

LAWRENCE COUNTY
Rural Micro-Entrepreneurial Assistance Program
REVOLVING LOAN FUND
And
TECHNICAL ASSISTANCE

PURPOSE

The Lawrence County Rural Micro-Entrepreneurial Assistance Program Revolving Loan Fund (LC-RMAP) is designed to assist micro-business growth and job creation in designated rural areas within Lawrence County by making below market-rate micro-loans as well as providing Technical Assistance in the form of marketing, management, and other technical assistance to rural micro-entrepreneurs and micro-enterprises that have received or are seeking one or more micro-loans.

LC-RMAP provides low-interest loan financing for up to seventy-five (75%) of the total project costs or \$50,000.00, whichever is less, to businesses unable to fully finance these projects with equity, bank financing, or other private and public sources.

LC-RMAP loans may be used in conjunction with other state financing programs or with programs operated by local or regional economic development providers. The Lawrence County Economic Development Corporation (LCEDC) has overall administrative responsibility for the LC-RMAP program and all technical assistance is provided by the LCEDC and loan applications are packaged, closed, and managed by the LCEDC.

ORGANIZATION

The Lawrence County Economic Development Corporation (LCEDC), a non-profit, 501(c)3 corporation existing under the laws of the Commonwealth of Pennsylvania, administers the Program on behalf of all of the municipalities included in the designated rural areas of Lawrence County including:

Cities:

New Castle

Boroughs:

Bessemer
Enon Valley
New Beaver

New Wilmington
S.N.P.J.
South New Castle

Volant
Wampum

Townships:

Hickory

Little Beaver

Mahoning

Neshannock
North Beaver
Perry
Plain Grove
Pulaski

Scott
Shenango
Slippery Rock
Taylor
Union

Washington
Wayne
Wilmington

LCEDC's staff assists the client in packaging and analyzing the loan information and presents the loan application material to its Loan Review Committee for final analysis and recommendation. The Loan Review Committee is comprised of LCEDC members from the business and banking sectors. Once the Loan Review Committee has reviewed the request for funding along with all applicable documentation, it prepares a recommendation to the LCEDC's Executive Committee who then presents a recommendation to the full Board of Directors. The Board of Directors is responsible for the final action of approving or denying the loan request. The LC-RMAP is capitalized by funding received through United States Department of Agriculture. program.

ELIGIBLE APPLICANTS

An eligible small business enterprise is a for-profit corporation, limited liability company, partnership, proprietorship or other legal business entity located within or intending to locate in a rural area of Lawrence County with ten or fewer full-time equivalent employees.

ELIGIBLE LOAN USES

- A. New, used or improvements to machinery and equipment used as part of the production process. No over-the-road, licensed rolling stock.
- B. Working capital.
- C. The purchase of furniture, fixtures, supplies, inventory or equipment.
- D. Debt refinancing.
- E. Business acquisitions.
- F. The purchase or lease of real estate that is already improved and will be used for the location of the subject business only with the following conditions. No demolition or construction will be accomplished with program funding. Neither interior decorating, nor the affixing of chattel to walls, floors, or ceilings are considered to be demolition or construction.

INELIGIBLE USE OF FUNDS

The following activities may not be funded through the LC-RMAP Loan:

- A. Construction costs. Construction costs are not allowed. Interior decoration is not considered a construction cost. LCEDC must use caution when considering whether an upgrade to a business location would be so significant as to be a construction project. As a rule of thumb, repairs to chattel, interior decoration, and so forth will normally be acceptable. Addition of rooms or porches, elimination of walls, upgrading insulation, and so forth would not be acceptable.
- B. Any amount in excess of that needed by a borrower to accomplish the immediate business goal.
- C. Assistance that will cause a conflict of interest or the appearance of a conflict of interest including but not limited to:
 - a. Financial assistance to principals, directors, officers, or employees of the LCEDC, or their close relatives as defined; and
 - b. Financial assistance to any entity the result of which would appear to benefit the LCEDC or its principals, directors, or employees, or their close relatives, as defined, in any way other than the normal repayment of debt.
- D. Distribution or payment to a borrower when such will use any portion of the microloan for other than the purpose for which it was intended.
- E. Distribution or payment to a charitable institution not gaining revenue from sales or fees to support the operation and repay the microloan. However, if a charitable institution has a subsidiary or affiliate such as a day care center, coffee house, or other income earning business, a loan could be made to the business, as if it were any other small business. Such subsidiaries or affiliates must be governed under a separate tax ID.
- F. Loans to a fraternal organization.
- G. Any loan to an applicant that has an RMAP funded microloan application pending with another micro-lender or that has an RMAP-funded microloan outstanding with another micro-lender that would cause the applicant to owe a combined amount of more than \$50,000 to one or more micro-lenders.
- H. Assistance to USDA Rural Development (Agency) employees, or their close relatives, as defined.
- I. Any illegal activity.
- J. Any project that is in violation of either a Federal, State, or local environmental protection law, regulation, or enforceable land use restriction unless the microloan will result in curing or removing the violation.
- K. Loans to lending and investment institutions and insurance companies.
- L. Golf courses, race tracks, or gambling facilities.
- M. Any lobbying activities.
- N. Lines of credit.
- O. Subordinated liens.
- P. Use of an Agency funded loan to pay debt service on a previous Agency loan.

LOAN LIMITS

- A. Except for loans to agricultural producers, one full-time job must be demonstrated to be created or preserved within three years from completion of the project for each \$10,000 loaned from LC-RMAP.
- C. The maximum loan participation shall be set at \$50,000.00 or no more than 75 percent (75%) of the eligible project cost of the micro-borrower's project. The micro-borrower must obtain at least 25 percent (25%) of the eligible project cost from non-Federal sources. The LCEDC is required to verify funding sources and document the sources of the project funding.
- D. An applicant may not receive more than \$50,000 in new financing under the LC-RMAP program at any one time.

RATES AND TERMS

- A. Interest on the loans will be charged at a fixed rate of the prime lending rate as reported by the Wall Street Journal, plus one point, with a floor of 4%. Rate will be fixed at the time a *completed* application is received by the LCEDC.
- B. No loan may have a term of more than ten (10) years; this includes workouts which must end within the ten year period starting from the day the loan to the micro-borrower is closed.
- B. All loans must be secured at the highest lien position available on the assets being funded and/or on one or more of the following assets: land, buildings, machinery, equipment, accounts receivable, inventory, fixtures or contract rights with no less than a second position to be considered.
- C. If a business receives financing from the LC-RMAP and relocates that entity outside Lawrence County, the balance and accrued interest thereon will automatically become due and payable without demand.
- D. Upon presentation of unique circumstances to LCEDC, the above rates and terms may be changed.
- E. Loan Recipients may prepay this loan at anytime without financial penalty.
- F. Any default on any current or future indebtedness with LCEDC or indebtedness with other creditors including but not limited to taxing bodies is considered a default on all the Borrower's indebtedness with LCEDC whether direct or indirect. A default includes but is not limited to failure to pay interest

- or principal when due.
- G. Collateral pledged or assigned by the Borrower to secure any current or future indebtedness with LCEDC secures all current and future indebtedness with LCEDC whether direct or indirect.
 - H. A loan to value ratio of 90% or less will be required at the time of loan closing and shall be maintained throughout the term of the loan. Any request for exceptions to this requirement must be made to and approved by the LCEDC Executive Committee and Board of Directors.
 - I. The requirement of reasonable hazard, key person, and other insurance will be at the discretion of the LCEDC.
 - J. Borrowers will be subject to a “credit elsewhere” test so that the LCEDC will make loans only to those borrowers that cannot obtain business funding of \$50,000 or less at affordable rates and on acceptable terms. Each borrower file must contain evidence that the borrower has sought credit elsewhere or that the rates and terms available within the community at the time were outside the range of the borrower’s affordability. Evidence may include a comparison of rates, loan limitations, terms, etc. for other funding sources to those forth offered by the LCEDC. Denial letters are not required because most borrowers are in a position of attempting to establish credit. In order to obtain a denial letter, a micro-entrepreneur must apply for a loan. Once denied, a report is filed with the credit reporting bureaus, thus forcing a denial of credit to the report. This is a detriment to the micro-enterprise or micro-entrepreneur and is the opposite of what this program attempts to accomplish, which is to ease access to credit for the very smallest of businesses. Denial letters from other lenders are not required.

FEES AND CHARGES

- A. Loan application must be accompanied by the appropriate advance, non-refundable application fee in the amount of 100.00 due before application is submitted for review by Loan Review Committee.
- C. A commitment fee in the amount of \$500.00 will also be due upon acceptance of commitment letter.
- D. .25% annual maintenance fee based on principal balance of loan at anniversary (minimum \$100).
- E. Borrower responsible for all legal/doc fees incurred by the LCEDC in regards to the loan transaction and will be paid by the commitment fee proceeds as described in “B” above.

POLICIES

- A. Loans will be evaluated on the ability of the applicant to repay the loan, sufficient collateral and the economic impact of the project on Lawrence County within the rural area.
- B. All loans will be collateralized.
- D. Personal guarantees of any owner of more than 20% of the applicant will be **required**.
- E. Applicants must have a written commitment from an approved lending source and/or evidence of the required equity contribution before the LCEDC Loan Review Committee will consider their application.
- F. The LCEDC reserves the right to impose additional conditions on the loan.
- I. All applications are due the first day of each month and will be reviewed within 45 days.
- J. Any exceptions to the above referenced provisions must meet with the approval of the Loan Review Committee.

PENALTIES

- 1. Failure to meet any of the terms or conditions of the loan may result in an increase in the interest rate to a rate not exceeding 2% above the current prime interest rate on the outstanding principal for the remainder of the loan unless it is determined by LCEDC that failure was due to circumstances beyond the control of the business.
- 2. Any material misrepresentation in any application or use of loan funds for ineligible activities may be cause for rejection of an application or for calling an LC-RMAP loan in default. In addition, the matter may be referred to the appropriate authorities for criminal investigation.

INSPECTIONS

Upon reasonable request of the LCEDC, the applicant shall permit duly authorized representatives of the LCEDC to inspect the plant, books and records of the small business enterprise.