

El Paso County Revolving Loan Fund Plan

Objective:

The El Paso County Revolving Loan Fund (RLF) is a public sector financing tool designed to stimulate economic growth in the rural areas of El Paso County. The fund provides capital for private projects, which would not be possible without such assistance. The County created the RLF from program income via grants from the State of Texas originating in the U.S. Department of Housing and Urban Development.

The program complements the efforts of private financial lenders. The RLF goal is to create jobs and support capital formation in the private sector. The RLF fills gaps in the local financial market and provides or attracts capital which otherwise would not be available for economic development.

In accordance with national objectives, RLF funds support the creation of new permanent jobs or permanently retaining existing jobs primarily for low and moderate-income persons. In order to comply with the national objective, persons who have a family income of less than 80% of the county median income must fill at least 51% of the permanent jobs created or retained by each business assisted with the RLF.

LOAN PROGRAM

Program Guidelines: To receive consideration, applicants must accept the following program guidelines:

- 1) Create one full-time equivalent job (37.5 hours per week) for each \$35,000 borrowed from the El Paso County RLF. The jobs should target low-income persons who fall below the HUD Section 8 Income Limits for El Paso County. The business has one year from the date of loan closing to fill the new job(s). Businesses retaining jobs as part of a proposal must provide documentation that it will permanently lay off employees or the business will close down or relocate out of state if RLF monies are not available.
- 2) RLF funds fill a gap in available financing for a project. RLF funds cannot replace funds a financial institution is willing to loan a business. RLF funds fill the gap between what a bank loans and the amount the project can supply, such as the owners' equity injection. The RLF can consider loans up to \$50,000 to a business denied a loan fund from conventional sources. The applicant must provide a signed letter from the financial institution that states the reason(s) it is unwilling to lend funds for the project or why it can only lend a certain amount.
- 3) The business must be located within El Paso County but outside the El Paso City limits. The RLF will not lend to businesses relocating from one area of Texas to El Paso County unless the relocating business provides documentation that its

other alternative is to leave the State of Texas. An intrastate relocation project is acceptable if there is no objection by the local government where the business is presently located.

Eligible Use of Funds:

- to purchase machinery and equipment;
- for business working capital;

Loan Terms:

Interest rates are fixed rate for the life of the loan and may not exceed the prime rate plus 2%. Repayment is on a monthly installment basis. The term of the loan is negotiable, but may not exceed 10 years.

Loan Security/collateral:

The borrower must secure the loan with some collateral to assure repayment. Collateral can include personal injection, equipment, or property.

Loan Amount:

The minimum loan amount is \$10,000. The maximum loan amount is \$50,000.

Application Process:

- 1) The owner of a new or existing business must complete and present all of the required forms (loan application package) included in this document.
- 2) The applicant submits the application to a Loan Administrator for review. The Loan Administrator will contact the applicant for missing or additional information.
- 3) After review, the Loan Administrator submits the application to the RLF Board of Directors for a funding recommendation. The RLF Board of Directors will use the Review Criteria established and included as part of this document. The Loan Administrator forward applications recommended for funding to El Paso County Commissioners Court for acceptance.

Changes and Amendments: Subject to approval by the Office of Community Rural Affairs (ORCA) the Commissioners Court of El Paso County may amend or modify this plan.

LOAN REVIEW CRITERIA

The RLF Board of Directors evaluates each loan application to determine the credit worthiness of borrowers, the anticipated benefits to El Paso County residents and compliance with federal, state and local laws, regulations and policies. The evaluation criteria include the following:

Project Feasibility:

1. Is there a realistic business plan?
2. Is the project economically viable?
3. Based on realistic market projections, will cash flow be sufficient to repay the loan?
4. Does the applicant have sufficient experience in the field?
5. Is collateral sufficient to support the loan?
6. In the event of default, how difficult will the foreclosure process be?
7. Have all owners and principals provided necessary information evidencing support of the loan?
8. Do the credit reports of the business and owners indicate a history of prompt payment?

Community Benefits:

1. Will the business hire low and moderate-income persons who are current residents of the area? When will the employer hire the employees and at what wages?
2. Are there environmental issues or concerns?
3. Will the project negatively affect historical and/or cultural resources?
4. Will the project add diversity and stability to the local economy?
5. Is the product or service similar to the product or service of an existing business?
6. Will the loan provide the business with an unfair advantage over existing competition?
7. Will this business provide positive "spin-off" benefits to existing business?
8. What are the benefits and disadvantages to El Paso County if the business is established or expanded?

9. Are there any known downsides to El Paso County if the business is established or expanded?

Program Guidelines

1. Will the business be located outside of the city limits and within the County of El Paso?
2. Do the jobs created and/or retained meet program guidelines?
3. Will the project necessitate the relocation of individuals or businesses?
4. Have all owners or principals provided assurance of compliance with all laws and regulations?
5. Does the project meet appropriate environmental review criteria?