

Micro Loan Fund



Eau Claire, WI

Business. Life. Balance.

[www. EauClaireDevelopment.com](http://www.EauClaireDevelopment.com)



Micro Loan Fund Guidelines

PROGRAM INTRODUCTION

The City of Eau Claire's Micro Loan Fund provides small loans to startup, newly established, or growing small businesses. This is defined as those that have been in business less than 3 years. The key objective is to assist business owners who have traditionally had difficulty accessing debt financing, by affording them another alternative to obtain credit.

FINANCE TERMS AND CONDITIONS

Loan Amounts

The minimum loan will be \$5,000 and the maximum will be \$30,000.

Interest Rate

The interest rate shall be a 4% fixed annual rate. The Finance Director will review the program's interest rate annually as compared to market conditions and recommend changes, if any, to the Loan Administration Board, who shall have the authority to adjust the rate accordingly.

Collateral

The City will record a lien against the collateral pledged for the loan. The collateral pledged must be sufficient to cover the value of the loan and be related to the business activities covered by the loan or other real property.

Unlimited business and personal guarantees will also be required of all owners with a 20% or greater ownership interest in the business.

Terms

The terms of the loan will vary depending on the collateral and uses of funds. Short terms will be encouraged. Typical loan terms are:

- 1) Ten (10) years for real estate purchase or renovation.
- 2) Three (3) to Ten (10) years for capital equipment, depending on life of the asset.
- 3) Three (3) to Five (5) years for working capital.

If it is determined by the Loan Administration Board that deferral of the principal payment for a period not to exceed one (1) year would likely lead to the success of the project, and that upon review of updated financial information filed by the borrower that loan collateral remains a viable and likely source of recovery in case of default, deferral may be allowed as approved by the Board.



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PROGRAM ELIGIBILITY

Eligible Borrowers

Any manufacturing, commercial, or service business, excluding restaurants, located in the City of Eau Claire that has been in business for three (3) years or less and demonstrates an ability to repay the loan. Targeted economic areas for the program include businesses located in Downtown Eau Claire and those supporting the creative economy.

Eligible Uses of Funds

Permanent working capital; inventory purchases and supplies; acquisition of equipment, machinery, furniture and fixtures; leasehold improvements; building renovation and rehabilitation; and real estate acquisition.

Ineligible Uses of Funds

Refinancing existing debt. However, upon Board approval, RLF borrowers may move the loan to a different financial institution if the City's lien position will not be compromised. Relocation of companies located outside the City of Eau Claire.



APPLICATION CHECKLIST

Included with this application are the following supplements:

- Completed and signed application
- Credit check within the past year
- Background check disclosure
- Business Plan that includes business description, company history, a discussion of the business industry, sales, markets, and competition, and a summary of all owners/managers
- Narrative about the past, present, and future of your business and the role this funding would play
- Site control/documentation of property
- Business entity creation must be completed prior to review of application
- If existing business, current plus last 3 years financial statements of the business (income statement, balance sheet, and cashflow)
- If new business with no previous financials, then attach past 3 years of personal tax returns
- Personal financial statements for those with 20% or greater ownership interest
- Employment Plan consisting of current and future employment projections (if applicable)
- Financial Institution commitment letter for participation loan OR an explanation why credit is not available in terms and conditions that would allow successful completion or operation of the project in the Eau Claire area
- Collateral documentation
- Proof of insurance for collateral (if applicable)