**Arnold Economic Development Corporation**

**Loan Eligibility/Terms/Requirements/Guidelines**

### Eligible Businesses

Any corporation, partnership, limited liability company, or sole proprietorship without regard to its principal source of income, shall be a qualifying business under the Arnold Economic Development Program. A qualifying business need not be located within the territorial boundaries of the village, but it should be within the Arnold school district.

### Eligible Uses of Funds

Examples of eligible activities under the Arnold Economic Development Program include, but are not limited to:

 1. The purchase or lease of real estate

 2. New construction or remodel

 3. Purchase fixed assets

 4. Use as working capital

 5. Public works improvements essential to the location or expansion of a qualifying business

 6. Expenses for locating a qualifying business into the area or an existing business to a more suitable location

 7. Job creation

 8. Technical assistance such as marketing assistance, management counseling, preparing business plans, engineering assistance, etc.

 9. Job training

 10. Tourism-related activities

 11. Projects which enhance the development of downtown Arnold

Loan Terms

|  |  |  |  |
| --- | --- | --- | --- |
|  | RevolvingLoan Fund | LB840 Taxfunds | AEDCFunds |
| Maximum Loan Amount | Lesser of:- 50% of total project costs- $20,000 per full-time position created | 50% of total project costs | Determined on a case-by-case basis |
| Maximum Job Training | Lesser of:- $1,000- 20% of total project costs | Determined on a case-by-case basis | Determined on a case-by-case basis |
| Owner Equity Required | 30% for startup businesses10% for existing businesses | 10% for any applicant | Determined on a case-by-case basis |
| Maximum Loan Terms | 15 years for fixed assets5 years for working capital | 10 years for fixed assets5 years for other asset category | Determined on a case-by-case basis |
| Loan Interest Rates | Lesser of:- Wall Street Journal Prime- 50% of the rate for the project’s primary lender | 50% of Wall Street Journal Prime, but no less than 4% before qualifying credits\* | Determined on a case-by-case basis |
| Security | May include, but is not limited to, real and personal property and supported by personal and/or corporate guarantees | May include, but is not limited to, promissory notes, mortgages, or deeds of trust, personal and/or corporate guarantees | Determined on a case-by-case basis  |

*\* Qualifying Credits*—For every job created, you’ll lower your interest rate by a half percent (.5%), with 3% being the lowest possible interest rate attainable.

### Requirements

You are required to provide a credit report/score with your loan application. Some sources that provide credit reports are your bank (some banks will provide one free credit report per year), possibly your credit card company, and online sources such as AnnualCreditReport.com. At AnnualCreditReport.com, you can request a free credit report from one of the three large credit reporting companies: Equifax, TransUnion, or Experian. They may charge a small fee to access your credit score.

Loan recipients will provide financial statements to the AEDC on an annual basis for the life of the loan.

A review of records relating to the performance based criteria outlined in the loan agreement will be subject to inspection by the AEDC on an annual basis.

### Fees

There is a loan application fee, which is to be paid before the loan committee will review your application. The amount of the loan application fee will be $65. This is a nonrefundable fee and will not be returned no matter what the outcome of your application may be. There may also be a loan servicing fee.

**Guidelines for Reviewing Loans**

The AEDC loan committee is presented with the very challenging task of ensuring that funds lent are protected as completely as possible. Listed below are several factors used in reviewing loan applications.

### Credit Report

- Level of importance relates to size of loan and collateral offered.

- If score is low, reasons for being at that level?

- Are there late payments? When and why?

- Amount of credit card debt—is it possible to service that debt and service additional loan payments?

### Business Experience

- Is there adequate experience owning and managing a similar business or business of any type (not just management for someone else)?

### Business Startup or Existing

- If an existing business, is the loan for true expansion or a means to offset previous business losses?

- If existing, will the business records indicate the ability for the borrower to manage the business and service additional debt?

### Financial Projections

- Is there a statement addressing projections and changes in the projections (justify and explain)?

- Are the projections realistic or compiled with good intentions and blue sky?

- Will the projections provide for servicing debt and provide the necessary return required for the borrower?

### Outside Employment

- Is outside employment required for viability of the business?

- Is there outside employment and will the borrower maintains that outside employment until the business is able to stand alone?

### Collateral

- Is there sufficient business collateral to protect the loan?

- If there is insufficient business collateral, is there acceptable personal collateral?

- If there is insufficient business and personal collateral, is someone other than borrower willing to pledge adequate collateral, cosign the note, or provide a personal guarantee?

- Inventory for most loans is insufficient for the majority of collateral required?

- Inventory is especially risky for startup businesses and businesses being purchased.

- Types of inventory acceptable (larger items, items with title, ID number, etc.).