

PROGRAM DESCRIPTION
OF THE
BI-STATE REVOLVING LOAN FUND PROGRAM

The Bi-State Revolving Loan Fund (RLF) Program is an opportunity for the entrepreneur/business person to obtain supplemental financing for a project. Often times, this below-market-rate loan for a portion of the total project cost can make the difference in project feasibility by improving cash flow, increasing capital investment, etc. Through creative packaging with other forms of assistance, both private and public, an investment/financing method can be developed to best meet the needs of the project.

Bi-State Regional Commission and the U.S. Department of Commerce, Economic Development Administration have a mutual goal to form a public/private partnership working to improve the current and future economic climate particularly manufacturing industries that will employ unemployed and underemployed persons, and for minority and women created business expansion.

The specific guidelines and policies of the program are outlined as follows:

1. **Overall Intent** - The overall intent of the RLF is to encourage the expansion and development of viable business/industrial activity in Rock Island and Scott Counties. Priority will be given to proposals that will provide employment or retraining opportunities for persons displaced by the shutdown of area manufacturers. The RLF will be targeted to those businesses and industries that cannot obtain economically feasible financing because of conventional interest rates and lending/exposure limits applied by local lending institutions. The RLF program is intended to provide the funds that make the project viable by filling the financing gap created by these conditions. Other financial commitments must be in place at the time of application. No loan shall be made from the program where there is reasonable doubt as to the ability of the borrower to repay the loan.
2. **Job Targeting Criteria** - RLF loans will mainly be used to finance industrial activities, including assistance for light manufacturing and service industries, where opportunities for private sector jobs are greatest. Direct new job opportunities to the long term unemployed in service, clerical, construction, and machine-trade occupations and the underemployed will be given funding priority, providing other conditions of the plan are met.
3. **Job/Cost Ratio** - A minimum of one job created or retained per \$7,500 loaned.
4. **Leverage** - The portfolio shall average a ratio of 2:1 private to public dollars. No funds shall be advanced from the loan fund if sufficient funds are available for other sources at terms which will permit the project to operate with satisfactory income and cash flow to sustain the business in a profitable manner. The loan will be the minimum amount necessary to assure project success. The applicant will be required to document, by financial projections and/or loan denial letters, that they cannot otherwise finance the amount requested by the RLF.

5. **Loan Use** - The loan program shall be available to all private industrial or service business borrowers needing fixed asset and/or working capital financing to locate, expand, or retain their operation within the area. The loans can be used for but are not limited to construction of buildings, reuse and modernization of facilities, purchase of equipment, purchase of inventory. RLF loans shall not subsidize or refinance existing business loans. Working capital loans will not exceed 50 percent of the RLF portfolio.
6. **Loan Term** - The term of the loan shall not exceed 10 years. The term will vary as a function of the amount, equity, security, and purpose of the loan. Loans made for fixed assets will generally have a longer term. Loans for working capital expenditures generally will not exceed 5 years. Loans for equipment shall not exceed the established useful life of the equipment.
7. **Interest Rate** - The interest rate can range from the Prime rate to four points below the Prime rate with a minimum interest rate of 4 percent. The interest rate may vary as a function of the amount, equity, security, and purpose of the loan. Additional consideration will be given toward exceeding job creation goals, the hiring of displaced workers, women, minorities, handicapped, long term unemployed and underemployed, and/or low and moderate income people in the establishment of the interest rate.
8. **Personal Guaranty** - Generally required by any principal owning 20% or more of the company. Additionally, if 75% or more of the applicant's net worth is in homeowner equity and a loan in excess of \$50,000.00 is sought, the Board, in its discretion, may require a second mortgage on homestead as additional security for the loan.
9. **Equity and Collateral Requirements** - The borrower will be required to provide a minimum of 10 percent equity into the project. All loans shall be secured by collateral in an amount at least equal to the face value of the loans. Collateral requirements may vary as a function of amount, equity, and purpose. A first position lien on fixed assets and property is preferred security, but a secured subordinate position to another lender may be permitted. Assets other than cash that are used for collateral must be documented by appraisals or other appropriate valuation techniques. In projects involving direct working capital loans, the RLF will obtain collateral such as liens on inventories, receivables, fixed assets, and/or other available assets of the borrowers. Such liens shall be subordinate only to existing liens of record and other loans involved in the project. When appropriate, the borrower will be required to provide life insurance, fire hazard, or normal business insurance on all assets for the term and in the amount of the loan. Where required, the borrower shall also obtain flood insurance on property assigned as collateral.
10. **Other Benefit Standards** - A ten percent portion of the total loan program (\$80,000) will be set aside to be targeted toward use by a minority or women owned/created business enterprise. These funds will be set aside for a period of one year or until fully utilized by minority or women owned business(es), whichever comes first.
11. **Average Loan Size** - The maximum loan shall be \$250,000 in the initial round. Thereafter, the loans shall be based upon the qualifications of the applicant, with no maximum limit set. No loan shall exceed the outstanding balance of the RLF account. Except in the case where there is clearly a public benefit (i.e. jobs created) a borrower may only carry one revolving loan at a time.
12. **Federal Regulations** - All borrowers must comply with federal and state laws relating to civil rights, environmental protection, equal opportunity employment, flood protection, Davis-Bacon, access for the physically handicapped, affirmative action, historic sites, monthly employment reporting, and other regulations and assurances as required.

13. **Ineligible RLF Activities:**

- Speculative activities, such as land banking and the construction of speculative buildings since they do not normally result in the near-term job creation or retention.
- Loan activities and economic benefits resulting from activities that are not located in the eligible area. RLF assistance must be withdrawn if for any reason the activity financed is moved from the eligible area.
- Loans which assist the relocation of jobs from another labor area.
- Loans for the purpose of investing in high interest accounts, certificates of deposit or other investments.
- Loan guarantee program.
- RLF loans used as substitute for private capital, where conventional loans can be obtained.

For Additional Information Contact:

Donna Moritz
Bi-State Regional Commission
1504 Third Avenue
P. O. Box 3368
Rock Island, Illinois 61204-3368
(309) 793-6302, ext. 128
(309) 793-6305 (FAX)
dmoritz@bistateonline.org