



**TOWN OF BEDFORD
ECONOMIC DEVELOPMENT AUTHORITY**

“ 5 FOR 5 ”

**SMALL BUSINESS REVOLVING LOAN FUND
PROGRAM DESIGN**

Contents

- SECTION 1: Program Administration2
 - Program Objectives2
 - Program Description2
 - Staffing and Responsibilities.....2
- SECTION 2: Loan Policies.....3
 - Area of Operation3
 - Type of Financing and Interest Rate.....3
 - Terms.....3
 - Amount3
 - Uses.....4
 - Eligibility Requirements4
 - Costs and Fees.....5
 - Non-Discrimination5
- SECTION 3: Application Process and Documentation5
- SECTION 4: Program Time Frame6
- SECTION 5: Program Income6
- SECTION 6: Complaints and Appeals Procedure7
- SECTION 7: Recordkeeping.....7
- SECTION 8: Program Design Amendments7
- FORM FC-A8

This program is taken from the “5 And 10” Small Business Loan Pool Program by the Floyd County, Virginia Economic Development Authority.

Bedford “5 for 5” Small Business Revolving Loan Fund

SECTION 1: Program Administration

Program Objectives

The Town of Bedford Economic Development Authority (EDA) is committed to providing financial incentives and assistance to existing, good, small businesses and to start-up businesses ready and able to grow in the Town of Bedford. This financial support is good for the small business and the addition of jobs and private investment, as well as economic diversity, which all benefit the local citizens and economy.

The Town Economic Development Authority believes that it is in the public's interest to remove impediments to economic growth and to stimulate investment in businesses in order to help create and retain jobs in the community. The EDA has worked with USDA Rural Development to establish the Small Business Revolving Loan Fund to facilitate small business growth in the Town of Bedford. The goals of this loan fund are to:

1. Encourage economic development by making available adequate and affordable credit to existing small businesses or new businesses that locate or expand operations in the Town of Bedford.
2. Stimulate the creation and retention of jobs within the Town.
3. Diversify the economy of the Town of Bedford to capitalize on the many skills and talents, provide upward development potential and minimize single-sector job vulnerability.
4. Provide financial assistance to reduce the turnover rate caused by the failure of businesses due to inadequate start-up or expansion capital.

Program Description

The Town has invested \$10,000 (plus volunteer and staff time) and received an additional \$76,000 in Rural Development Funds to create this revolving Loan Pool fund. The purpose of the Small Business Revolving Loan Fund program is to provide low-interest, fixed-asset financing to existing or new small businesses that locate to or expand in the Town of Bedford and which result in the creation or retention of jobs. (Here, "small business" is defined as a business having 20 or fewer employees.) Recaptured funds will be used to make additional loans. The program will be called "5 For 5 Small Business Revolving Loans."

Staffing and Responsibilities

The Small Business Revolving Loan Fund will be administered by the Economic Development Authority of the Town of Bedford. The loan fund will be open for applications following the availability of Rural Development funds. Loan servicing will be handled by the EDA staff or by a bank at the determination of the EDA. The EDA will form a committee to review Small Business Revolving Loan Fund applications and policies. This Loan Advisory Committee (LAC) will make recommendations to the full EDA for loan issuance.

Bedford “5 for 5” Small Business Revolving Loan Fund

SECTION 2: Loan Policies

Area of Operation

The Small Business Revolving Loan Fund program will operate within the boundaries of the Town of Bedford, Virginia.

Type of Financing and Interest Rate

The type of financing is fixed-asset financing. The annual interest rate will be 2% for a 5-year term.

Terms

The loan term is five (5) years. The borrower(s) must be the owner(s) of the business that is retaining or creating jobs and provide adequate marketable collateral to secure the loan. Collateral may include first- or second-lien positions or a deed of trust on assets financed. At the discretion of the EDA, other forms of marketable collateral (including marketable stocks or bonds, US Government securities, letters of credit) may be considered if the value of the marketable collateral is sufficient to protect the interest of the EDA throughout the term of the loan.

The borrower must commit to funding at least 10% of the project and up to 90% can come from the Revolving Loan Pool. This can be verified by reimbursing only 90% of submitted costs.

The loan must be repaid on a monthly basis over the term. There is no prepayment penalty.

One full-time-equivalent (FTE) job must be created or retained for every \$5,000 loaned. This may include the loan applicant. FTE is defined as 30 hours or more per week. Part-time employees may be hired under this program; each part-time employee working at least 15 hours per week will be counted as one-half of a FTE.

The borrower of program funds is required to execute a legally binding agreement with the EDA. The Small Business Revolving Loan Fund will require the borrower to provide appropriate assurances that the loan proceeds are expended as proposed. Each year during the term of the loan, the borrower will submit an update about the project, including the number of jobs created/retained.

Amount

The loan amounts are \$5,000 and \$10,000 per individual business (and owner). An existing business may apply for \$5,000 if the project shall help preserve or create at least one full-time-equivalent job; existing businesses may apply for \$10,000 if the project shall preserve or create at least two full-time-equivalent jobs. Start-up businesses may apply for \$5,000 if the project will create one full-time-equivalent job; start-up businesses may apply for \$10,000 if the project will create two full-time-equivalent jobs.

Bedford “5 for 5” Small Business Revolving Loan Fund

Uses

Allowable uses of funds which are received from the Small Business Revolving Loan Fund include building and land acquisition, leasehold and site improvements, new construction and rehabilitation costs, purchase of fixtures, machinery, and equipment and associated installation costs, working capital (for start-up costs, cash-flow, inventory), and business services (such as advertising, legal or accounting assistance.) Note that these federal funds are subject to Davis-Bacon wage requirements (for construction projects over \$2,000); and raw material (steel) purchases are subject to the Buy America Act (attached.)

Eligibility Requirements

Any business with 20 or fewer employees located or locating in the Town of Bedford and which meets the following eligibility requirements may apply for a loan through the Small Business Revolving Loan Fund.

The Eligibility Requirements for the Small Business Revolving Loan Fund Include:

1. Provide proof that the business or building is located and has a permanent physical address in the Town of Bedford.
2. Provide proof that the business is a privately-owned, for-profit business employing 20 or fewer employees currently. To meet the definition of “small business”, Rural Development also requires they have gross sales of less than \$1 million.
3. Commitment that the applicant put in 10% of project funds.
4. Provide proof of collateral. Assets used as collateral may include cash, land, buildings, or equipment. Proof of hazard insurance in sufficient amount to protect the collateralized asset may also be required. Business owners will be required to give personal loan guarantees where other security is not available.
5. Provide proof of equity interest in business.
6. Provide a business plan (assistance available).
7. Demonstrate that one full-time-equivalent job will be created or retained for every \$5,000 borrowed from the Small Business Revolving Loan Fund.

The federal funds provided to this program prohibit loans from this Loan Pool to the following:

- Zoos
- Aquariums
- Convenience stores, unless the store provides quality jobs and sells or will sell E85 fuel upon completion of the project
- Pools
- Water park
- Hotels/motels and other facilities that have pools or water parks
- Golf courses
- Museums
- Casinos, other gambling establishments, and other businesses that derive any income from gambling (other than State-run lotteries).

Bedford “5 for 5” Small Business Revolving Loan Fund

Costs and Fees

Application fee of **\$100**, credit report costs, origination fees, and closing costs will be charged to the borrower. Applicants are responsible for loan closing costs and settlement fees.

Non-Discrimination

In the Small Business Revolving Loan Fund Program there will be no discrimination on basis of race, color, religion, national origin, sex (including sexual orientation), marital status, disability, or age in any of its policies, procedures or practices.

SECTION 3: Application Process and Documentation

The Economic Development Authority of the Town of Bedford will accept applications from eligible businesses on a first-come, first-served basis. The Small Business Revolving Loan Fund Program will apply all procedures in a uniform manner. No applicant or employee will be asked for additional information based on age, race, color, religion, sex (including sexual orientation), handicap, familial status or national origin. The program will be implemented to assure consistent and equitable assistance to all program participants.

Completed applications and required documentation will be reviewed by the Small Business Loan Advisory Committee of the EDA. The Committee will make a recommendation to the full EDA, which will make all final decisions related to the Loan Pool program.

All applications must be submitted with complete documentation of eligibility. Applications must be made on the form provided by the EDA and must be signed by all of the business owners. The application submission must include the following items in order to be considered for financial assistance. (The Small Business Revolving Loan Fund Loan Advisory Committee may waive or request additional information requirements at its discretion.)

Information Required from Applicants:

1. Completed and signed application
 - a. Loan Request Worksheet
 - b. Personal Financial Statements
 - c. Credit Authorization – by signing the application
 - d. Balance Sheet, Profit & Loss Statement, (AP & AR for current 90-day period)
 - e. Disclosure Statement(s)
 - f. Business Lease/deed
2. Current three-year business plan and management info (assistance available)
3. Personal credit report (as appropriate)
4. Three business references
5. Copy of collateral offered and current market value (title, deed, security paper, etc)
6. Statement indicating what the loan will be used for.

Bedford “5 for 5” Small Business Revolving Loan Fund

Prior to receiving assistance from Federal funds, each borrower receiving a loan from the Small Business Revolving Loan Fund must also do the following for Federal compliance:

1. Complete and submit Form RD 1940-20, "Request for Environmental Information," and provide such additional information subsequently requested and needed by RD to complete appropriate environmental review.
2. The recipient must certify that their project is located in the Town of Bedford.
3. The recipient must certify that at least 51% of the outstanding ownership or membership is comprised of those who are either citizens of the United States of America or reside in the U.S. after being legally admitted for permanent residence.
4. The recipient must provide an executed Form AD-1048 "Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion-Lower-Tier Transactions," that they are not debarred or suspended from receiving Government assistance.
5. The recipient must provide an executed Form RD-400-4 "Assurance Agreement."
6. The recipient must display the enclosed "And Justice For All" and "Equal Employment is the Law" posters in a conspicuous area of employee use or areas related to employment activities.

For the convenience of applicants, these forms will be distributed to all applicants who are offered a loan. Should administrative questions arise about these forms or this process, staff they should contact at Rural Development is Craig Barbrow at 276-228-3513, ext. 123.

The Federal funds for this Loan Pool program came from the American Recovery and Reinvestment Act (ARRA). To maximize the transparency and accountability of funds authorized under the ARRA, Federal rules require borrowers to "maintain records that identify adequately the source and application of Recovery Act funds." Following loan announcements, a blank Reporting form will be supplied to the applicant.

SECTION 4: Program Time Frame

Small Business Loans will be available to qualified applicants following the release of funds from Rural Development. Any remaining funds not loaned out at the time of administrative close-out of the EDA's Rural Development Grant will be returned to the funding agency; however, the Small Business Revolving Loan Fund may continue as program income generated through the recapture or repayment of loan funds or if new sources of funds become available to the EDA.

SECTION 5: Program Income

Any Small Business Revolving Loan Funds repaid or recaptured will be used to recapitalize and extend the Small Business Revolving Loan Fund Program to stimulate investment in businesses in order to help create and retain jobs in the community.

Bedford “5 for 5” Small Business Revolving Loan Fund

SECTION 6: Complaints and Appeals Procedure

Oral or written complaints of any nature and by any party shall be documented and resolved by Town staff as informally and quickly as possible.

Unresolved complaints will be shared by staff at the next EDA meeting. The Small Business Revolving Loan Fund Program will apply all procedures in a uniform manner. No applicant or employee will be asked for additional information based on race, color, religion, sex, handicap, familial status or national origin. The program will be implemented to assure consistent and equitable assistance to all program participants.

SECTION 7: Recordkeeping

Quarterly reports will be provided by the EDA to Rural Development during the first 12 months of the Loan Pool program. These reports will include number of applicants, number of loans, basic description and amounts.

Minutes are kept of EDA meetings and thus all recommendations from the Loan Advisory Committee and final decisions by the EDA will be recorded in those minutes, subject to exception of documents containing proprietary information or anything exempted by Freedom of Information Act (FOIA).

Documentation that loan proceeds are expended as proposed may be provided either through source documentation (such as invoices, construction contracts, etc.) or through an affidavit made and submitted to the EDA.

All documentation will be kept on file at a secure location as required to ensure confidentiality of applicant information. Non-proprietary information may be subject to Freedom of Information Act requests.

SECTION 8: Program Design Amendments

During implementation of the Small Business Revolving Loan Fund Program the EDA may find it necessary to make changes and refinements as the program proceeds. The Small Business Loan Advisory Committee may recommend and/or draft changes to be considered by the full EDA.

APPROVED:

Chairman of the EDA

Date

FORM FC-A
RURAL AREA and SMALL EMERGING PRIVATELY OWNED BUSINESS and
CITIZENSHIP CERTIFICATION

As _____ (title) of Company _____,

I hereby certify that (company)_____

is an eligible small, emerging, privately-owned business (gross sales of less than \$1 million per year and 20 or fewer employees) in the Town of Bedford (not a city or town with a population greater than 50,000 persons or the urbanized area contiguous and adjacent to such a city or town.)

I also certify that at least 51% of the outstanding ownership of (company)_____

_____ is comprised of those who are either citizens of the United States of America or reside in the United States after being legally admitted for permanent residence.

Date

Name