



SCEPI REVOLVING MICRO-LOAN FUND PROGRAM

POLICIES AND PROCEDURES MANUAL

Prepared by:

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FOREWORD

In June of 2011, Shawano County Economic Progress, Inc. was awarded a \$90,000 grant from the United States Department of Agriculture/Rural Development. The grant was provided under the Rural Business Enterprise Grant (RBEG) program administered by the United States Department of Agriculture/Rural Development. Proceeds from the grant were used to establish and maintain the SCEPI Revolving Micro-Loan Fund Program.

This fund provides an additional source of funding for eligible businesses wishing to expand, relocate or start up in Shawano County. The SCEPI Revolving Micro-Loan Fund (RMLF) program will operate like a traditional Revolving Loan Fund loan and be used to support business start-ups and expansions in Shawano County. The SCEPI RMLF program will provide the micro-loan funds needed by small businesses that are generally unable to obtain traditional RLF loans because they cannot produce the volume of jobs required in a typical RLF loan. RMLF loans will generally be for \$10,000 or less and create 1 to 3 new jobs and retain 2 to 5 existing jobs per loan. We estimate that in one year, the micro-loan program may be able to assist 5 or 6 small business expansions or start-ups that will result in the creation of 20 to 25 new jobs.

For the purposes of the SCEPI RMLF program, we define small businesses as companies with 25 employees or less and generate up to \$500,000 in sales revenue annually. In Shawano County this definition applies to nearly 800 companies.

Policies and procedures contained in this manual govern the use of the Micro-Loan funds. No changes can be made to this manual without the prior written approval of Rural Development.

For more information or to obtain a copy of the **SCEPI RMLF loan** application materials, contact:

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SECTION 3.

ELIGIBILITY

3.1 ELIGIBLE AREA

Rural is defined as any area other than a city or town that has a population of less than 50,000 and the urbanized area contiguous and adjacent to such a city or town according to the latest decennial census. Eligible activities shall take place within the corporate limits of Shawano County.

3.2 ELIGIBLE APPLICANTS

At least 51 percent of the outstanding interest in any project must have membership or be owned by U.S. citizens or resident aliens. Small and emerging private businesses are those that will employ 25 or fewer new employees and have less than \$500,000 in projected gross revenues.

- (1) Applications may be submitted by the sole proprietor or Chief Executive Officer of any business or industry wishing to establish a new operation or expand an existing operation in Shawano County.
- (2) Members of the SCEPI Board, RMLF Loan Review Committee or other officials, employees, or agents of SCEPI who exercises decision-making functions or responsibilities in connection with the implementation of this Program are not eligible for financial assistance under this Program.
- (3) No Program loans will be made which are in conflict with Section 946.13 of the Wisconsin Statutes (Private Interest in Public Contract Prohibited).
- (4) Applicants shall not be discriminated against on the basis of race, religion, color, handicap, sex, physical condition, development disability as defined in § 51.01(5), sexual orientation or national origin.
- (5) Applicants do not necessarily need to create new jobs with their projects although new job creation will be encouraged. The requirement for new job creation will be reviewed on a case by case basis and be at the discretion of the RMLF Loan Review Committee.

3.3 ELIGIBLE ACTIVITIES

Program loans shall be available to eligible applicants for the following activities:

- (1) The acquisition of signs, fixtures, and fixed equipment.
- (2) Façade improvement.
- (3) General improvements to the facility interior.
- (4) Projects that enhance the facility's appearance.
- (5) Working capital (inventory and direct labor costs only).

3.4 INELIGIBLE ACTIVITIES

Program loans shall not be available for the following activities:

- (1) Refinancing or consolidating of existing debt.
- (2) Reimbursement for expenditures made prior to loan approval.
- (3) Specialized equipment that is not essential to the business operation.
- (4) Routine maintenance.
- (5) Professional services such as feasibility and marketing studies, accounting, management services, and other similar services. Legal services incurred in the closing of a RMLF loan are eligible.
- (6) The production of agricultural products except for commercial nurseries, timber operations, or limited agricultural production related to technical assistance projects.
- (7) Programs operated by cable television systems.
- (8) Funds can only be used for planning given projects and cannot be used for area wide type planning.

- (9) Other activities that the RMLF Loan Review Committee may identify during the administration of the program.

3.5 INELIGIBLE BUSINESSES

Program Loans shall not be available for the following businesses:

- (1) Speculative investment companies.
- (2) Real estate investment companies.
- (3) Lending institutions.
- (4) Gambling operations.
- (5) Non-public recreation facilities.
- (6) Private agricultural businesses.
- (7) Other businesses not serving the interests of the Community.

3.6 MINIMUM REQUIREMENTS

To be eligible for funding, the proposed project must meet all of the following minimum requirements:

- (1) **Business Matching Funds:** The applicant must invest a minimum of one (\$1.00) dollar of private funds for every one (\$1.00) dollar of loan funds requested. Higher leverage may be required at the discretion of the RMLF Loan Review Committee. The applicant must provide proof that matching funds have been committed to the project.
- (2) **Financial Feasibility and Business Viability:** The applicant must demonstrate that the proposed project is viable and the business will have the economic ability to repay the loan.
- (3) **Low and Moderate Income (LMI) Benefits:** The project will provide increased permanent employment or will retain existing jobs. Of the jobs created or retained by the project, at least 51% must benefit low to moderate income persons. HUD guidelines will apply.
- (4) **Compliance With Applicable Laws:** Applicant shall comply with all applicable local, state, and federal laws and/or codes.
- (5) **Project Completion:** Applicant shall provide to the loan committee a schedule, not exceeding 24 months, for project completion and job creation or job retention and maintain the new positions created for 24 months. Timetable should include hiring schedule, construction completion schedule and any pertinent information and dates relating to the proposed project.

SECTION 4 TERMS AND CONDITIONS

4.1 TERMS AND CONDITIONS

Loan terms and conditions shall be structured on need and ability to repay. Minimum standards shall include the following:

- (1) **Loan Amount:** Loan amounts are subject to the availability of Program funds. There is no minimum amount. The maximum loan amount will be \$10,000.
- (2) **Interest Rate:** The interest rate may be fixed or graduated on a fixed schedule. In no case shall the interest rate be less than four (4%) percent or greater than two (2%) percent above the prime rate at the time the contract is signed.
- (3) **Terms for the Loan:**
 - (a) Working capital loans shall have a maximum term of five years.
 - (b) Loans for machinery, equipment and fixtures shall have a maximum term of seven years.
 - (c) In any case, the loan shall not have a term longer than the terms of the other private financing in the project.

This institution is an equal opportunity provider and employer.

- (4) Period of Payments: The repayment schedule shall be set up for regular monthly payments. Payment may be made either in person or by mail to: SCEPI Revolving Micro-Loan Fund, 1263 S Main Street, Shawano, Wisconsin, 54166.
- (5) Repayment: Payment of interest and/or principal may be deferred for up to two (2) years if justified in the loan application. Interest shall accrue during the deferment period and shall be added to the principal amount of the loan. Thereafter, interest and principal shall be paid for the remaining term of the loan.
- (6) Prepayment: No loan shall be subject to any penalty for prepayment prior to the term of the loan.
- (7) Collateral: Reasonable security will be required for one hundred (100%) percent of the loan. Collateral may consist of a first or second lien on all assets to be purchased with loan proceeds, a lien on all other assets owned and used in the business and/or a personal guaranty.