

# **RACK MICROLOAN PROGRAM**

## **LOANS OF \$5,000 OR LESS**



### **Purpose**

The Micro Loan Fund is designed to provide small loans to start-up, newly established, or growing small businesses. A key objective of the program is to assist business owners who have traditionally had difficulty accessing debt financing.

### **Eligibility**

The following are guidelines for determining eligibility. If you are unsure if your project is eligible, please contact the Planning and Community Development Director to discuss.

### **Eligible Applicants**

Each Applicant is expected to have good character, strong commitment to their business idea, signs of feasibility and economic viability, and a credit history to suggest a reasonable assurance the loan will be repaid. The applicant should have some management skills or relevant industry experience to support the project's purpose. In the event that there are deficiencies such as credit scores lower than 550, recent bankruptcy, or if there are caveats determined to be necessary for approval, the Applicant will need to provide adequate explanatory documentation.

### **Eligible Activities**

Funds may be used for working capital, inventory purchases, machinery and equipment, furniture, fixtures, supplies, leasehold improvements, minor building renovation/rehabilitation, or natural disaster recovery.

## TERMS AND CONDITIONS FOR RACK MICROLOAN PROGRAM

Loan terms and conditions shall be based on need and ability to repay. It is the intent of the Micro loan to be as flexible as possible while operating in accordance with prudent lending policies.

**Loan Size:** up to \$5,000

**Matching Funds:** Private funds must be invested with a minimum of 20% matching requirement.

**Interest Rate:** The interest rate shall be established by the RACK board. Please check the Interest Rates Addendum for the latest guidelines.

**Loan Terms:** Not to exceed 7 years. Working capital loan terms not to exceed 5 years. Consideration shall be given to the type of assets pledged.

**Collateral:** Collateral is required and will usually take the form of a security interest in all of the applicant's assets. Real estate and equipment are common assets pledged.

**Personal Guarantees:** Unlimited personal guarantees are required from any person with a 20% or greater ownership interest in the business.

**Repayment:** Monthly payments required. Under special circumstances, payment of interest and/or principal may be deferred with RACK approval for a period of time not to exceed twelve (12) months. Requests for consideration to extend deferred payments may be considered by RACK on an annual basis. Interest-only loans should be reviewed a minimum of every six (6) months. Loans that defer principal and interest should be monitored every month until payments resume whereby the next review should be scheduled within six (6) months.

**Prepayment:** There shall not be any prepayment penalties.

**Business Location:** Loans are approved by RACK with knowledge and consideration of the location of the business. RACK expects businesses will remain at the location identified in the loan request. Businesses must remain in the City of Kaukauna for the term of the loan; businesses owning (not leasing their location of operation must obtain RACK approval for relocation plans.