

Areawide Business Council

LOAN POLICIES

Loan Requirements

- Primary bank lender involvement is required in the project. ABC is intended to be a subordinate secondary lender that will fill the “gap” existing in a financing package.
- Applicant must provide a 10 percent (minimum) equity contribution.
- Applicant must provide evidence that a portion of the needed financing is unavailable from conventional lending sources.

Targeting Criteria

- ABC loans will attempt to leverage \$2 in private funds for every \$1 in RLF assistance.
- Loan amounts will be determined by the number of jobs being created and/or the economic impact.
- Industrial and manufacturing projects will be given precedence over retail business projects.
- Loans will be geographically dispersed across ABC’s service area whenever possible.
- Emphasis will be given to assisting minority businesses.

Financing Policies

- Interest rates are generally set at 1 percent below the prime rate.
- Loans for land, buildings and equipment have a maximum term of up to 15 years.
- Loans for working capital have a maximum term of 5 years.
- Benchmark for RLF assistance is approximately \$10,000 - \$15,000 per FTE (Full-Time Equivalent job).
- Repayment schedules will generally be set-up on a monthly basis. Other terms may be available.
- Personal guarantees are required from all borrowers.
- A 1 – 1 ½ % loan origination fee will be charged on all loans.

Other Considerations

The RLF is funded in part with federal grant money from the Economic Development Administration (EDA). Total capitalization of the fund is made up of funding from:

- EDA
- Dakota Horizons (with assistance from GOED)
- Corsica Development Corporation
- Yankton Area Progressive Growth
- State of SD (REDI)
- Area Banks
- Community Services Block Grants
- USDA Rural Development
- Mitchell Area Development Corporation
- South Dakota Community Foundation
- Aurora & Bon Homme Counties
- East River Electric Power Coop., Inc.
- Planning & Development District III

Successful applicants will be required to comply with various state and federal regulations associated with the RLF’s funding sources, such as documenting job creation/retention and submitting periodic financial reports.