

Revolving Loan Fund Gap Finance Resource

The Southwest Regional Development Commission serves the 9-County Region in Southwest Minnesota with a variety of economic development services.

The Revolving Loan Fund (RLF) can play a key role in financing development projects. The fund is meant to bridge the gap between what the primary lending sources can offer and private equity injection.

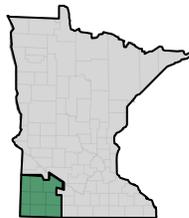
The RLF resources can be used for financing real estate, equipment, inventory, and provide a source of working capital.



*Partnering with private lenders and local business
to grow Southwest Minnesota.*



Southwest Regional Development Commission



*Serving the 9 County Region
in Southwest Minnesota*

Cottonwood, Jackson, Lincoln, Lyon, Murray, Nobles, Pipestone, Red, and Rock

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*Southwest Regional
Development Commission*

Revolving Loan Fund Program



**Bridging the gap in
Southwest Minnesota**

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RLF Gap Financing

The Southwest Regional Development Commission (SRDC) strives to help facilitate economic development in Southwest Minnesota with a special focus on areas that are underserved by traditional economic development resources.

Often times, new or expansion projects have a difficult time coming to fruition because of a missing piece of capital. We can provide that missing “piece of the puzzle” with the utilization of our Revolving Loan Fund Program.

Eligible projects include retail, service, industrial, value-added agriculture, manufacturing and distribution businesses.

Businesses must be located in Region 8- Cottonwood, Jackson, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, or Rock County.

Once a complete application is received, the Revolving Loan Fund committee reviews it for approval. **Applications are accepted on a continual basis.**

Financing Policies

LOAN SIZE

- \$5,000-\$100,000
- Must be matched 1:1 by other sources of funding.
- Maximum of \$20,000 loaned per full time equivalent (FTE) position created and/or retained.

REQUIREMENTS

- Borrower must demonstrate a need for gap financing.
- The RLF funds must be matched by a bank or other “non-federal” source.
- Personal guarantees may be required.
- Business must be “for-profit”.

ELIGIBLE USE OF FUNDS

- Fixed assets & Inventory
- Real Estate
- Working Capital

TERMS

- Fixed Assets & Inventory: 7-15 years
- Real Estate: up to 20 years
- Working Capital: 5-7 years
- Terms are at the discretion of the RLF Committee and may be less. Balloon payments may be implemented.

INTEREST RATE

- Minimum of 4% Fixed Rate
- Rates may fluctuate based on risk factors at the discretion of the RLF Committee.

COLLATERAL

- All loans must be secured with available assets, inventory, and/or real estate.
- RLF will subordinate to bank financing.

FEES

- \$150 Application Fee due when submitted. This will be applied to legal fee costs if approved.
- 1.5% origination fee due at (or prior to) closing.
- All legal fees are the responsibility of the Borrower.
- Financing options for legal and origination fees are available for qualified borrowers.

GAP FINANCING EXAMPLE

ABC Widget Factory wants to buy a 60,000 square foot building to house their manufacturing facility. There will be \$300,000 in real estate acquisition, \$80,000 in equipment, and they will need \$20,000 in working capital. Approximately 10 full time positions will be created.

TOTAL PROJECT COSTS: \$400,000

BANK: \$210,000 (Secured by a first real estate mortgage on the building)

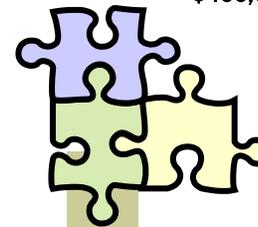
ABC: \$90,000 (Cash Injection)

\$300,000

RLF: **\$100,000***

\$400,000

**Secured by a first UCC filing on all equipment and business assets, second real estate mortgage on building, and personal guarantee of ABC Principals.*



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