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Overview: Van Buren County Revolving Loan Program

Overview: The Van Buren County Revolving Loan Fund (RLF) is a financing tool primarily used to support the development and expansion of small businesses. The RLF is often a bridge between the amount the borrower can obtain on the private market and the amount needed to grow a business. This program is only available for businesses or projects located in Van Buren County.

The RLF is funded through the U.S. Department of Housing & Urban Development (HUD)'s Community Development Block Grant (CDBG) program. The Michigan Economic Development Corporation (MEDC) oversees the program, and Market Van Buren administers the program on the local level.

Loan Uses, Rates, and Terms: RLF loans are typically issued at 2% above the Wall Street Prime Interest Rate. The intention is that RLF loans do not compete with commercial loans while still creating opportunities for businesses to access new financing sources.

Eligible loan uses and terms for RLF loans include:

- Working capital (3 to 5 years)
- Acquisition of land and buildings (15 to 20 years)
- Machinery and equipment (5 to 10 years)
- Construction for projects receiving funding from other CDBG programs (term is determined on a project-by-project basis)

Loan amounts range from small (\$10,000 to \$20,000) to mid-sized (\$25,000 to \$75,000), with larger (\$100,000 to \$250,000 and up) amounts available when the borrower has secured a substantial sum from private lenders.

Required Outcomes: Due to federal regulations, the RLF can only be used to support projects that achieve certain outcomes. To be eligible, projects must achieve one of the following outcomes:

- **Job Creation:** A desirable outcome of a loan is the creation of jobs. At least 51% of the jobs or workable hours created by a loan must go to low-to-moderate income individuals. The amount of funding available for loans where the outcome is job creation is proportional to the number of jobs created. A business may receive up to \$30,000 for every full-time job (position averages 35 or more hours a week) or every full-time equivalent position (a combination of part-time positions that total an average of 40 hours per week). Jobs must be created within two years.
- **Job Retention:** Following the COVID-19 pandemic, certain allowances may be made for projects that retain jobs for low- to moderate-income people. At least 51% of the jobs or hours retained must be held by low- to moderate-income people. A business may receive up to \$30,000 for every retained full-time job (position averages 35 or more hours a week) or every full-time equivalent position (a combination of part-time positions that total an average of 40 hours per week). Jobs must be retained for one year.
- **Area-Wide Benefit:** An eligible use of RLF funds can include meeting emergent community needs that have a particular urgency because existing conditions pose a serious and immediate

threat to health or welfare of the community and for which other financial resources are not available to meet such needs. There is not a predefined limit on the size of these loans.

- **Preventing or Eliminating Slums and Blight:** RLF funds may be used to address areas designated by a local municipality as blighted. There is not a predefined limit on the size of these loans.

Loan Application Requirements: Loans are reviewed by the Van Buren County Economic Development Corporation (EDC) and are ultimately approved by the Van Buren County Board of Commissioners.

While RLFs take on projects with above average risk, borrowers are held to standard financial requirements in loan security. Before a loan is issued, a business will usually be asked to supply the following documentation:

- Credit history
- Business plan
- Summary of business experience and management information
- Financial statements including last three years of tax returns
- Financial statements, such as balance sheets
- Cash flow projections
- Sufficient collateral to repay bank and RLF funding
- Other personal or corporate guarantees on the project

Interested in learning more? Contact Katie to discuss your project!

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