Coles County Community Development Corporation
Loan Policy

Adopted June 14, 1995

Introduction

The Coles County Development Corporation (CDC) is a for-profit corporation in the State of Illinois whose stockholders are comprised of commercial banks, the public entities, public utilities, and other public and private organizations and/or individuals doing business in the county. The CDC supports a policy of non-discrimination in keeping with Federal and State Laws and regulations, and in keeping with the area goals to serve the economic development needs of the county equally and fairly.

Purpose

The purpose of the CDC is to provide loans to for-profit existing or new small businesses in the county. Money to loan comes from a pool provided by local participating banks, other investors and contributors. The focus of the CDC is on small to medium size firms flow to make them more economically viable. The program provides a vehicle for gap financing when conventional lenders are unable to meet the financing needs of lending to small businesses or businesses located in distressed communities in the county and for businesses who do not meet other public loan requirements for job creation. The CDC can also provide financing as an enticement to attract new industry into the Coles County as part of an overall economic development package.

Methods

Provide gap financing with subordinated debt. Invest in projects that need greater owner equity in order to meet loan standards established by banks and various government assistance programs. Use small seed capital loans to assist businesses that lack adequate equity or operating history to qualify for a conventional bank loan. Draw on the expertise of our board members and investors to assist new and expanding businesses. Our combined resources and contacts are a valuable resource to assist local economic development. Invest or participate with other public and/or private entities to provide industrial sites, buildings, or financing to retain or attract employers. Encourage local municipal units to take a proactive position in economic development. Explore methods to allow local units create revolving loan funds to leverage with CDC funds.

Eligibility

Any industrial, commercial, or service related business located in the county, which will create and/or retain jobs. Project selected will attract sizable private investment, have solid commitment to create or retain permanent jobs and demonstrate financial feasibility or benefit to low to moderate income persons. Further, there must be evidence that the project and related investment would not occur without corporation involvement.

Interest Rates and Fees, Maximum Loan Amount

The interest rate charged on all corporation loans will be at or below market rates of interest. The borrower must pay the expenses incurred in processing the loan including a closing fee. The maximum loan request will be determined by the Board of Directors.

Term of Loan

The loan term is defined as the length of the loan, in years, repaid in monthly principal and interest payments. Loan term will normally be the same as that established by the conventional lender. The term will generally be according to the following schedule:

Real Estate: up to 15 years
Machinery & Equipment: up to 10 years
Inventory & Working Capital: up to 5 years

Jobs Created or Retained

A job is defined as a full-time 1664 hours per year or 2 part-time jobs totaling 1664 hours. Job creation or retention is a preference and used as a guideline, but it is not a sole purpose of the loan decision. Generally, for each $10,000 loaned, one full-time or two part-time jobs should be created and/or retained.

Resource Leveraging

Sources other than the CDC loan must provide a percentage of the total project cost. Other financing may be in the form of loans, equity positions, convertible or preferred stock, letter of credit guarantee, bond purchase or any other form approved by the CDC. Each applicant must generally have a leverage ratio 3:1. For each dollar borrowed from the CDC, three dollars should be injected from conventional lending sources or owner equity. Lenders may indicate their loan commitment in the form of a letter, but must commit their loan funds before the closing of the CDC loan.

Eligible Activities

The Project Costs are defined as all costs needed to complete the project. County based small business firms with demonstrated need for economic development loan monies for working capital, retooling, purchase or Real Estate, construction or modernization so as to stimulate job retention within the county to upgrade and modernize business products and services. Special consideration will be given to firms in economically depressed areas of the county. Retail loans will be made if a retail business provides products to a market not currently being supplied by existing retailers.

These activities include:

Acquisition of land/buildings

Construction, renovation
Leasehold improvements
Purchase of machinery & equipment
Inventory & working capital

Loan Criteria

Application: The loan application for submittal to the CDC requires facts about the company's history, labor force, stability of operations, past and present financial condition, actual and pro forma income statements, present and future market request. The CDC may obtain such additional information concerning the application as it deems necessary and diligent.

Refinancing: The refinancing of existing debt for the sole purpose of reducing interest rate will not be considered. Refinancing must be associated with other activities of the business including construction, rehabilitation of business or purchase of equipment.

Adequate Collateral: Collateral is defines as assets pledged to repay the loan. The CDC loan assumes a collateral position which usually is subordinated to that of private companion lenders but secured through a combination of collateral and personal guarantees or by any other security satisfactory to the CDC.

Gap Financing: A gap loan is a subordinated loan. Purchases of existing businesses where owner equity is insufficient does qualify for gap definition.

Typical Loan Structure

Percentage	Source	Security
50%-70%	Bank/Investor	First Collateral Position
20%-25%	CDC Loan	Subordinated Position
5%-25%	Company Equity	

Project Evaluation

Financial Analysis: In determining if a loan is to be provided, the CDC shall determine that it meets stated public purpose goals and objectives and whether it will generate an expected improvement in production levels, quality of output to timeliness of delivery, and/or that the number of jobs to be created or retained is reasonable in relation to the loan funds requested. The staff of the CDC will, on the basis of the application and any other information, prepare a report for the Project Review Committee containing material on the credit worthiness of the proposed borrower, financial commitments from other investors or lenders. The Committee will determine project eligibility based upon above mentioned standards and will further determine financial risk factors. At such time as the Committee finds the project eligible to proceed, it shall recommend to the Board of Directors that the request for funding be approved.

Terms and Provisions: Loans will be such principal amount and form, and contain such terms and provisions with respect to the property, insurance, repairs, alteration, payment of taxes and assessments, delinquency charges, default remedies, or additional security as shall be determined adequate.

Loan Servicing

Loan payments by borrowers will be made to the CDC on the first of the month. Repayment delinquency will incur late repayment penalties. Board of Directors will review all payments exceeding a 30 day delinquency. All loan documents will call for a ten (10) day reminder and a 20 day reminder in the event there is a late payment with a 30 day reminder of different language and tone. A late fee of five (5) percent will be charged after 15 days.