construction costs;
2. Any amount in excess of that needed by a microborrower to accomplish the immediate business goal;
3. Assistance that will cause a conflict of interest or the appearance of a conflict of interest including but not limited to:
    a. Financial assistance to principals, directors, officers, or employees of the microlender, or their close relatives as defined*; and
    b. Financial assistance to any entity the result of which would appear to benefit the microlender or its principals, directors, or employees, or their close relatives, as defined, in any way other than the normal repayment of debt.
4. Distribution or payment to a microborrower when such will use any portion of the microloan for other than the purpose for which it was intended.
5. Distribution or payment to a charitable institution not gaining revenue from sales or fees to support the operation and repay the microloan.
6. Microloans to a fraternal organization.
7. Any microloan to an applicant that has an RMAP funded microloan application pending with another microlender or that has an RMAP funded microloan outstanding with another microlender that would cause the applicant to owe a combined amount of more than $50,000 to one or more microlenders under this program.
8. Assistance to USDA Rural Development employees, or their close relatives, as defined.
9. Any illegal activity.
10. Any project that is in violation of either a Federal, State, or local environmental protection law, regulation, or enforceable land use restriction unless the microloan will result in curing or removing the violation.
11. Microloans to lending and investment institutions and insurance companies.
12. Golf courses, race tracks, or gambling facilities.
13. Any lobbying activities.
14. Lines of credit.
15. Subordinated liens.
16. Use of a USDA Rural Development funded loan to pay debt service on a previous USDA Rural Development loan.

*Close relative is defined as individuals who are closely related by blood, marriage, or adoption, or live within the same household: a spouse, domestic partner, parent, child, brother, sister, aunt, uncle, grandparent, grandchild, niece, or nephew.

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 RMAP funds, which would include any other RMAP lender, will not exceed $50,000, subject to availability of funds, or seventy-five (75%) percent of the total project cost and the borrower must obtain at least twenty-five (25%) percent of the eligible project costs from non federal sources. For instance if the borrowers total project cost is $50,000, they may request a loan of $37,500 or 75% and then the borrower must come up with the other $12,500 or 25%.

BORROWER MATCH

Borrower will be required to provide 25% of the eligible project cost which may be provided in cash (including through fees, grants (including community development block grants), and gifts) or in the form of in kind contributions.

LOAN LIMITS

NMDC has an aggregate loan limit of $500,000.00 established for any one borrower or affiliates. Aggregate RMAP loan amount of $50,000.00 to any one borrower.

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 AND TERM

Currently loans will have an interest rate of Five Per Cent (5%) per annum, fixed. This rate is subject to change according to economic and financial conditions. The term of this loan is a maximum of 10 years. 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 per cent (1%) of the RMAP 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.

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