

## **Program Sponsors and Key Stakeholders**

The Micro Loan Program (MLP) is sponsored by the SunTrust Community Foundation and administered by Franklin Southampton Economic Development, Inc. (FSEDI). Key Stakeholders in the program will include Franklin Southampton Economic Development, Inc., the Franklin Redevelopment and Housing Authority, the Franklin Southampton Area Chamber of Commerce, and Paul D. Camp Community College. A representative from each of these organizations will assist in promoting the Franklin Southampton Micro Loan program, as well as consider and make recommendations on applications received.

Other key community groups such as the Downtown Franklin Association will be made aware of the program as a potential funnel of applicants as the program develops.

## **Program Purpose**

The Program's primary goal is to provide loans for the establishment, stabilization, and expansion of small businesses licensed or to be licensed and located in the City of Franklin or Southampton County.

The intent of this program is to assist business owners and other individuals possessing the capability to operate successful businesses, and to assist microenterprises suffering from a lack of credit due to economic circumstances.

Priority consideration will be given to economically disadvantaged persons, minority, and women owned businesses qualifying for participation in this program when funds are limited.

## **Eligibility**

- A. Minimum of 18 years of age.
- B. A current bank account in the name of the business, the business owner, or a representative capable of cashing/administering the loan award.
- C. Owns or operates a business within the corporate limits of the City of Franklin or Southampton County.

## **Eligible Activities**

- A. Working capital to include inventory, receivables, and operating capital.
- B. Equipment and machinery purchases and installation costs.
- C. Furniture and fixture purchases.
- D. Training for employees/staff.

- E. Collateral will be required for all loans and may include personal guarantees, cosigners, equipment security liens, life insurance pledges, real estate loans and vehicle assignments. Outside collateral will be permitted to overcome most perceived deficiencies.
- F. Borrowers will be expected to invest a minimum amount of cash equity as part of their project financing. These amounts are generally 10 percent and may be higher or lower if approved by the committee.

### **Non Eligible Activities**

Businesses involved in any type of gaming operations, gambling, pornography, illicit or illegal activities, or any affiliated activity are not eligible for Micro Loan funds. If any business funds, and subsequently derives any portion of their revenue from previously mentioned activities prior to repaying all principal and interest on their Micro Loan, the business shall be deemed to be in default of their Micro Loan agreement.

### **Financing Policies**

- A. Loans will be available at current prime interest rate plus one (1) points.
- B. The amount of funds provided through the MLP shall be no less than \$250 and not exceed \$5,000. The maximum loan amount may be subject to waiver based on the particular circumstance and at the discretion of the Loan Review Committee.
- C. Loan terms will range between twelve months and three years.
- D. Term is negotiable based on individually affordable payments, but will be no greater than three years without special waiver by the Loan Review Committee.
- E. The applicant must show the ability to service the debt. The credit history of borrowers and guarantors of the loan must be satisfactory based on credit review.
- F. Borrowers will be expected to invest a minimum amount of cash equity as part of their project financing. These amounts are generally 10 percent and may be higher or lower if approved by the committee.
- G. Loan payments will be amortized in equal payments over the term of the loan.
- H. There is no pre-payment penalty and any payment in excess of the current amount due will be applied to the principal of the loan.
- I. Failure to repay the loan on the agreed schedule will result in the entire loan amount being due and payable immediately unless prior arrangements have been made and approved to renegotiate the terms of the loan.
- J. The loan payment will be considered late when the scheduled loan payment has not been made on or before the due date. Late payments over a grace period of 30 days will

incur appropriate fees. Loan payments over 90 days delinquent will be considered in default, and will incur appropriate action. The applicant shall be responsible for FSEDI's costs of collection, including reasonable attorney fees.

- K. Additional funding may be made available for families making less than \$47,000 per year via the Franklin Redevelopment and Housing Authority.

### **Credit Requirements**

- A. All loan applicants must be of good character and provide authorization for FSEDI to secure a credit report and verify all financial information provided.
- B. All loan applicants must possess a favorable credit history with no outstanding judgments, collections, or seriously delinquent accounts. Previous bankruptcies will be a consideration for loan approval provided three years have passed and verifiable new accounts have been established.
- C. All loan applicants must demonstrate sufficient management or industry expertise or experience and commitment for a sound successful operation.

### **Loan Conditions and Requirements**

- A. All existing applicants must demonstrate sufficient available capital so that with the Micro Loan, the business can operate on a stable financial basis and show that probable future earnings will be sufficient to meet the loan repayment terms.
- B. All new business loan applicants must evidence availability of sufficient resources to meet startup expenses and initial operating costs in addition to showing future earnings sufficient to meet monthly Micro Loan payments.
- C. The project must meet the overall goals of the program.
- D. The business currently must employ no more than 20 full-time or equivalent individuals having full or part-time positions.
- E. Borrower must agree to periodic on-site visits and monitoring of records by FSEDI staff and/or representatives.
- F. The borrower must agree to submit required monthly, quarterly, and annual financial reports, employment reports, tax withholding reports, and employee income certification reports as requested, as well as personal and business tax returns and personal financial statements.
- G. The borrower must agree to participate in business training/technical assistance as needed.
- H. The loan must comply with all other terms and conditions of the loan approval and must be consistent with the approved sources and uses of funds.

### **Application Process**

- A. Request an application packet from Franklin Southampton Economic Development, Inc. by mail or in person at 601 N Mechanic Street, Suite 300 or by email at [acotton@franklinsouthamptonva.com](mailto:acotton@franklinsouthamptonva.com) (Subject: Micro Loan Application)
- B. Submit completed application packet.
- C. Be prepared to attend a meeting with the Loan Review Committee to discuss the loan request and answer any questions.

### **Application and Borrower Information**

Application will be made to FSEDI for eligibility screen and processing. The application should include:

- A. Completed application form, including Public Information Disclosure Statement and Credit Disclosure Authorization.
- B. Marketing and business plans.
- C. The applicant's personal and business financial statements for the last two years, or if business has operated for less than a year, most recent financial statement, and checking account statements for the last six months.
- D. Resumes of owners and top management team identifying management expertise and capabilities.
- E. Two-year projected pro-forma balance sheets, income and cash flow statements, if available.
- F. Supporting information to substantiate the need for funds, including but not limited to: estimates, quotations, receipts, contracts, orders, invoices, payables, etc.
- G. Copies of last four quarterly withholding tax reports filed and business/personal income taxes filed for previous 2 years.

Upon receipt of the application by FSEDI, it will be reviewed for further processing. Referrals for subsequent technical assistance will also be made. Should the application satisfactorily meet program guidelines, loan packaging will commence. Completed loan packages will be submitted for review to the Loan Review Committee. FSEDI will then close and service said loan.

### **Additional Conditions**

- A. Proof of purchase of the item(s) for which the loan was approved must be submitted within the timeframe agreed upon in the loan documents (generally in the form of a receipt).

- B. Acknowledgement of FSEDI and the SunTrust Foundation (the source of the loan fund) in any business correspondence or publicity mentioning the item(s) purchased.
- C. Submission of periodic progress reports during the course of the loan repayment and at the end of the loan term at intervals individually determined by the Loan Review Committee and set forth in the loan agreement.

**Fee Structure**

Application Fee – a \$50 non-refundable fee payable to FSEDI will be paid by each applicant once an application has been submitted to FSEDI.