

SMALL BUSINESS REVOLVING LOAN

Application & Program Guidelines



FOSTORIA 
ECONOMIC DEVELOPMENT CORPORATION

Fostoria Area 
Chamber
Of Commerce

Small Business Revolving Loan Fund

What is it?

- The City of Fostoria in cooperation with the Fostoria Economic Development Corporation and the Fostoria Area Chamber of Commerce have created a Revolving Loan Fund geared specifically towards Small Business Development. This Fund will provide eligible projects with low interest loans for the purpose of creation or expansion of small business in Fostoria, Ohio.
- Applications for the Small Business Revolving Loan Fund are submitted to the Fostoria Economic Development Corporation and reviewed by the Small Business RLF Administrative Board.

This manual has been developed to provide a summary of policies, procedures, administrative processes, criteria, and compliance standards for the Small Business RLF applicants to use when applying for assistance and to maintain compliance if funding assistance is approved.

Who is Eligible?

The following types of firms are eligible for the Small Business RLF program financing:

- Retail
- Restaurants
- Service Industry
- Small Manufacturing
- Professional Services

Ineligible activities include debt refinancing, taverns, owner operator trucking, nursing homes, day care centers, vehicle dealers, and adult entertainment facilities. Other activities based on the discretion of the RLF Administrative Board.

Eligible businesses must be for-profit and located within Fostoria City limits.

The Small Business Revolving Loan Fund (RLF) is a local source of fixed asset financing that will be available to small businesses. This includes funding for working capital, purchase of inventory, machinery, equipment, buildings, improvements, and related costs.

The Small Business RLF Administrative Board reviews all completed loan applications, analyzes the request, approves/disapproves the loan, and oversees the general operation of the entire fund.

To determine eligibility, certain criteria will be considered:

- The needs for assistance; whether the proposed activities can proceed without funds and whether the terms of the proposed financing are appropriate considering the business's financial condition and the community's objectives.
- The community's need for the activity; and
- Whether the level of assistance to the business is proportionate to the benefit the public will receive.

Pre-Application Process:

Potential Applicant will meet with President of Fostoria Economic Development Corporation and the Fostoria Area Chamber of Commerce to discuss the potential project to determine whether the project appears to meet the program guidelines.

Applicant will participate in Entrepreneur Trainings, Small Business Cohorts and/or business coaching and mentoring programs. Program participation requirements will be determined by the President of Fostoria Economic Development Corporation and the Fostoria Area Chamber of Commerce. Participation requirements will be based upon the project meeting, financials and business plan submitted in the application process.

Applicant will provide the RLF Administrator with background information, financial information, supporting documentation for initial project evaluation.

Application Processing:

Applicant will complete the loan application and submit it to the Small Business RLF Administrator for an initial review to ensure the request is complete, that is meets the RLF program guidelines.

Applications meeting the above criteria will be presented to the Small Business RLF Administrative Board. Those not meeting the program guidelines may be denied, accepted with waivers granted or held pending clarification of questions and receipt of further information.

The Small Business RLF Administrative Board analyzes the credit, collateral, and repayment aspects of the loan request then recommends approval, denial or modification of the request.

Evaluation Criteria:

Financial Evaluation

- **Collateral/Security Analysis:** An analysis of the assets securing the loan showing evidence of their useful life should be submitted. Appraisals, when necessary are to be provided.

- **Projected Cash Flow:** Cash flow statements for the next three (3) years are required.
- **Financial Status of the Business:** An evaluation of the present financial performance of the business, if applicable.

Business Evaluation

- **Business Plan:** Some form of a business plan must be included with the application to demonstrate that a market exists for the proposed product or service.

Public Purpose Evaluation

- **Benefit to the Community:** Loan will be evaluated based on the overall benefit to the community.
- **Funding:** An evaluation will be made based on the amount of alternative funding from sources other than the RLF dollars as well as the amount of private investment made in the overall project.

Loan Terms and Conditions

Loan Amount

Loans will not exceed \$25,000. Typically, the RLF Administrative Board will require a 1:1 match of RLF monies.

Loan Term

RLF financing will be offered for a term determined to be appropriate based upon the life of the asset financed and demonstrated ability to repay the loan. Loan terms will typically not exceed 5 years. In most cases, repayment will be made on a monthly schedule.

Interest Rate

Interest will be dependent upon the financing needs demonstrated by the applicant business. As a general rule, the interest rate is set at 1.25% below Prime. The interest rate will be determined at time of approval.

Collateral

The loan will require security agreements for at least 100% of the amount of the loan with a personal guarantee. If a personal guarantee is not required, the loan will require security agreements for at least 125% of the amount of the loan. A Security Agreement and UCC statements on the equipment in question may secure capital equipment. Real estate or construction costs may be secured by a mortgage. All such agreements shall be subject to review and approval by the City Law Director, as

well as approval by the RLF Administrative Board. With RLF Administrative Board approval, the lien position of the RLF loan may be subordinated to that of another lender (most commonly a participating bank). Personal guarantees may be required as requested by the RLF Administrative Board.

If your project is funded:

You will be required to sign a loan agreement that will include security and collateral agreements. These documents will include:

- The Loan Document;
- A promissory cognovit note;
- Security agreements, cash as UCC equipment liens and/or a subordinated mortgage;
- A personal guarantee, for which personal financial statements may also be required.

You will also be required to provide semi-annual financials to the RLF Administrative Board for their review.

If you have any questions, contact:

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