



Roseau, Feels Like Home

ROSEAU EDA REVOLVING LOAN FUND LENDING GUIDELINES (CITY/USDA FUNDS)

Background

- I. Eligible Borrowers
 - A. Existing and potential start-up businesses, located in the city limits of Roseau, who can demonstrate that they need funding from the Roseau Business Revolving Loan Fund (RLF) to become established, expand, or complete a commercial rehabilitation project. Businesses located outside the city limits (within Roseau County) may be eligible for funding if the Loan Committee determines doing so will have a positive economic impact on the community.

- II. Eligible Activities
 - A. Acquisition and development of land, easements and rights-of-way
 - B. Purchasing of machinery or equipment
 - C. Purchase of an existing building, building construction, rehabilitation, or tenant improvements
 - D. Construction of access streets, roads, parking areas, utilities, and pollution control and abatement activities
 - E. Loans for startup operating costs and working capital
 - F. Technical assistance for private business enterprises

- Ineligible Activities
 - A. Funding of the production of agricultural products through growing, cultivation, and harvesting either directly or through horizontally integrated livestock operations except for commercial nurseries, timber operations, or limited agricultural production related to technical assistance projects
 - B. Funding comprehensive area-wide type planning
 - C. Funding of projects dependent on other project funding without a firm commitment of other funding sources
 - D. Funding of projects that do not meet the definition of small and emerging business enterprises (any private business that will employ 50 or fewer new employees and have less than \$1 million in projected gross revenue).
 - E. Funding of projects in which less than 50% of the outstanding interest in the applicant is owned by those who are either citizens of the United States or reside in the United States after being legally admitted for permanent residence.
 - F. Projects involving members of the EDA or RLF loan committee and their immediate family members

III. Terms of Loan

- A. No loan shall be extended for a period exceeding 11 years. Loan payments will be made monthly. The initial principal payment may, if approved by the EDA, be deferred for not more than 1 year.
 - i. Loans used for acquisition, construction, rehabilitation, machinery and/or equipment purchases will generally not be extended for a period exceeding 10 years (11 years if the initial payment is deferred for a year)
 - ii. Loans for non-capital items will generally not be extended for a period exceeding 5 years (6 years if the initial payment is deferred for a year)
- B. The terms of loan repayment will be those stipulated in the loan agreement and/or promissory note as determined by the Roseau EDA based on project need and project outcomes.
- C. No loan from the Roseau Revolving Loan Fund will be made for more than 30% of the total project package or a maximum of \$100,000. Loans made from the RLF will typically not be less than \$2,000.

IV. Interest on Loans

- A. Interest rates charged to the recipient will be at a standard rate of 3-8% per annum, typical. Interest rates will generally not exceed the prime rate by more than 2%. Special consideration on interest rates may be given, at the discretion of the EDA, to projects which provides substantial job creation or community development goals.

V. Security

- A. Adequate security will be required for all loans
- B. All loans will be secured with the best collateral available. Where necessary the RLF loan may take a subordinate collateral position to other lending sources.
- C. The discounted value of the security (using typical lender discount rates) shall equal or exceed the value of the loan.
- D. The Loan Committee may require personal guarantees and/or co-signors.

VI. Other Requirements

- A. Financial Feasibility of Project
 - 1. The EDA will, as part of the loan process, evaluate the financial viability of each project to determine if there is a reasonable chance for the project's success. A project will be considered financially viable if all of the assumptions about the project's market share, sales levels, growth potential, and projections of revenue, project expenses and debt service (including repayment of the RLF assistance if appropriate) are determined to be realistic and meet the project's breakeven point (which is

generally the point at which all revenues are equal to all expenses). Generally speaking, an economic development project that does not reach this breakeven point over time is not financially feasible.

B. Job Creation and Tax Base Expansion

1. The EDA will, as part of the loan process, give more consideration to projects which involve substantial job creation as a component of the proposal. Projects which the EDA deems to involve significant job creation or tax base expansion may be eligible, at the discretion of the EDA board, for lower interest rates, more flexible terms and other incentives. A minimum of one job created or retained must be shown for each project receiving RLF funds

C. Cost Reasonableness

1. Applicants for RLF funding will be required to submit a breakdown of all project costs to the EDA. The EDA will then use this breakdown as a basis on which the reasonableness of the cost is determined. The EDA will compare any cost element which exceeds \$10,000 with a third party fair market price quotation to determine reasonableness. If the EDA can not use third-party price quotations to verify cost elements, then the EDA may conduct its own cost analysis using appropriate cost estimating manuals or services.

D. Commitment of All Project Sources of Financing

1. The EDA will verify, prior to committing RLF funds, that:
 - a. Sufficient sources of other funds have been identified to finance the project
 - b. All participating parties have affirmed their intention to make funds available
 - c. All the participating parties have the financial capacity to make the funds available.
 - d. Evidence is presented by the applicant that indicates RLF funding is necessary to make the project feasible.
2. Substitution of RLF Funds for Non-RLF Financial Support
 - a. The EDA will review proposed economic development projects to ensure that, to the extent practicable, RLF funds will not be used to substantially reduce the amount of non-RLF financial support for the activity. To reach this determination, the loan reviewer will conduct a financial underwriting analysis of the project, including reviews of appropriate projects of revenues, expenses, debt service and returns on equity investments in the project. The extent of this review will be appropriate for the size and complexity of the project and will use industry standards for similar projects, taking into account the unique factors of the project such as risk and location.

E. Required Documentation

1. The applicant must document that property taxes are current.
2. The applicant must present a completed loan application.

F. Insurance Requirements

1. Hazard insurance (fire and windstorm and extended coverage) will be secured in an amount sufficient to cover the amount of the loan.
2. The recipient will provide evidence of flood insurance coverage or evidence that the project is not in the flood plain.

G. State Requirements

1. The applicant must comply with any applicable State of Minnesota prevailing wage laws for any construction or rehabilitation projects involving RLF funds

H. Federal Requirements

1. The applicant must comply with any applicable Federal laws and U.S. Department of Agriculture policy.
2. The RLF Loan Committee will not discriminate on the basis of race, color, national origin, sex, religion, age, disability, or marital or family status.
3. The RLF Loan Committee will typically determine RLF funding decisions within 30 day of receipt of a completed application.

VI. Disbursement Procedures

1. Disbursement of loan funds shall take place after the loan agreement and the promissory note are executed and any other conditions precedent to disbursement of funds are fully satisfied.
2. All required documentation must be received before any funds can be disbursed.
3. Recipient will apply their funds before loan funds are disbursed.
4. Interim disbursements will be limited to 90 percent of work completed and must be substantiated by contractor bills and supported by lien waivers.
5. Final disbursement will be made only upon completion of all work and an inspection by a representative of the lender. The owner or contractor must submit a final bill certifying that all work has been completed and submit a final lien waiver.



Roseau, Feels Like Home
121 Center Street E: Suite 202, PO Box 307 Roseau, MN 56751
218-463-5003

Roseau EDA Revolving Loan Fund Application

APPLICANT INFORMATION

Business Name:

Business Owners: (List all owners and Nationality)

Business Address:

Main Contact Name:

Main Contact Phone Number:

Alternate Phone Number:

Actual or Projected Number of Employees:

Actual or Projected Annual Gross Revenue:

Applicant Ethnicity (Not Required-Information provided is used by the U.S. Department of Agriculture to track the ethnicity and gender of program applicants to monitor that Federal funds are being made available to citizens of all ethnicities and gender)

- White
- Native American/Native Alaskan
- Black/African American
- Asian
- Hawaiian/Pacific Islander
- Hispanic
- Other:

Applicant Gender (Not Required-Information provided is used by the U.S. Department of Agriculture to track the ethnicity and gender of program applicants to monitor that Federal funds are being made available to citizens of all ethnicities and gender)

- Male
- Female

LIST 3 BUSINESS CREDIT REFERENCES AND CONTACT INFORMATION:

- 1.
- 2.
- 3.

PLEASE ANSWER THE FOLLOWING QUESTIONS AND PROVIDE AND EXPLANATION TO ANY QUESTION ANSWERED [YES] ON A SEPARATE PAGE

- | | | |
|--------------------------|--------------------------|--|
| Yes | No | |
| <input type="checkbox"/> | <input type="checkbox"/> | Have you or any officer or owner of your company ever been involved in bankruptcy or insolvency proceedings? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are you or any officer or owner of your business involved in any pending lawsuits or judgments? |
| <input type="checkbox"/> | <input type="checkbox"/> | Does your business have any subsidiaries or affiliates? (Include financial statements with explanation.) |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you buy from, sell to, or use the services of any concern in which someone in your company itself has a significant financial interest? |

CREDIT OTHERWISE AVAILABLE – Describe why other sources of financing are not available on terms and conditions which would prohibit completion and/or successful operation of the project activities to be financed; for example: interest rate, terms, risk, collateral, lending limits, etc.

INDEBTEDNESS (Furnish information on ALL debts, contracts, notes, and mortgages payable.)

Payable To	Original Amount	Original Date	Present Balance	Interest Rate	Maturity Date	Monthly Pmt	Collateral	Current/ Past Due

SOURCES AND USES OF FUNDS (Indicate how funds would be used, by financing source.)

	EDA Loan Funds	Owner Equity	Bank Funds	Other:	Other:	TOTAL
Property Acquisition						\$
Site Improvements						\$
Renovation						\$
New Construction						\$
Machinery & Equipment						\$
Inventory						\$
Working Capital						\$
Other:						\$
TOTAL	\$	\$	\$	\$	\$	\$
% of Total Project Cost	%	%	%	%	%	100%

TERMS OF LOAN (Complete the following for each financial source.)

	EDA Loan Funds	Bank:	Other:	Other:
Terms (# of Years)				
Interest Rate				
Annual Debt Service				
Has Final Approval?				
Guarantees (Personal, etc.)				
Collateral (real estate, fixed assets, etc.)				
Lien Position (1 st , 2 nd)				

ENVIRONMENTAL ISSUES (Please provide a brief explanation to any question answered yes.)

- | Yes | No | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Will the project be located in or adjacent to a floodplain or wetland area? |
| <input type="checkbox"/> | <input type="checkbox"/> | Will the project be located in or adjacent to an area with known hazardous or toxic waste? |
| <input type="checkbox"/> | <input type="checkbox"/> | Will the project impact any archeological sites, buildings, or structures older than 50 years, or any properties listed on, or eligible for the National Register of Historic Places? |
| <input type="checkbox"/> | <input type="checkbox"/> | Will the project result in any other adverse environmental impacts which would affect endangered or threatened species, scenic rivers, or other sensitive ecological habitats? |

CERTIFICATION: I certify that the information provided above and in any supporting exhibits are true and correct to the best of my knowledge and understanding. I further certify that to the best of my knowledge and understanding all attached Financial Statements conform to generally accepted accounting principles. I further certify and pledge that this project will be completed in accordance with the terms and conditions of the Roseau EDA Loan Fund Guidelines and this application, if approved and funded:

AUTHORIZATION: I authorize the Roseau EDA Revolving Loan Fund Subcommittee to request and review my personal and corporate credit reports and references as necessary to process this loan application:

Applicant Name: _____

Applicant Signature: _____ **Date:** _____

**PLEASE RETURN THIS APPLICATION, ALONG WITH ALL
EXHIBITS, TO THE ROSEAU EDA ADMINISTRATOR
121 CENTER STREET E, SUITE 202
PO BOX 307
ROSEAU, MN 56752**

**CONTACT THE ROSEAU EDA ADMINISTRATOR WITH ANY
QUESTIONS
218-463-5003**

APPLICATION EXHIBITS-Attach the following information.

A. Business Information

- Describe in detail the project for which you are seeking assistance from the Roseau EDA Revolving Loan Fund
- Summarize the experience, education, and training of the key personnel and/or enclose their resumes. Describe the responsibilities of key personnel and other employees.

B. Financial Statements (Existing Businesses)

- Submit year-end Financial Statements covering the last three years, including Balance Sheets, and Profit and Loss Statements
- Submit a current Balance Sheet, and Profit and Loss Statement, dated within 90 days of filing this application
- Submit business tax returns for the past three years

C. Financial Projections (Financial projections are expected to flow logically from historical financial statements. Include notes explaining the basis of your projections. New business ventures must provide information on “standard” projections in the industry)

- Submit a pro forma Balance Sheet for the next two year-ends.
- Provide Profit and Loss Statements and a Cash Flow Analysis monthly for the first year; and, for year end in the second year.

D. Personal Financial Statements and Tax Returns of Business Owners

- Submit a Personal Financial Statement of individual(s) owning 20% or more of the business. The Personal Financial Statement(s) should be dated the same as the date of the current business financials.
- Submit personal tax returns of the business owner(s) for the past three years

E. Letters of Commitment

- Include documentation of commitment from all other financial participants

F. Jobs Documentation

- Attach a list of all Current and Projected jobs to be retained and/or created by the project

G. Bids, Quotes and Leases

- If you are buying land, constructing a building, or renovating a building, provide bids or quotes
- If you are buying machinery or equipment, attach a detailed list of the equipment, cost and sellers name.
- If you are leasing any equipment or property, attach a copy of the lease.

H. Additional Assurances and Information

- If the loan application is approved, and depending on the project, you may be required to provide assurances of compliance with other federal regulations.