

FLORENCE DOWNTOWN DEVELOPMENT CORPORATION MICRO-ENTERPRISE LOAN PROGRAM

INTRODUCTION AND OBJECTIVE

The Florence Downtown Development Corporation (FDDC), through its Economic Restructuring and Finance Committees, is dedicated to the revitalization of downtown Florence and to the re-establishment of the area as a viable retail district. By securing grants through federal sources, the Corporation has created a Micro Enterprise Loan Program (MELP) Revolving Loan Fund through which it is able to help downtown business and property owners improve, expand or create new business for the downtown.

- MELP is designed to offer business owners and potential business owners, who do not qualify for a traditional bank loan, a vehicle to borrow money at a competitive rate. The program **IS NOT** a high risk loan fund. Borrowers must have a good credit history. The borrowers credit report should typically have less than two thirty day lates in last two years with a minimum credit score of 620 or higher.
- MELP loans are made by a local participating bank but are guaranteed by the FDDC.

Loan Review Process

The FDDC Loan subcommittee reviews all MELP loan applications. The committee, in conjunction with the participating bank will perform necessary credit analysis and due diligence in order to make a written recommendation to FDDC's Board of Directors, which has final authority regarding all actions of the MELP.

MELP LOAN FUND GUIDELINES

Eligibility:

In general, eligible projects for loans can include any business venture that promotes job creation or retains jobs, promotes the revitalization of the downtown area through building rehabilitation and enables business owners to become property owners. Qualifying expenses will include buildings, land, fixed assets, machinery and equipment, building and façade improvements or rehab.

Ineligible Uses

Ineligible uses of MELP funds include legal activities that in the opinion of the FDDC Board of Directors adversely affect the MELP interests and loans to projects which have alternative sources of financing at reasonable rates.

Loan Amounts and Supplemental Financing Requirements

The maximum MELP loan is \$15,000.00. Although not required, funding from other sources is considered favorable and will enhance the chances for approval of an MELP loan request.

Interest Rate and Fees

Because the MELP loans are guaranteed by FDDC, the interest rates are very favorable and will generally be below prime.

Loan Terms

The term of an MELP loan shall not exceed 10 years, but may be less than 10 years as determined by the Board. Loan deferments of up to 2 years may be considered on a project-by-project basis. The Loan Committee will make a recommendation concerning the term of the loan depending upon project need, the expected life of the security, and the applicant's ability to repay. The term of the loan will not exceed the expected life of the asset(s) being used as collateral. While not mandatory requirements, the following maturities will be used as general guidelines:

Building, Real Estate, Equipment and Working Capital 1 to 10 years

Collateral

MELP loans will be collateralized, as determined necessary by FDDC's board, to secure its participation in the project, and can include, but is not limited to, mortgages, liens, letters of credit, furniture, fixtures, equipment, and/or personal and corporate guarantees. Their terms and conditions may be required as determined by the FDDC's board, depending upon individual circumstances, including but not limited to assignment of leases, subordination agreements, life insurance, etc.

APPLICATION PROCEDURES AND LOAN ADMINISTRATION

Requests for assistance from the MELP must be made on the Revolving Loan Fund Application Form and must include the supporting information identified in the MELP Application.

Loan Disbursements

Before MELP funds can be disbursed to the borrower, all requirements and terms of the loan agreement must be met and supplemental financing must be received or committed in writing. In general, MELP funding is to be the last disbursed to the project.

Annual Income Statements and Balance Sheets

Depending on the nature of the project and security arrangements, FDDC reserves the right to require the submission of annual financial reports as audited by a certified public accountant.

Periodic Management Information Reports

Management reports will be required from the Borrower on a semi-annual basis beginning six months after the advance of MELP funds and continuing semi-annually thereafter for a period of 3 years or until completion of the project, whichever is the later period.

Management reports will include:

1. Information on the number of jobs created or retained during the reporting period;
2. A comparison of accomplishments during the reporting period to the objectives established for the project, and
3. A description of any problems, delays, or adverse conditions, which will materially affect the attainment of, planned project objectives and a statement of action taken or contemplated to resolve the situation.

FDDC reserves the right to require these reports on a more frequent basis if it is determined to be in the best interest of the MELP.