



Spicer Economic Development Authority

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Business Revolving Loan Program

The Loan Program of the Spicer EDA was developed to provide loans to small local businesses. The creation of new jobs and increased tax base are of primary consideration in funding, as long-term employment will enhance the region's ability to prosper.

LOAN CRITERIA AND GUIDELINES

1. **ELIGIBILITY:** Eligible businesses may be either start-up or expansion projects and must be located within the city of Spicer. The type of businesses includes but are not limited to, those engaged in:
 - Manufacturing
 - Retail (must meet a critical community need)
 - Service
 - Daycare businesses

Loan funds are **NOT** available for the following activities or businesses:

- Agricultural production (crop or livestock)
- Debt refinancing/restructuring
- Companies relocating within Minnesota
- Loans to city or governmental units
- Development Corporations
- Projects which have other financing available
- Projects that cannot demonstrate a reasonable chance of success/repayment ability

Applicant must have a good personal credit history or an explanation of credit deficiencies.

Project must have positive cash-flow projections based on reasonable income generation.

Project must provide equal employment opportunities.

If business moves from the city, note becomes due and must be repaid.

2. **LOAN INTEREST AND TERMS:**

- Interest rate will be prime less 1% fixed for five years or 1% whichever is greater.
- Maximum loan is up to \$25,000.
- Loan term shall be fifteen years or less. The loan shall be initially established for five years with a balloon payment. The loan can be extended with EDA Board resolution. Loans for leasehold improvements must be fully amortized within the life of the lease.
- Loan Origination fee shall be 1% of loan amount, due upon loan closing.
- Loans will be collateralized with first lien position whenever possible.
- Borrower must sign a personal guaranty.
- Borrower must have at least a 10% equity position or provide additional collateral to make up the difference.
- Direct payment from borrower's bank account will be required (ACH).
- Spicer EDA must be carried as a loss payee on property insurance.
- Life insurance on the borrower may be required.
- If not previously completed, borrower must attend and complete business management education, which may include a Small Business Management Course at a technical college, Fast-trac, or similar course. Funds for the education may be included in the loan proceeds.

3. **ELIGIBLE USES OF LOAN FUNDS:** All costs demonstrated as essential for the project, including fixed assets, working capital, inventory, machinery and equipment, and leasehold improvements are eligible for a loan.
4. **FINANCING GAP:** Loans can only be made to businesses that can substantiate a financing need due to the following conditions:
 - Inadequate private lender financing.
 - Inability to pay market interest rates or term requirements.

Applicant must prove that they are partnering with a commercial lender within Kandiyohi County.

5. **BUSINESS PLANNING:** A business should have some expertise in or have assistance with product development, marketing, and management. If assistance is needed, applicants can find support from available business development professionals such as regional development commission staff, community development personnel, or small business development consultants. Contact the City staff if you are unsure about how to access these resources.
6. **APPLICATION PROCEDURE:** Applicants are encouraged to call or visit the City Office at an early stage in business development to discuss the feasibility of funding for their project.

Applicant must complete the Loan application (with personal financial statement), attach three years' business cash-flow projections, and provide the last two years' income tax returns – personal and business (if business applying has already been in existence).
7. **ANNUAL REPORTING:** After loan is made, annual financial reporting will be required in the form of an annual financial statement and income tax return.