

# City of Lawrence Metro E-Community Revolving Loan Fund



## Mission Statement:

In part with BizFuel's mission the City of Lawrence Metro E-Community is to assist Small to Medium Enterprises (SMEs) to start, grow, add jobs, and succeed by building an entrepreneurial environment that will spur educational advancement, networking, technical assistance, research, advocacy, and/or work to foster SME collaboration and connections.

## Purpose:

The purpose of the City of Lawrence Metro E-Community Loan Fund is to provide the "Urban Entrepreneur" with access to gap financing and economic opportunities that will ultimately improve their standard of living.

## Who Qualifies?

1. **One or more must be applicable to business:**
  - Businesses located in a distressed area (20%+ live below poverty level),
  - Owned by woman, veteran, minority, or someone of disadvantaged status,
  - Businesses that currently employ or will employ low-income employees,
  - Businesses whose products/service supports disadvantaged/underserved populations,
  - Businesses whose mission is to serve disadvantaged/underserved populations.
2. **Business must be located in Douglas County or City of Lawrence.**
3. **Must operate as a for profit.**
4. **Business Plan's shall be reviewed by KU's Small Business Development Center.**
5. **All businesses will be required to comply with applicable codes city or county codes.**
6. **Applicants that are awarded will need to participate in ongoing technical assistance or Metro E-Community, BizFuel or resource partners entrepreneurial functions with a scholarship or reduced rate.**

## **Other important credit analysis factors:**

Underwriter's recommendations received from lender match, onsite/applicant interview and scoring of the following:

**Capital** - The money a loan applicant has personally invested in the business will be an indication of how much the business has personally at risk. Lenders do expect applicants to have contributed from their own assets and to have undertaken personal financial risk to establish the business.

**Collateral** - Guarantees which act as additional forms of security a borrower provides the lender. Giving a lender collateral means the business pledges an asset they own, as a repayment source. All City of Lawrence Metro E-Community loans require collateral for the 40% conventional/unconventional match.

## **What Collateral Will Be Expected?**

- A First or second lien on assets.

**Conditions** – Uses for funding must be described and meet qualifications. Other considerations include local economic conditions and the overall climate, both within business industry and in other industries that could affect borrowers business.

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**Character** – The demonstration of being able to repay the borrowed funds.

Attributes such as educational background, experience in business and knowledge of industry will be considered. The quality of applicants references, background and experience levels of business employees will also be reviewed.

## **What will be considered?**

- Applicant interview/site visit
- Conventional/Unconventional lender letter of approval

## **Loan Amounts:**

Minimum Amount - \$500

Maximum loan amount – up to 60% of total gap loan or not to exceed \$45,000.

**Loan Terms:** Terms will match up to the 1<sup>st</sup> lien note's terms backed by a lending institution.

**Repayment:** 1% over New York Prime rate, fixed for the loan term.

## **How Can Funds Be Used?**

- Purchase of Equipment,
- Purchase of Business Inventory,
- Payment of Existing Inventory (???)
- Acquisition of Land,
- Acquisition Buildings,
- Building Renovations,
- Working Capital (must be specified).

## **Uses That Do Not Qualify?**

- Alcohol inventory,
- Personal vehicles,
- Refinancing outstanding debt,
- Paying off existing debts,
- Salary or payroll taxes,
- Businesses engaged in lending, leasing or payday loans,
- Taxes,
- Businesses engaged in pyramid sales distribution plans,
- Private clubs and businesses that limit the number of memberships for reasons other than capacity,
- Not for profit business,
- Gambling,
- Government owned entities.

## **E-Communities or Network Kansas Products can be combined to get to 60%:**

- 40% Conventional or Unconventional Lender Match.

### **AND Match (up to 60%)**

- Up to 60% Metro E- Community or ,
- Up to 60% Mix of Network Kansas, Douglas County E-Community or Metro E-Community Products.

### **AND Personal Injection:**

Minimum of 10% of Total Project Costs

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## How Does The Program Work?

### Examples:

**Maximum an E-Community Loan Cannot Exceed \$45,000.00**

Total Project Cost: \$60,000.00  
Personal Injection (\$10,000.00)  
Financing Needed: \$50,000.00

Of the \$50,000.00 gap remaining to be funded, no greater than \$30,000.00 (60%) may come from Lawrence Metro E-Community. \$20,000 (40%) or more must come from local banks, funding organizations or unconventional lender (examples: Justine Peterson CDFI).

### Examples:

Total Project Cost: \$90,000.00  
Personal Injection: (\$15,000.00)  
Financing Needed: \$75,000.00

Of the \$75,000.00 remaining to be funded, no greater than \$45,000 (60%) may come from Lawrence Metro E-Community. \$30,000 (40%) or more must come from local banks, funding organizations or unconventional lender.

### **Accountability, Confidentiality, Transparency:**

When loans are dispersed confidential loan information will not be disclosed publicly unless otherwise stated by the loan awardee. Small business facilitator will redact any sensitive information prior to distribution of application materials to the Finance Committee meeting, (Example: SS#).

### **Reporting Requirements:**

The following metrics will be used by Network Kansas and BizFuel partners for annual or quarterly reporting that include:

- Number of loans made,
- Amount of program funding used for loans,
- Capital Improvement amount,
- Revenue Growth,
- Use of loan proceeds by the borrower,
- Number of jobs created or retained,
- A Description of economic development generated,
- Status of each outstanding program loan,
- Other pipeline loan portfolio information as needed,
- Possible periodic payroll records to verify low-income employment,
- Inspections may also be requested.

**\*\* All E-Community Loan Programs in the State of Kansas may provide no greater than 60% of the total loan package. The other 40% minimum must come from a conventional or unconventional financial institution or local/regional public source of capital. (Kansas Economic Growth Act of 2004 – State Statute 74-250, 154.**

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## Application Process:

1. Read through the application loan packet to ensure your business meets Lawrence Metro E-Community criteria.
2. Submit a complete application to the contact below and attach a \$30 processing fee, (check or money order made out to Lawrence Metro E-Community. Please be sure to review and submit a complete application and ensure criterion of match funding is secured through E-Community (60%) and Conventional/Unconventional Lender (40%).
3. Once application is received the Small Business Facilitator (Lawrence Metro E-Community Liaison) will review for completeness and will be back in contact within (7) working days.
4. Finance Committee will meet (BizFuel partners will be present but will not have a vote), conduct a review (Small Business Facilitator and Underwriter will build review package) and if applicable schedule an on-site visit.
5. Contingent on applicants (40%) Conventional/Unconventional Lender match, timing will be aligned with the banks/lender. A loan typically can be made within 4 to 6 weeks of receipt of a complete application, (4 weeks will be our goal).
6. After reviewing the application, the Finance Committee will approve or deny the loan based on a majority vote of quorum present.
7. A formal letter will be sent to the applicant within (7) days of the Finance Committee convening. The applicant will have up to (30) day to accept the terms of the Lawrence Metro E-Community.
8. Each applicant will be required to sign a Marketing Release Form. The City of Lawrence Metro E-Community Liaison will market each applicant through Network Kansas, BizFuel Partners and Lawrence Metro E-Community Partnership via a media release to include the loan award and business description and reporting metrics of benefit to the community.
9. Each applicant will be required to sign an Authorization to Release Information form to verify the accuracy of the information provided and to determine creditworthiness if required.
10. Applicants that are awarded will need to participate in ongoing entrepreneurial technical assistance or Metro E-Community, BizFuel or resource partners functions with a scholarship or reduced rate.

**\*\*Mid America Bank of Lawrence will underwrite and process Lawrence's Metro E-Community loans.**

### **Applications may be submitted to:**

City of Lawrence  
C/O Cyndi Hermocillo-Legg, Small Business Facilitator  
6 East 6th Street  
Lawrence, Kansas 66044  
785.832.3156 - [clegg@lawrenceks.org](mailto:clegg@lawrenceks.org)

### **EQUAL CREDIT OPPORTUNITY ACT**

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission, Equal Credit Opportunity, Room 500, 633 Indiana Avenue, N.W., Washington, DC 20580.