



PROGRAM GUIDELINES

SMPDC EDA Funded Economic Recovery Revolving Loan Fund Small Loan (under \$25,000) Fund Program

A. Background: Southern Maine Planning and Development Commission (SMPDC) has allocated funds for the establishment of a Small Loan Fund to provide financing to operating businesses with less than 500 employees located in York and southern Oxford Counties. The Small Loan Fund is to include the following:

B. Eligibility: 1. Eligible Areas: Businesses located in York and southern Oxford Counties.

2. Eligible Businesses: Any existing business or non-profit with less than 500 employees in operation prior to January 1, 2020 and located within the eligible area defined above and meeting other requirements as follows:

a. Applicant must provide proof of ownership and Good Standing in Maine.

b. Applicant must not be in arrears on any personal property or real estate taxes owed to any municipality in York and southern Oxford Counties.

c. Applicant must demonstrate the availability of all funds required to complete the “project” as approved.

d. Applicant must meet the underwriting requirements of the program and otherwise comply with program procedures and requirements as established by the SMPDC and/or Southern Maine Finance Agency (SMFA) including:

- Last 3 years tax returns;
- Most recent Interim Financial Statement; and,
- Personal Financial Statement for any owner with 25% or greater interest in the applicant.

e. Applicant must secure all required permits and approvals as required by local, state, and federal jurisdictions.

3. Eligible Uses: The following are eligible use of loan proceeds:

- a. Physical improvements and renovations including leasehold improvements both interior and/or exterior.
- b. Fixtures, furniture, and equipment;
- c. Working capital including payroll expenses.
- d. Machinery and equipment.
- e. Professional services including architectural, engineering, marketing, advertising.

4. Ineligible Uses: The following are ineligible uses of loan proceeds:

- a. Real estate acquisition;
- b. Refinancing of existing debt;
- c. Sweat equity – payment for the applicant’s own labor; and,
- d. Reimbursement of any project costs incurred prior to the approval of the CELF loan.

C. Financial Terms and Conditions: The Small Loan Fund shall provide loan financing subject to the following terms and conditions: 1. Maximum loan amount shall be \$25,000. All loans shall bear an interest rate of $\frac{3}{4}$ of PRIME RATE as published in the Wall Street Journal prior to closing (currently at 3.25%) or a reduced rate as established by SMPDC.

2. All loans approved under the Small Loan Fund will have the following terms and conditions:

- a. Loans will have a term of no longer than seven (7) years or eighty-four (84) months;
- b. For a period of three (3) months from the date of closing all payments shall be deferred;
- c. At the end of three (3) months from the date of closing, payments of principal and interest will begin;
- d. Owners with 25% or greater interest in an applicant shall guaranty the Loan; and,
- e. Loans shall be secured by real and/or personal property.

4. The applicant shall comply with all other terms and conditions as may be established by the SMPDC.

5. 6. Borrowers shall pay a commitment fee of \$100.

6. Borrower must submit annual financial statements & tax returns over the term of the loan.

7. The applicant shall comply with all other terms and conditions as may be established by the SMPDC.

D. Lending Limit: Credit Concentration in any one borrower or related borrowers will be limited to 10% of EDA Economic Recovery RLF loan assets. The SMPDC Executive

Committee may approve any exceptions to this limit upon the recommendation of the Loan Committee and staff.

- E. Program Administration: The Small Loan Fund shall be administered by SMPDC in accordance with these guidelines approved by the SMPDC Executive Committee and in accordance with any future amended guidelines. SMFA shall perform functions such as loan origination, servicing and management. All loans under these Guidelines shall be processed by SMPDC who will make an initial funding determination, which will then be submitted to SMFA for concurrence. Once both parties agree on the recommendation to fund the project, the SMPDC Executive Director will make the final approval. As compensation for the foregoing, SMFA shall retain a loan application fee of \$100.00 charged to each applicant. SMPDC and SMFA shall equally split all interest income earned annually.
- F. Amendments: The Small Loan Fund Guidelines shall end on the termination of the EDA Recovery RLF Grant unless extended or renewed by SMPDC in accordance with EDA Guidelines and the EDA approved RLF Plan.