

Village of Paw Paw

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Revolving Loan Fund Summary

POLICY AND PLAN FOR THE REVOLVING LOAN FUND PROGRAM

- Main purpose – Funds are designed to attract other capital which, together, will spur private sector job creation and retention by financing commercial or industrial activities where opportunities for jobs for low and moderate income persons are greatest.
- Job to Cost Ratio – Up to \$30,000 may be loaned per job with 51% of the jobs to low and moderate income persons
- Equity – Minimum of 10% owner/partner equity
- Loan Amounts and Limits – Minimum loan \$10,000, not more than 33.3% of total project and may lend up to 90% of the fund at any one time. Grants may not exceed \$200,000.
- ‘But for’ by Commercial Lending Institution – Must provide letter rejecting or stating ‘but for’ the participation of the RLF, the institution will not lend any funds to project.
- Documents Required – application; business plan; balance sheets; income statements; credit statements; project cost and financing summary; resumes of key officers; marketing information; verification of collateral; employment creation or retention numbers; project schedule; compliance with state and federal regulations agencies and acts such as Davis-Bacon, Civil Rights Act, EEOC, Uniform Relocation Act; environmental and historical reviews; personal financial statements and guarantees; tax returns; and others as may be specifically requested.
- Permissible Loans – Fixed assets (machinery and equipment, land and leasehold improvements, land and building acquisition, construction and renovation). Working Capital in exceptional cases and then for a shorter term, adequate collateral, personal guarantees, significant impact in creation or retention of jobs, and to leverage other funds.
- Loans Not Allowed – Loans for land banks, speculative building, refinancing existing debt, or consolidating existing debt.
- Interest Rate – Between 3 points below and 2 points above prime at First of America, Kalamazoo.

- Term of Loans – Leased facilities not longer than the lease; Real Estate not longer than 15 years; Machinery and Equipment not longer than 7-10 years or the useful life of the machinery and equipment; and, Working Capital not longer than 4 years. Loans include a 5-7 year balloon payment and refinancing review to determine if loan may be moved to a commercial lender or refinanced.
- Security – Subordinate positions may be allowed only if necessary to meet needs of the particular project. Borrower in such cases is to provide casualty and hazard insurance with the Village as an also named party. If the loan is secured by a same number of persons or less than a 2:1 coverage by collateral then personal guarantees are required.
- Enforcement – Lender retains right to add penalty for delinquent monthly payments. Lender may secure insurance and add costs to balance. Lender may secure insurance and add cost to balance. Following declaration of default, lend may take possession and sell by public auction assets. Following declaration of default, lender may foreclosure.

MAKING APPLICATION – Those wishing to make application may do so in writing at any time. A letter of application will suffice to initiate the process. The letter and enclosures or attachments should address as many of the above points as possible.

REVOLVING LOAN FUND PROCESS - The Village of Paw Paw maintains a Revolving Loan Fund as permitted by the State of Michigan. As such, the Village is required to appoint a Revolving Loan Fund Committee which reviews all requests for funds. Much of the information can be held in confidence and is not subject to the Michigan Freedom of Information Act. However, all information may be reviewed and audited by Village, state and or federal auditors. Once the local committee reviews the application, it recommends the Village Council consider approval of the loan. In this process, the Village Council will advertise and conduct a public hearing at which time any person may comment on the application for funds. Following the public hearing the Council may or may not approve the loan. Because the Village was authorized to establish a local revolving loan fund, the State must review all applications approved by the Village Council. The State review can take 45 days. The State, as part of its review, may make extra requests or conditions on the loan. Once the time has passed or the State approves the loan package, funds can be released. From the time of application through the release of funds, the process may take as long as six-months.

Information based on the 1997 plan approved by the Village Council and the State of Michigan.