

# Sample Revolving Loan Fund Plan

## **Name of Local Government or Nonprofit Entity**

(Whichever is managing the revolving loan fund)

The (local government) received a fiscal year (20XX) Community Development Block Grant-Economic Development Program grant from the Montana Department of Commerce. The (local government) has entered into a sub-recipient agreement with (nonprofit entity) to manage loan repayments from this grant award.

The non-administrative portion of that grant was made available to a private business, (name of business), in the form of a loan. The loan proceeds were used for (purpose of loan, e.g. acquisition, finance and working capital). The terms of the loan agreement are specified in a duly recorded loan document on record at (local government), Montana. That document is hereby incorporated by reference into this revolving loan fund plan. The repayments on this loan will be paid into an interest-bearing revolving loan fund account, to be used for further relending activity.

## **Organizational Mission**

The (local government or nonprofit entity) RLF is designed to stimulate economic development activity by assisting the private sector, in order to create or retain jobs for low- and moderate-income persons. These funds will be used in situations where a funding gap exists and alternative sources of public and private financing are not adequate. These funds are intended to complement conventional business financing techniques by leveraging funding from other federal and state financing programs and private lending institutions.

## **Program Objective**

The objective of the RLF will be to continue the activities from which the program income is being derived, specifically:

1. Create and retain employment opportunities, to benefit no less than 51% LMI persons within the (city, town or county) which is the designated RLF assistance area;
2. Assist in preventing or eliminating blight, beautification or upgrading within the commercial/business district of the community; and
3. Contribute partial funding as match for community development projects funded with state and federal funds.

## **I. Eligible Applicants**

Eligible applicants requesting loan assistance will be restricted to for-profit businesses within the designated RLF assistance area. The RLF assistance area is defined as being within the (city, town or county).

## **Maximum Loan Amount**

Maximum loan amounts depend on the type of financing requested, as listed below.

## **Eligible Activities**

Typical eligible activities include land acquisition, public facilities and other improvements in support of economic development, such as water and sewer lines and access roads; for acquisition, construction, rehabilitation or installation of commercial and industrial buildings, facilities, equipment or working capital; employee training; and grants to nonprofit entities.

Use of program income must be consistent with eligible activities as determined by the U.S. Department of Housing and Urban Development (24 CFR Part 570.201 or Section

105(a) of Title I of the Housing and Community Development Act) and the Montana Department of Commerce's CDBG Program.

#### 1. CDBG-ED project development

The (local government or nonprofit entity) may use program income to defray project development costs incurred during the development of public facility projects, housing projects or economic development projects within the (geographical area).

Activities may include but will not be limited to:

- Legal advertisements specific to project development
- Preparation of market studies/architectural or engineering studies
- Feasibility studies
- Computerization/operational assistance
- Accounting/legal reviews
- Grant preparation

#### 2. CDBG project participation

The (local government) may use program income to participate in partial funding of public facilities projects, housing projects or economic development projects within the (city, town or county).

Activities may include but will not be limited to contributing matching funds to augment state and federal funding for (city, town or county) projects.

### Types of Financing Available

#### a. Business support loans

Eligible applicants may apply for loan assistance to finance activities that will strengthen their business and increase the likelihood of retaining or expanding

the business within the designated (business/commercial district or designated location).

Activities may include but will not be limited to:

- Preparation of business plans
- Market studies
- Project feasibility studies
- Computerization/operational assistance

Amounts of loan requests for business support loans will not exceed (\$XXX), or (XX%) of total activity cost. Loans will be amortized over a (X-year term) at no less than (X%) interest and no greater than (X%) interest.

**b. Business direct loans**

Eligible applicants may apply for assistance to finance predetermined and documented business retention and/or expansion of activities. Loan proceeds may be used for the following activities:

- Building/site acquisition
- Site development/new construction
- Building renovation
- Equipment acquisition
- Working capital

Amounts of loan requests for business direct loans will not exceed (\$XXX or XX%) of total activity cost. Terms of the loans will not exceed seven years for working capital loans or 10 years for all other building-related or equipment loans. Interest rates will be no less (than X% or greater than X%).

**c. Interest or principal buy-downs**

Eligible applicants may apply for financial assistance in the form of an interest or principal buy-down of a commercial loan. The proceeds of the commercial loan must be used for program-eligible activities as described herein for business support or business direct loans.

- d. Eligible applicants who own or intend to purchase a building within the business/commercial district may make a one-time application for loan assistance to finance exterior renovation, signage, facade renovation or construction. Loan amounts will not exceed (\$XXX), amortized at (X%) over a (X-year term).

## II. Application Procedures

The RLF committee will accept loan applications on an open-cycle basis. The application deadline will be 5 p.m., the last working day of any week. Completed loan applications may be mailed or delivered to (address/location) on or before the application deadline. See application form Attachment A.

Applicants should use the application summary and attach all required information. In addition, the for-profit business or nonprofit entity should complete the business application requirements section of the guidelines.

Applications that propose public improvements as assistance to businesses will be accepted by (name of entity) and reviewed with similar procedures as loans to for-profit businesses. The application must include a complete business plan and financial package for each business assisted.

Applications will be reviewed and analyzed by the committee and (other entity, if applicable) on a first come, first served basis, as determined by the date of the full application is found to be complete by (name of entity).

**Applicants should also be aware that in most cases it may take two to four weeks before any funds will actually be received after the decision to award a grant has been made.**

### **Loan Review Process**

Loan applications received on or before the application deadline will receive a preliminary review by the RLF committee to determine completeness of each application. Only complete applications will be advanced to the formal review process.

The RLF committee is comprised of (name of entity) members who at present consist of (describe committee makeup, e.g., two banking representatives, two business representatives and two rural representatives). This makeup allows for replacement by appointment from (name of entity).

The committee will review each application for compliance with program objectives.

Each application will be evaluated separately on a first-come, first-served basis. Should requests for funds exceed funds available, applications that are deemed to represent a likelihood of broadest impact will receive the most favorable review.

### **Ranking of Applications**

Each RLF application for assistance will be ranked in five categories. A best ranking will equal five points, an average ranking will equal three points, and a poor ranking will equal one point. Any application receiving less than a poor score in a category is ineligible for the benefits of this program and will be rejected.

1. Business proposal is appropriate for the city and this program.

Best: five points

Average: three points

Poor: one point

2. Number of jobs created or retained

Greater than 10 jobs: five points

Between and including and 10 jobs: three points

Less than five jobs: one point

3. Cost per job

Less than or equal to \$5,000/job: five points

\$5,001-\$10,000/job: three points

\$10,000-\$20,000/job: one point

4. Business proposal is financially feasible.

5. Percent benefit to low- and moderate-income persons

80-100%: five points

60-79%: three points

51-59%: one point

Note: Compute by dividing the number of jobs created for and/or retained by LMI persons by the total number of jobs created and/or retained.

6. Area economic impact: Project which has the broadest potential for impact on other area businesses, real estate values, school enrollments or agriculture, etc., will be given a best rating of five points. Other applications will be ranked against the best application, with the next best receiving an average rating of three points.

Within 60 calendar days from the application deadline, the committee will provide the city council with a written evaluation of each loan application, accompanied with a

recommendation for loan approval or rejection by the council.

### Prioritizing Applications

In addition to ranking individual applications, revolving loan fund expenditures will be prioritized as follows:

1. Business expansions to enhance job retention or creation;
2. New business, locating within the RLF assistance area, which creates jobs;
3. Start-up of business with job creation potential;
4. Revitalization of business property;
5. Demolition for blight removal.

### III. Annual Report

As required by Commerce, an annual report of revolving loan fund activities will be submitted to the CDBG-ED Program along with a proposed budget for the following year.

(Remainder of page left intentionally blank.)



**Amendments to the Economic Development RLF Guidelines**

The (name of entity) may amend these guidelines by a majority vote of the (name of entity) and approved by Commerce. Amendments will be incorporated into a revised statement of the CDBG-ED Program income RLF guidelines.

Approved:

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Local government official

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Date

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Nonprofit representative

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Date

Attest:

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Name

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Date



## Local Government or Non-Profit Entity

### CDBG Economic Development Revolving Loan Fund

#### Budget

##### Income

1. Loan payments	
Interest only, projected	\$ 15,222
Principal and interest	\$ 22,076
<b>Total Income</b>	<b>\$ 37,298</b>

##### Expenses

##### Administration

##### Personnel Services

1. Salaries, wages, benefits, office costs	\$ 1,500
2. supplies	\$ 150
3. postage/printing	\$ 150
4. Telephone	\$ 100
5. Legal	\$ 600
<b>Total Administration</b>	<b>\$ 2,500</b>

##### Activity

##### Project Development

6. Legal Publications	\$ 250
7. Architect/Engineering Services	\$ 2,500
8. Consulting Services	\$ 2,500

9. Legal documentation	\$ 500
<b>Total project development</b>	<b>\$ 5,750</b>
Project Participation	
10. Land acquisition	\$ 0
11. Demolition/clearance	\$ 0
12. Architect/engineering services	\$ 2,500
13. Construction	\$ 14,800
14. Other	\$ 0
<b>Total project participation</b>	<b>\$ 17,300</b>
<b>Total expenses</b>	<b>\$ 25,550</b>
Income	\$ 37,298
Minus expenses	\$ 25,550
<b>Total RLF</b>	<b>\$ 11,748</b>

Note: Budget line carryovers will be allocated to RLF.

## Budget Narrative

### Administration

3. Personnel services:		
Calculated at \$15/hour, 10 hours/month for 10 months	\$	1,500
4. Supplies: estimated program costs for 10 months	\$	150
5. Postage/printing: estimated program costs	\$	150
6. Telephone: estimated program costs	\$	100
7. Legal: estimated program reimb. for co. attorney/program time	\$	600
<b>Total administration</b>	<b>\$</b>	<b>2,500</b>

### Activities

8. Legal publications:		
Public hearings: water project	(\$	40)
Prof. procurement: water project	(\$	65)
Public hearings: county jail project	(\$	40)
Public hearings: E.D. project	(\$	40)
Procurement: E.D. project	(\$	65)
<b>Subtotal</b>	<b>(\$</b>	<b>250)</b>
9. Architect/engineering services schematic design: jail project	\$	2,500
10. Consulting services: grant preparation for E.D. project	\$	2,500
11. Legal documentation: prof. svcs. contract prep. and/or review	\$	500
12. Land acquisition	\$	0
13. Demolition/clearance	\$	0
14. Architect/engineering services		
Constr. drawings, permit plans for handicapped accessibility proj.	\$	2,500
15. Construction for handicapped access project	\$	14,800
16. Other	\$	0
<b>Total activity</b>	<b>\$</b>	<b>25,550</b>

## Attachment A

(Local government or nonprofit entity)

Loan Application  
Program Income Revolving Loan Fund

Applicant Information	
Name of business	
Address	
Telephone	
Fax	
Tax ID Number	
Contact person	
Contact phone	
Number of years in business	
Form of business	<input type="checkbox"/> Sole proprietorship <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation <input type="checkbox"/> Other:
Business description	(Attach additional sheet if more space is required.)

Type of Loan Requested	
<input type="checkbox"/> Business support	<input type="checkbox"/> Business direct
<input type="checkbox"/> Interest buydown	<input type="checkbox"/> Business district revitalization



Note: Additional information may be requested by the RLF committee. That information may include but may not be limited to the following financial exhibits: most current balance sheet, profit and loss statement, cash flow statement, reconciliation of net worth, earning projections and/or current personal financial statement for the business owner or any individual with more than 10% ownership.

Amount of loan requested	\$
Amount of matching funds	\$
Source of matching funds	
Purpose of loan	

Certification:

As the responsible certified agent for \_\_\_\_\_(name of business), I hereby submit this application for loan assistance from the local government or nonprofit entity revolving loan fund. The information presented in this application is, to the best of my knowledge, true and accurate. I further acknowledge that any employment positions retained or created as the result of a loan must benefit no less than 51% low- to moderate-income persons.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and title

\_\_\_\_\_  
Date