

## Overview

The Southwestern Commission (SWC) is the Development District serving the seven western counties of North Carolina (Cherokee, Clay, Graham, Haywood, Jackson, Macon and Swain Counties). SWC's Revolving Loan Fund (RLF) is an economic development tool to assist in the creation of jobs in local business and industry by offering short-term fixed asset, equipment and working capital financing that is available in the seven western counties of NC. It is jointly funded by the Appalachian Regional Commission, the Economic Development Administration, the State of North Carolina, and the Southwestern Commission.

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# Southwestern Commission RLF

*Revolving Loan Fund*



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## Information

### Purpose

The purpose of SWC's RLF is to create or retain jobs in its seven-county service area by providing loan funds (gap financing) in conjunction with funds from other lending sources. Loan funds revolve perpetually, providing supplemental, short-term financing of business and industry proposals. Economic activities supported by the RLF include those which result in creation or retention of private sector jobs, such as:

- Small business development,
- Retention of existing jobs,
- Re-development of blighted land and vacant facilities,
- Revitalization of downtown business districts,
- Modernization and rehabilitation of existing industrial or manufacturing facilities,
- Support for the use of new technologies, growth industries, high-tech firms,
- Development of businesses owned/operated by minorities, women, and members of other disadvantaged groups.

### Typical Loans

- Total cost is unlimited
- Maximum participation is \$200,000
- Minimum is \$25,000
- Borrower has two years from the date of closing to create/retain committed number of jobs

### Eligible Borrowers

- Sole proprietorships, partnerships, or for-profit corporations
- Public economic development institutions

### Ineligible Borrowers

- Land banking/ real estate investment companies,
- Speculative building and development companies,
- Passive investment companies,
- Lending Institutions

### Eligible Loans

The RLF can make direct loans only when credit is not otherwise available under terms and conditions that would permit accomplishment of the borrower's project. The RLF will not make loan guarantees, and RLF participation in a project must not displace commercial lenders. Eligible loan purposes include direct loans for:

- Machinery and equipment, including transportation/delivery and installation costs; live animal stock,
- Site Preparation,
- Renovation and expansion,
- Land and buildings,
- Working capital,

### Ineligible Loans

- Land Acquisition only,
- Relocation of existing jobs,
- Creation of seasonal jobs,
- Creation of jobs which will later be moved out of seven county area,
- Purchase of equity in private businesses,
- Subsidizing interest payments on existing loans,
- Refinancing of existing loan from other lenders or debt consolidation,

### Equity Requirements

Most borrowers are required to provide 15% equity contribution to the venture, although in some cases, equity contributions may be as low as 5%. Any one borrower may have outstanding no more than \$200,000 through multiple loans.

### Lending Policies

- RLF funds are made available for the shortest feasible term and as the smallest feasible portion of entire funds needed.
- Working capital loans are limited to 30% of the total RLF portfolio for approximately 3-5 years.
- The RLF loans have solid but flexible payback policies.

- The minimum interest rate charged is 4 points below prime.
- For determining collateral requirements, the RLF will consider the merits and potential economic benefits of each request. The RLF may secure a first, second, or third lien on available collateral.
- For working capital loans, the RLF will obtain collateral such as liens on inventories, accounts receivable, fixed assets and/or other available assets of the borrower.
- The RLF requires security in the form of the assignment of patents and licenses; the acquisition of hazard, liability and other forms of insurance including flood insurance, as appropriate, performance bonds, and such other additional security as is deemed necessary to mitigate the RLF's exposure.
- Life insurance on key people on whom the organization is dependent must be assigned to SWC.
- Personal guarantees from a borrower's principal owners (partnerships and proprietorships) and their spouses will be required. For corporate borrowers, members of the Board of Directors holding 20% or more of the corporation's outstanding common stock or 20% or more of the corporation's voting stock and their spouses (if held jointly), will guarantee loans.
- If necessary, the SWC can act to sell, collect, liquidate or otherwise recover on loans extended by the RLF in accordance with the legal rights of the Commission, other lenders, and the RLF borrower.

Southwestern Commission may modify the terms under which RLF financing has been extended to enhance the ability of the RLF to achieve program objectives.