

MICROLOAN Program



*A locally controlled
capital resource
program for
startup businesses,
expanding businesses
& entrepreneurs*

*Program Funding Provided by
USDA/Rural Development*

Ineligible Uses of Funds:

Financing agricultural production of crops, animals, birds, or marine life or the raising, feeding, breeding, hatching control/or management of farm and domestic animals.

Exceptions: Aquaculture, commercial nurseries, forestry, livestock and poultry production/processing and hydroponics.

Hotels, motels, tourist homes, convention centers, recreation or amusement centers, community activity, antenna television services or facilities or any illegal activity.

Loans will not be made to non-profit entities of any kind, nor will lines of credit be made available with USDA funds.

Microloans will finance no more than 90% of a project's cost, however, the portfolio average should be 35%.

ABOUT SEARP&DC

The Southeast Alabama Regional Planning & Development Commission and its member counties was designated as an Economic Development District by the U.S. Department of Commerce/Economic Development Administration on April 11, 1970. The agency receives assistance annually for Economic Development Planning and Technical Assistance.

Economic Development services provided by SEARP&DC are:

- * Business Prospect/Data Service
- * EDA/RLF and USDA/RLF Small Business Loans
- * USDA Business & Industry Loan Packaging
- * Community Development Block Grant (CDBG)
- * Infrastructure Grant and Loan Packaging
- * Economic Development Administration (EDA)
- * Planning, Technical Assistance, Grant and Loan Services
- * State of Alabama Site Improvement Grants and Other State Business Development Programs
- * Small Business Administration Referrals
- * Economic Development Information on Business Assistance Programs
- * Economic Development Marketing Services

The Microloan Program is funded through the United States Department of Agriculture/USDA and is intended to provide business development assistance capital in rural areas of the Southeast Alabama region.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, and marital or family status.

The information presented in this brochure is for program marketing and informational purposes. For more details on the Microloan Program call or write:

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What is the MICROLOAN Program?

The Microloan Program is a locally controlled source of capital used to finance startup, expanding businesses and entrepreneurial projects in Barbour, Coffee, Covington, Dale, Geneva, Henry and rural Houston counties. The Microloan Program is available depending on project needs. Projects must meet program guidelines and be creditworthy.

The Microloan Program will provide direct and gap financing to small businesses and individuals that are sound and growing, but cannot obtain adequate financing to carry out a new or expanding project. Loans will be available from \$4,000 to \$10,000, or up to a maximum of 90% of the project cost. Working capital loans will be limited to 50% of the Microloan portfolio, and must be repaid within five years.

The Microloan Program requires owner's equity as a part of the project financing. As borrowers repay their loans, the principal and interest are returned to the fund for lending to other businesses to create more jobs and investment opportunities.

MICROLOAN Guidelines

- Business start-up or expansion must result in the creation/retention of permanent jobs.
- Jobs created should meet the minimum per job threshold value of \$10,000.
- Businesses must provide 10 - 25% of the project cost in cash equity.
- Interest rates will be New York prime plus 2% to 4%.
- Loan terms available up to seven years on fixed assets and five years on working capital.
- Principals and business must be creditworthy and generate sufficient cash flow to repay debt.
- Principals of the business must furnish personal guarantees.
- Borrowers are responsible for all legal costs associated with the loan closing.
- Borrowers must pay a one time processing fee of 1.5% of the loan due at the time of closing.
- Businesses must be located in rural areas of Barbour, Coffee, Covington, Dale, Geneva, Henry, and Houston Counties.
- Businesses located within the city limits of Dothan are not eligible.

Eligible businesses:

- Small manufacturing companies and service related companies.
- New and emerging industries and new technologies that have a uniqueness that will add value to the regional rural economy.
- Other businesses that may help the area improve its development potential where such assistance is needed.

Eligible uses:

- Construction, expansion, renovation, modernization or development costs.
- Purchase of equipment, machinery and supplies.
- Permanent working capital.

Loan advantages:

Interest Rates - Interest rates will range from New York prime plus 2% to 4%.

Terms - Fixed asset financing will be structured to cover the economic life of the asset. Up to five years for permanent working capital and seven years on equipment. No penalty for early repayment.

Local Control - Loan decisions are made locally by the SEARP&DC Loan Administration Board, which is representative of the regional community. *Local emphasis means faster response to loan requests and minimized "red tape."*