



## Loan Guaranty Program Guidelines

This program should increase access to capital for small businesses that face challenges in obtaining credit from conventional sources. Applicants should have been in business for 12 months. Using this Loan Guaranty Program, the City will partner with the Minneapolis Consortium of Community Developers (MCCD) to assist businesses to obtain bank financing. The City will provide a guaranty equal to 33% of a bank's loan, up to a maximum City Guaranty amount of \$25,000. The MCCD may provide up to \$25,000 from its existing capital sources based upon their underwriting standards. The bank may also obtain credit enhancement from the Small Business Administration (SBA) or another third party.

The bank and MCCD will verify that the borrower provided initial equity of between 10-30%. It is believed that this City guarantee, the borrower participating in on-going technical assistance (business plan monitoring and mentoring by the MCCD, the SBA's SCORE or others), and on-going monitoring and involvement between the borrower and banker, will enhance chances for business success. The borrower will be required to remain in frequent mentoring contact (at least semi-annually) with the MCCD. Should the business relocate outside of The City of Minneapolis, the loan will become immediately due.

### Eligible Uses

- ▶ Working capital
- ▶ Production Contracts
- ▶ Receivables financing
- ▶ General business operations
- ▶ Inventory

Loans cannot refinance existing debt, bars, liquor stores or billboards.

### Loan Types

Term Loans: Up to 5 years on a term (or 10 years if using the MCCD's *Commercial Corridor's Impact Program*.)

Lines of Credit (Revolving loans): The initial guaranty will be for two years, then may be extended for another 2 years upon written request by the borrower and approval by the MCCD and a lender.

### Interest Rate

Determined by the bank and the MCCD, not to exceed Prime plus 3%.

### City Guaranty Fee

The City will collect a 1% Guaranty Fee based upon the amount it guarantees (minimum fee of \$150).

### Additional fees

may be charged by the bank and the MCCD.

### The Process

Borrowers will complete the City-MCCD application (attachment A); and a bank loan application. Standard loan documentation will include: personal financial statements of borrower(s), copies of 2 years personal taxes, prior year's business financials and taxes, interim financials, a 12 month cash-flow projection, a business plan or narrative (when requested), and appropriate lien and collateral pledge agreements.

The MCCD will report to the City semi-annually on the performance of these loans. In an event a borrower is put on a bank's "watch list", the City reserves the right not to grant further guarantees.

Final approvals will be obtained from loan committees of the participating bank, the MCCD, and the City's Business Finance department.

### For additional information contact

The City: **Greg Davidson** 612-673-5070 or 612-673-5094

Minneapolis Consortium of Community Developers: **Iric Nathanson** 612-789-7337 ext 14.