

# **EXPRESS LOAN APPLICATION PROCESS**

## **Loan Policy Statement**

This document outlines the parameters of the loan program available through SEED Corp. This document should be used as a guide to the express loan review committee member, applicant and Board member. Exemptions from these policies may be made by the Board of Directors.

## **History and Purpose**

SEED Corp. is a 501 (c)3 not-for-profit organization founded in 1996 by the Small Business Development Center, Bloomington Urban Enterprise Association, the City of Bloomington, Middle Way House, and Bank One. SEED Corp.'s mission is to foster an entrepreneurial spirit and encourage economic self-sufficiency through the start-up and growth of small business and self-employment opportunities in the greater South Central Indiana area. SEED Corp. accomplishes this mission by offering a Small Business Planning Course, administration of microloan funds, and on-going technical assistance to program participants.

## **Loan Eligibility Criteria**

Existing small businesses that meet the following lending criteria are eligible to apply for loans. All loans must meet the following lending criteria:

- Economically viable: the applicant must demonstrate realistic understanding of the product, market, financial requirements, and sales projections, have a good management plan for responding to changes in its operating environment, and demonstrate a need for financing and ability to repay the loan.
- Collateral: loan applicant must be willing to secure the loan with assets, the amount of security required will depend on the type of business enterprise and the circumstances.
- Character: loan applicant must demonstrate integrity, responsibility, and have good references in the community..
- Socially acceptable: the business must have policies and practices that embrace diversity in the workplace; do not discriminate based on race, gender, religion, age, sexual preference, or physical abilities; and do not engage in business practices that are offensive to the community.
- Site specific: that the business must recognize the specific requirements of its location, including the social and physical environments.

In addition to the above lending criteria, loans must meet the following requirements:

- The applicant is 18 years of age or older.
- Business applicants must have been in business for at least one year (exceptions can be made with the consent of the SEED Corp. Board of Directors).

- For-profit business legally structured in most suitable form. The only non-profit entity eligible is a daycare.
- Applicant residency and business location in one of the following Indiana counties: Bartholomew, Brown, Decatur, Greene, Jackson, Jennings, Lawrence, Monroe and Owen
- Unable to secure sufficient capital from traditional lending institutions

**What type of loan can be made from the Express Microloan Fund?**

- Loans of up to \$10,000
- Loan term up to 3 years
- Installment Loans (repayment of principal and interest made on a monthly basis for a set period of time)

**What can the Express Microloan Fund money be used for?**

- Legal business purposes
- Capital for expansion of a small existing business
- Equipment, inventory, furniture, and fixtures

**What can't the money be used for?**

- To payoff existing debt, (taxes, credit cards, etc.)
- Pyramid businesses (i.e. Avon, Mary Kay, etc.)
- To provide funding solely for personal expenses
- Purchasing land or real estate

**What are the terms of the loan?**

- The minimum aggregated loan amount \$500 and the maximum loan of \$10,000, per applicant
- Loan terms from 30 days to 3 years
- Interest rates are fixed for the term of the loan

**Loan & Investment Policies**

- Amounts, Terms, Rates & Fees
- The Loan Review Committee will determine the term for each loan.
- The interest rate will be competitive with the prevailing rates in the region.
- Borrower is responsible for all closing costs.
- All loans will be secured by collateral and/or personal guarantees to the fullest extent possible.
- Personal guarantee(s) of the owner(s) and spouse will be required

**Underwriting Criteria & Process**

When the application materials have been received, SEED Corp. staff will review and discuss the strengths and weaknesses of the loan with applicant. Once all requirements have been met a virtual Loan Review Committee will be pulled together.

The LRC shall be made up of five members from the following categories:

- A local banking institution
- Local small business owner
- Local lawyer
- Local accountant
- A local social service agency

After the committee is formed the loan package will be emailed within 48 hours along with a staff recommendation. All comments provided from the review committee will be shared amongst all 5 members. The evaluators will have 5 business days to vote on the loan package with a majority vote dictating the results.

### **Making the Decision**

Each borrower and loan request will have unique characteristics resulting in a varying degree of emphasis on the underwriting criteria listed below.

- Credit factors, such as repayment ability, equity & debt levels, liquidity, break-even analysis, trends and credit history
- Market factors, such as market analysis, competition, strategy and unique market conditions
- Management & organization factors, such as key personnel, management structure, and decision-making processes
- Collateral & valuation, such as type and amount of collateral coverage in the case of liquidation
- Technical assistance needs, such as bookkeeping, financial projections, marketing assistance, and how they will be met

If possible, SEED Corp. staff will work with the applicant to restructure or address the weaknesses of the loan until the loan package is strong enough to present to the SEED Corp. Loan Review Committee.

### **Approval Process**

The Loan Review Committee will approve, deny, or modify loan requests within the parameters of these policies. On some occasions, requests that are denied may require further information, analysis or a different loan structure. SEED Corp. staff will work with applicants to address these issues and bring the request back to the Loan Review Committee.

When the LRC approves a loan, SEED Corp. staff will issue a letter to the applicant listing the amount, term, rate, and collateral requirements of the loan as well as any conditions to be met prior to the closing. The letter will also note that the borrower will pay loan-related fees.