

# KENAI PENINSULA ECONOMIC DEVELOPMENT DISTRICT, INC.

## KPEDD MICROLOAN PROGRAM

**Purpose:** *The intent of the program is to provide financing for small businesses for which other types of financing might not be available. This program is designed to indentify the needs of applicants when traditional funding sources have been denied and help applicants become viable candidates for traditional commercial lending. The intent is not for hobbyists or other personal use. Loans from this program should help new and existing business create jobs, expand services, or operational capabilities that enhance, foster and promote responsible economic development, which is the mission of this organization.*

### Who is Eligible?

#### **Potential Borrowers Include:**

Minority, Woman and Veteran owned businesses, and/or businesses located on the Kenai Peninsula Borough.

### Loan Features:

- \* Loan amounts of \$2,500 - \$25,000
- \* 3- 4 year term – Fully amortized
- \* Collateral is required
- \* Interest Rate based on Wall Street Journal prime + 4.00%
- \* \$50 processing fee – deducted from loan proceeds.
- \* Annual servicing contribution will be required for all loans.
- \* Borrowers will pay all closing costs (filing fees, credit reports fees, titling fees, title insurance, etc) at closing.
- \* No prepayment penalty – 10-day payoff notification required.
- \* All borrowers with over 50% ownership must certify that they are not more than 60 days delinquent with regard to income tax and child support payments.
- \* Borrowers should inject a minimum of 10% equity (non-borrowed) investment into the business or project.
- \* Owners with 51% interest will be required to personally guarantee the loan.
- \* Technical Assistance Included

### **Eligibility Requirements:**

- \* Business must be physically located in the Kenai Peninsula Borough
- \* Business must be for-profit.
- \* Start-up businesses allowed.
- \* Loan proceeds for business acquisition not allowed
- \* Loan proceeds for businesses, which have defaulted on any Federal financing

### **Ineligible Business:**

- \* Financial businesses primarily engaged in lending
- \* Life Insurance Companies
- \* Pyramid sale distribution plans or multi-level marketing plans.
- \* Businesses engaged in gambling activities.
- \* Private club and businesses, which limit the number of members for any reason other than capacity
- \* Government owned entities (except for businesses owned or controlled by a Native American Tribe).
- \* Consumer and marketing cooperatives
- \* Businesses with an applicant or co-applicant who have been convicted of a felony (exceptions may be made to this but must have strong and reasonable justification).
- \* Businesses which present live performances of prurient sexual nature; or the sale of products or services, or the presentation of any depictions or displays, of a prurient sexual nature.
- \* Businesses engaged in political or lobbying activities.
- \* Businesses in which any of the following parties have an equity interest:
  - Board Members of the KPEDD; Employees of KPEDD; Any of the relatives, by blood or marriage, of the employees of the KPEDD and members of the Finance Committee.

### **Loan Application Process;**

- \* Completed application submitted by applicant.
- \* A business plan outline with an explanation of the purpose of the loan.
- \* Personal financial statements for applicants.
- \* 2-years of personal tax returns for all participants.
- \* Resumes for all owners and management
- \* Two years of business tax returns and financial statements (if applicable).
- \* A current interim financial statement for the business.
- \* Copy of licenses and permits
- \* Documents establishing authority (Articles of Incorporation, Articles of Organization, Partnership Agreement, etc.).
- \* Funding occurs once all executed documents are received.