Pulaski County Revolving Loan Fund

Description and Guidelines

Administered by the
Pulaski County
Community Development Commission
P.O. Box 315
623 West Eleventh Street
Winamac, IN 46996
574.946.3869
http://www.advancepulaski.org/
nporiger@pulaskionline.org

The Pulaski County Board of Commissioners determined that the initial Community Development Block Grant would be used to establish a revolving-loan fund to provide businesses with a source of financing to undertake economic-development activities that result in the creation or retention of living wage jobs. Loans from the fund are made to for-profit firms for projects deemed to be eligible by the staff of the Pulaski County Community Development Commission (C.D.C.) pursuant to the rules established hereunder.

Every applicant is required to complete an application, which is reviewed through a formal process. Applications for micro-, mini-, and small loans are reviewed by the C.D.C., the County Attorney, and the Pulaski County Board of Commissioners. Applications for regular loans are reviewed by the Regional Development Company (R.D.C.), the C.D.C.; the County Attorney; and the County Commissioners. All loans will be secured through an agreement (lien) conveying to the County a financial interest in property owned by the applicant. Funds are subject to availability.

To inquire about fund availability, contact the C.D.C's Executive Director at (574) 946-3869, Post Office Box 315, 623 West Eleventh Street, Winamac, IN 46996.

Financial Assistance

The primary function of the Pulaski County Revolving Loan Fund is to provide short-term financing to establish or to expand eligible businesses.

Location

The business development must be located within the legal boundaries of Pulaski County.

Eligible Applicants

Start-up, existing, or relocating businesses

Eligible Use of Funds

- Acquisition of building(s)/machinery/equipment
- Acquisition of land only if a structure will be erected thereupon
- Structural and cosmetic improvements of leasehold or operator-owned property
    - Improvements to leasehold properties require *approval of property owner, adequate security*, *and evidence of a sufficiently long lease agreement.*
- New-building construction
- Energy conservation
- Pollution control
- On-Site infrastructure

Ineligible Use of Funds

- Working Capital
- Rolling Stock
- Refinancing existing debt
- Land banking
- Mergers
- Inventory

Loan Amount

- $ 2,000.00 - $ 5,000 – Micro
- $ 5,000.01 - $10,000 – Mini
- $10,000.01 - $20,000 – Small
- $20,000.01+ – Regular

Loan Terms (Max.)

- Micro
    - 5 years, real estate
    - 2 years, equipment
- Mini
    - 7 years, real estate
    - 3 years, equipment
- Small
    - 10 years, real estate
    - 5 years, equipment
- Regular
    - 10 years, real estate
    - 5 years, equipment

Interest-only option for first 6 months available on small and regular loans. Amortization period shall be of the same duration as payment period: no balloon-payment options shall be permitted.

Interest Rate

Micro	Wall Street *Journal* prime rate
Mini	Wall Street *Journal* prime minus .25%
Small	Wall Street *Journal* prime minus .50%
Regular	Wall Street *Journal* prime minus .50%

- Minimum rate on any loan of any size is 3.00%
- Rate will be fixed at closing.

Security

All loans will be secured by land, buildings, machinery, equipment, and, if necessary, by other assets, personal guarantees, letters of credit, *et c.,* or any combination of these.

For micro-, mini-, and small loans, collateral must be valued at at least 75 percent of the loan value at the time of application. For regular loans, collateral must equal at least 100 percent of loan value. Collateral may be in the form of real property; a cosigner; personal property deemed to be acceptable by the County based on its value, use, and relative immobility; or any combination of these.

Any personal property held by the applicant or cosigner offered as security shall be appraised by a licensed appraiser.

For real property, an appraisal or market analysis may be required. Any appraisal must be conducted by a licensed appraiser; a licensed real-estate agent may be hired to conduct the analysis. The applicant shall bear all appraisal/analysis costs. Neither an appraisal nor market analysis will be required when the value of the requested loan does not exceed 50 percent of the assessed value of the property according to the County's most recent records, assuming that the County assumes first-lienholder position on the real property. If the requested amount is greater than 50 percent of the assessed value, but does not exceed 75 percent, then an analysis will be required. For amounts greater than 75 percent of the assessed value, an appraisal shall be conducted. In instances in which the County is not in the first-lienholder position on real property subject to these guidelines, the requirements to be met shall be determined on a case-by-case basis by the C.D.C., County Commissioners, and County Attorney.

Please contact the CDC office for a list of locally available appraisers. Appraisal reports and market analyses must be provided to the CDC no later than the meeting at which the CDC considers the loan.

Job Creation

Job creation is not required, but is favorably looked upon by the County. If a business decreases the number of living wage jobs while receiving the loan, the County has the right to retract the loan. Some emphasis is placed on quality-of-life improvements/"filling in the gaps" in our community.

Fees

A non-refundable fee of $200 will be required at the time of application payable to Pulaski County. This fee will help to cover the cost of the administration.

In addition to the $200 application fee, for regular loans applicants shall be responsible for all charges assessed by the Regional Development Company (RDC) for financial-review services. These services are billed at a rate of $100 per hour may require anywhere from five to ten hours per loan. Financial-review payment must be provided to the CDC office prior to consideration of the loan application and the RDC's review by the full CDC. Any incurred postage costs shall also be the responsibility of the applicant. Upon approval of a loan and receipt of all loan documentation, the applicant (regardless of loan tier) shall be responsible for having recorded, and the cost of said recording, of all loan documents prior to issuance of the loan, as well as any costs associated with title searches and any other necessary costs required for final loan closing. These costs will be subtracted from the loan amount prior to preparation of the loan check.

Loan Process

The Pulaski County Community Development Commission has tried to streamline the RLF process as much as possible, but a final loan decision could take up to 4 to 6 weeks for approval.

1) The Pulaski County Community Development Commission (C.D.C.) Executive Director will meet with the applicant for a consultation on general information and requirements for the loan program. The applicant will be provided with the appropriate loan application(s) and, when appropriate, authorization to release information for applicant credit history.

2) The applicant will then submit the completed application(s), business plan (when required), and application fee to the C.D.C.'s Executive Director. If you're unsure if your business qualifies, then please call ahead of time.

3) The CDC's Executive Director will then forward the completed loan application either to the RDC (loan requests greater than $20,000) or directly to the CDC (requests of $20,000 or less).

   The RDC may request further information and will then, upon completion of financial review (including, but not limited to, credit check, business-finance review, and personal-finance review), issue a credit memo and a risk rating to the CDC executive director.

4) The C.D.C. will at an executive session (pursuant to Indiana Code 5-14-1.5-6.1(b)(4), regarding interviews and negotiations with industrial or commercial prospects or agents thereof) prior to its next regularly scheduled meeting then consider the request, including the report from the R.D.C. for regular loans; interview the borrower or a designee; and then dismiss the borrower/designee to continue discussions. Following the executive session, deliberations will continue during the regular, public meeting, and the C.D.C. will take one of the following actions:

   - Recommend approval of the application
   - Request additional information
   - Deny the application

5) If the C.D.C. recommend the request for approval, then it shall be reviewed by the County Attorney, who will provide an opinion regarding the collateral and any concerns that s/he may have. The applicant may be asked to meet with the attorney, to provide additional information as requested, or both.

The loan request, along with the County Attorney's opinion, will be placed of the next most-practical agenda of the County Commissioners. A business representative may be asked to accompany the C.D.C. executive director at this meeting. The County Commissioners shall take one of the following actions:

- Approve the application
- Request additional information
- Deny the application

6) If the loan is denied, the applicant will be informed by letter issued by the C.D.C.'s Executive Director within two business days of denial. If approved, terms and conditions are set for borrower's acceptance. If borrower accepts terms, then loan-closing proceedings will ensue.

7) a) The County Attorney shall be responsible for reviewing any and all documentation regarding security on the loan. This shall include, but is not limited to, any mortgage on real property provided as security for the loan and any UCC Financing Statement on any personal property provided as security. He shall ensure that any UCC Financing Statement is filed with the Secretary of State's Business Services Division, whether it is filed by him or by the borrower's attorney.

The C.D.C. director shall be responsible for confirming that the County Attorney has done these, and shall also be responsible for the recording of the mortgage with the County Recorder's office. Moreover, he shall record the dates of all filings in a master checklist for each awarded loan. The County Attorney, Auditor, and C.D.C. director shall all receive and file copies of all appurtenant documents.

b) In the event that a borrowing business or secured property is sold to an individual or company not party to the original RLF agreement during the loan-repayment period, the borrower will be held responsible for repaying the remaining balance of the loan prior to any transaction or, in the case of personal property, seeking release of the lien if enough repayment has been made to-date. The prospective borrower may apply for an RLF loan, but may not accept transference of the responsibilities for repayment of the original loan.

9) Prior to or on the due date of each monthly loan payment, the County Auditor shall receive payment from the borrower, at which point the Auditor or a deputy shall provide receipt of payment to the borrower; the Auditor's office shall retain a copy of this receipt and shall provide an additional copy of the receipt of payment to the C.D.C. director. The Auditor or a deputy will ensure deposit of the payment into the RLF under the appropriation for the loan being repaid. The C.D.C. director shall record payment in an RLF spreadsheet and retain the receipt of payment in a file dedicated to the particular loan in question.

10) a) On the first business day of the month immediately following a missed payment, the C.D.C. director shall contact any delinquent borrower to remind him of the missed payment and to ensure forthright correction of the mistake. If payment not be made within five business days of notification, a penalty equal to five percent of the total payment shall be assessed and made due along with the owed payment. It shall be the responsibility of the County Attorney to notify the delinquent borrower of any fines assessed

b) If problems have arisen such that the borrower is unable to make payment, then a meeting shall be called with the C.D.C. director, the County Attorney, a County Commissioner, and the borrower and/or his attorney or other appropriate representative to explore options to avoid default.

11) As part of his monthly report to the Commissioners, the C.D.C. director shall inform them of the status of all outstanding loans. He shall also communicate monthly with all borrowers to enquire of the current status of operations; these findings shall be part of his report to the Commissioners.

12) The C.D.C. director shall be responsible for ensuring that the County Attorney or the borrower's attorney file for a UCC Financing Statement Amendment (renewal) if, either by design or restructuring of the loan agreement, the repayment of the loan extend beyond the five-year lifetime of the UCC. The date of expiration/renewal shall be included in the master checklist.

13) Upon full repayment of all principal, interest, and penalties (if any), the C.D.C. director shall remind the County Auditor to have the commissioners sign a loan release at their next meeting.

Business Plan

All new-business applicants must submit a business plan. Applications for existing businesses may or may not require a business plan at the C.D.C. Executive Director's discretion. If a business plan doesn't exist, and you would like help, please contact the C.D.C. to set up an appointment with an Indiana Small Business Development Center counselor.

Any loan applicant without previous business-operation/management experience *must* attend counseling with the Small Business Development Center to be eligible.

The business plan will include the following information:

1) Summary
    a. Business Description
        i. Name
        ii. Location and facility description
        iii. Product(s)
        iv. Market and competition
        v. Management expertise
    b. Business Goals (short term & long term)
    c. Summary of financial needs and application of funds

2) Market Analysis
    a. Description of total market
    b. Industry trends
    c. Target markets
    d. Competition

3) Products or Services
    a. Description of product line or service
    b. Property position: Patents, copyrights, and legal and technical considerations
    c. Comparison to competitor's products or services

4) Manufacturing Process (if applicable)
    a. Materials
    b. Source of Supply
    c. Production methods

5) Marketing Strategy
    a. Overall strategy
    b. Pricing policy
    c. Sales terms
    d. Method of selling, distributing and servicing products

6) Management Plan
    a. Form of business organization
    b. Board of Directors composition
    c. Officers: Organization chart and responsibilities
    d. Resumes of key personnel
    e. Staffing plan/number of employees
    f. Facilities plan/planned capital movements
    g. Operating plan/schedule of upcoming work for next one to two years

7) Financial Data
    a. If you are just starting a business, your plan should include:
        i. Projected "start-up costs"
        ii. Projected income and expense statement for the first two years
    b. If you have a young or established business, your plan should include:
        i. Income statement and balance sheet for the last three full years, plus current year statements within 60 days of submitting an application or request.
        ii. Projected income and expense statement for the next two years.