

# Lee-Russell Council of Governments



## \$\$Revolving Loan Fund\$\$

### BUSINESS LOANS FOR LEE AND RUSSELL COUNTY

A Revolving Loan Fund (RLF) is a locally controlled source of capital used to finance start-up and expanding businesses. This program enables the Lee-Russell Council of Governments, in collaboration with a private lender, to financially assist small and medium-sized businesses in Lee and Russell County. The RLF is designed to make loans to businesses whose start-up and expansion will result in the creation or retention of permanent jobs and the enhancement of private sector investment.

The Revolving Loan Program does not replace private lender financing. The program is established to fill the gap between what a lending institution can lend and what a business can provide in equity. Through the use of RLF dollars, attractive financing packages can be offered to prospective borrower's that lowers debt service through low interest rates and longer terms.

#### WHO IS ELIGIBLE FOR RLF LOANS?

The RLF is set up to provide loans to new and existing businesses who are involved in manufacturing, distribution, service and similar endeavors. Commercial projects are eligible for assistance but must show that significant economic development will be a result. Overall, eligible businesses are those who produce job growth, add economic value or enhance regional development potential.

#### HOW CAN LOAN PROCEEDS BE USED?

- To Purchase Land
- To Purchase Buildings
- To Construct New Buildings
- To Renovate Existing Buildings
- To Purchase Machinery and Equipment
- To Provide Working Capital



#### HOW MUCH CAN I BORROW?

Revolving Loans range from a minimum of \$50,000 to a maximum of \$200,000. The RLF must be leveraged by a PRIVATE LENDER AND EQUITY INJECTION BY THE BORROWER. *The borrower must provide 10% of total project cost, while 50% of the lending must come from a conventional lender.* RLF participation cannot exceed 40% of the total project cost.

#### RLF KEY POINTS

- ◆ Fixed interest rates, AT OR BELOW PRIME
- ◆ Loans range from \$50,000 to \$200,000
- ◆ Businesses must provide 10% of project cost in equity
- ◆ Longer financing terms for up to 15 years for land and buildings, 10 years for fixed assets and 5 years for working capital
- ◆ Permanent jobs must be created or retained
- ◆ Both principles and business are credit worthy and generate sufficient cash flow to repay debt
- ◆ Business, corporate, personal guarantees, and other security agreements are required
- ◆ Hazard and key man insurance naming Lee-Russell Council of Governments as loss payee are required
- ◆ Business is responsible for all legal costs associated with the transaction
- ◆ Annual loan servicing fee of one-half percent based on a declining loan balance
- ◆ Business must be located in Lee or Russell County



[How to Apply \(Over\)](#)



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### HOW DO YOU APPLY FOR A LOAN?

The first step is an interview to determine if the proposed project meets the program guidelines. If the project is found to have merit and a possibility for success, the prospective borrower is asked to complete a loan application and submit it to the Lee-Russell Council of Governments.

Decisions concerning approval or disapproval of loans, terms, and interest rates are made by the RLF Loan Review Board whose members represent all areas within the region. The Board, following state regulations, processes all loan applications with a minimum of *red tape*. Local people making local decisions means a quicker turnaround for all loan requests.

