

## City of Albion Revolving Loan Fund Guidelines

### **PURPOSE**

The mission of the Albion RLF is to revitalize the local economy and to retain, expand and recruit businesses and industry to the area. Albion strives for a sustainable community and improved quality of life for all residents. The purpose of the revolving loan fund is to promote job creation in the greater Albion area by making loans to new and expanding enterprises that are unable to obtain full financing from private and traditional sources.

Funding can be used for working capital, fixed-asset financing, inventory, renovation of commercial and industrial developments, real estate improvements and access to start-up and construction financing.

### **ORGANIZATION - FUNDING**

The RLF is administered by the Albion Economic Development Corporation (AEDC). The Revolving Loan Fund Committee (RLF), including AEDC, Sheridan and Albion Township representatives, reviews all loan applications and approves loans up to \$50,000. For loans over \$50,000, the RLF Committee makes a recommendation to the AEDC Board of Directors, which has approval authority.

### **REQUIREMENTS**

- Business must be in the City of Albion, Sheridan Township or Albion Township.
- Minimum loan size is \$25,000. Private sector leverage is \$2 in private financing for every \$1 in RLF financing.
- Loan is limited to the portion which cannot be obtained from local banks.
- Another loan, preferably from a bank, is required and RLF will take second position to the bank.
- Job creation or retention proportional to the amount of the loan.
  - \$10,000-\$25,000 for each new full-time job
  - \$5,000 - \$10,000 for each retained full-time job

- Requires a minimum of 10% equity investment into the project by the owners/applicant.
- Collateral is required.
- Preference given to manufacturing, wholesale, and industrial services. Retail, commercial and service sectors may still apply.

### **TYPICAL TERMS**

- Interest rate: 66% of the current money center prime interest rate (per WSJ)
- Repayment: 2-3 years for working capital, 3-7 years for equipment and other fixed assets, 10 years max depending on business case.
- Fees: Borrower will be required to pay all costs of the transaction, including but not limited to the RLF's legal fees, recording and filing fees, and title insurance.
- Application Fee: \$200 non-refundable application fee due upon submittal of application to AEDC for review.
- Flexible Terms:
  - If projected cash flow indicates the need, payment of principal may be waived for up to one year.
  - Balloon or accelerated payments may be invoked after five years.
  - Other flexible options dependent upon the business case and financials.

### **TYPICAL CONDITIONS**

- Insurance coverage: fire, liability and key man.
- An effort to follow the business plan in the loan application, as shown by periodic financial reviews.
- Personal guarantees may be required.
- Compliance with all applicable local, state and federal civil rights, barrier free, environmental and historical preservation laws and regulations, including Davis-Bacon when applicable.

### **APPLICATION PROCEDURE**

Application and instruction forms are available through the Albion Economic Development Corporation. Typical lead time for loans is about four weeks after complete application and application fee is paid. See the application for requirements to be considered a complete application package.

FOR DETAILS & ASSISTANCE CONTACT (517) 629-3926