SCOCOG

South Central Ozark
Council of Governments

• Designated Economic Development District •

Revolving Loan Fund

Minimum RLF Threshold Criteria

- One full-time job created per $10,000 of RLF proceeds
- Minimum leverage ratio of $2 of private funds to $1 RLF
- Minimum of 10% equity injection by private sector participant
- RLF funding limit of 28% of total project cost
- Maximum loan of $100,000
- Must obtain, in writing, firm commitment from other private lender(s) participating in project
- Payment of 2% loan origination fee on RLF portion of the loan when application is submitted.

Eligible Use of Funds

- Private sector job creation/retention
- Contribute substantially to economic development or stabilization
- Industrial/commercial activities
- Direct job creation/retention
- Capital for start-up, expansion, or retention of business
- Indirect job creation may be considered if local conditions warrant
- Activities consistent with priorities of the US Department of Commerce.

Micro-Enterprise Revolving Loan Fund

Minimum ME-RLF Threshold Criteria

- Employment creation driven
- At least 51% of the new jobs to be created must be taken by LMI persons
- Loan amount based on availability of funds
- If necessary, obtain in writing, firm commitment from other private lender(s) participating in project
- Loans to business with less than 5 existing employees (including owners)
- Payment of 2% loan origination fee on the RLF portion of the loan at closing

Eligible Use of Funds

- Acquisition and rehabilitation of an existing building
- Construction of a new building
- Infrastructure improvements
- Site preparation
- Land acquisition
- Machinery/equipment
- Working capital
- Educational training

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Overview of the Revolving Loan Fund

South Central Ozark Council of Governments' (SCOCOG) Revolving Loan Fund, administered under the South Central Ozark Regional Development Company (SCORDC), is one of several EDA public investment tools available to assist distressed areas.

An RLF (Revolving Loan Fund) is a pool of money used by eligible recipients for the purpose of making loans to achieve certain economic benefits. As loans are repaid by the borrowers, the money is returned to the fund to make other loans. In that manner, the fund becomes an ongoing or "revolving" financial tool.

SCOCOG's RLF is not a substitute for conventional lending sources; RLFs are designed to fill gaps in existing local financial markets and provide or attract capital which otherwise would not be available for economic development.

The primary goal of the RLF is private sector job creation or retention.

Participation Requirements

Entrepreneurs who wish to avail themselves of the economic benefits of the RLF must be residents of the South Central Region (Douglas, Howell, Oregon, Ozark, Shannon, Texas, and Wright Counties). Resolutions of support and membership dues of their resident city or county must be current prior to participation in the loan fund.

Interest Rates

SCORDC can make loans to eligible borrowers at interest rates and under conditions determined by SCOCOG to be the most appropriate in achieving the goals of the RLF. The minimum interest rate is five percent (5%) for seven (7) years.

RLF financing is flexible to assist firms with special credit problems, and therefore may involve greater risks and more lenient terms than conventional financing.

Collateral Requirements

In the determination of collateral requirements, SCORDC will consider the merits and potential economic benefits of each request. When appropriate and practical, RLF financing may be secured by an assignment of rights in assets of assisted firms as follows:

- In order to encourage financial participation in a direct fixed asset loan project by other lenders and investors, the RLF loan lien position may be subordinated to other loans in connection with the project.
- In projects involving direct working capital loans, the RLF will normally obtain collateral such as liens on inventories, receivables, fixed assets and/or other available assets of borrowers. Such liens may be subordinate only to existing liens of record and other loans involved in the project.
- In addition to the above types of security, the RLF may also require security in the form of assignments of patents and licenses, the acquisition of hazard and other forms of insurance, and such additional security as SCORDC determines is necessary to support the RLF's exposure.
- RLF loan requests submitted by partnerships or proprietorships dependent for the continuing success on certain individuals will ordinarily be expected to provide and assign to the RLF, life insurance on key persons.
- Personal guarantees may also be required from principal owners, as appropriate.