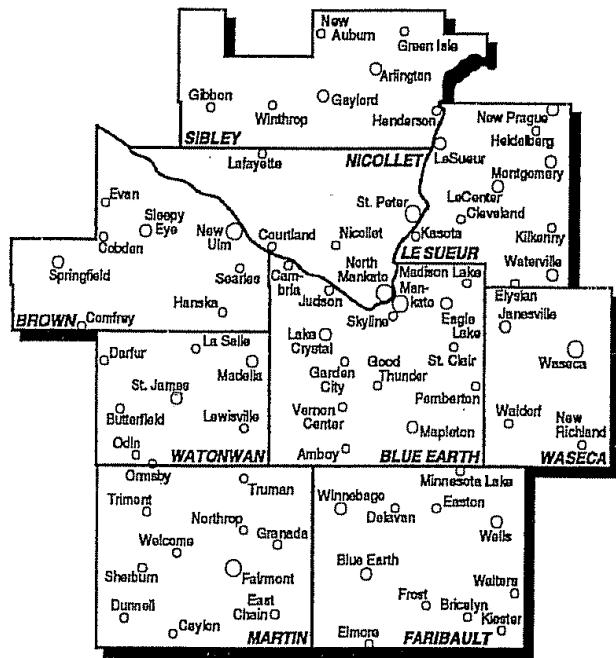
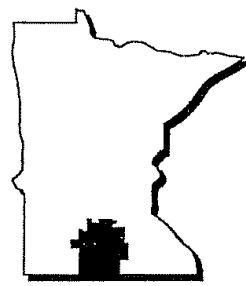


# SMALL BUSINESS ENTREPRENEURSHIP

RNDC MICRO-ENTERPRISE LOAN FUND



## PROGRAM INFORMATION PACKAGE



RETURN TO:  
Loan Officer  
Region Nine Development Commission  
P.O. Box 3367  
Mankato, MN 56002-3367



## THE RNDC ORGANIZATION AND MISSION

The Region Nine Development Commission, authorized by the Regional Development Act of 1969, was organized by local officials in 1972 “to facilitate intergovernmental cooperation and to insure the orderly and harmonious coordination of state, federal and local comprehensive planning and development programs for the solution of economic, social, physical and governmental problems of the state and its citizens.”

*(Minnesota Statutes, Section 462.383; Subdivision 2)*

Forty-two leaders from across the region serve on the RNDC. This includes 34 elected officials representing nine counties, 72 cities, 147 townships, school districts and the Minnesota Valley Council of Governments. The eight representatives of special interest groups include: agriculture; commerce; crime prevention; environmental quality; health and human welfare; minority populations; tourism and recreation; and transportation.

The Region Nine area is comprised of nine south central Minnesota counties: Blue Earth, Brown, Faribault, LeSueur, Martin, Nicollet, Sibley, Waseca and Watonwan. Their combined population is 222,790 of the state’s 4,919,479 people according to the 2000 Census. Fairmont, North Mankato, New Ulm and Mankato are the four largest cities with populations respectively from 10,889 to 32,427.

## MISSION STATEMENT

“The mission of the Region Nine Development Commission is to promote the development of the region through intergovernmental cooperation, community and human development, long-range planning and technical assistance.”

## THE MICRO-ENTERPRISE LOAN PROGRAM

The RNDC established the Micro-Enterprise Loan Program to better serve the region. The loan program is meant to provide capital for start-up and expansion for the small business activity not served by traditional lenders. Loans may be provided in conjunction with other financing. This program keys not only on credit but includes one on one counsel and guidance. This technical assistance combination is necessary to provide the highest opportunity for success. With technical assistance on a regular basis the Small Business Development Center (SBDC) can guide the business owner in management, marketing and financial matters, while striving to see the business succeed and grow. With performance, these businesses can then enter more traditional avenues for credit and growth.

## USE OF LOAN PROCEEDS

Micro-Enterprise loan funds may be used for all costs demonstrated as essential for the project, including working capital, inventory, machinery and equipment, building and leasehold improvements. These funds may not be used for agricultural production (crop or livestock), debt, refinancing or restructuring, projects which have other financing

available and projects that cannot demonstrate a reasonable chance of success or repayment ability.

### CREDIT REQUIREMENTS

Micro-Enterprise loan applicants must meet the credit requirements of the RNDC. Generally, however, applicants will be expected to demonstrate;

1. Good Character
2. A Strong Commitment to their business.
3. A Credit History that demonstrates an assurance that the loan will be repaid. Any credit deficiencies will require full explanation.

In addition, applicants should have some demonstrated management expertise or be willing to participate in training designed to strengthen management and operational skills.

### ELIGIBILITY REQUIREMENTS

Virtually any type of for-profit small business is eligible for the Micro-Enterprise Loan Program. These types of businesses may include, but are not limited to, those engaged in manufacturing, retail, service, daycare business and elder care. The form of business, whether a proprietorship, partnership, LLC or corporation, is not a determining factor. It must, however, employ 5 people or less not including the owner.

Financial data necessary to support the loan request may involve both historical and projected business operations as well as overall project data required by RNDC or other lenders. The applicant must meet with the Small Business Development Center (SBDC) prior to receiving the loan. The SBDC will help the applicant develop or review a business plan and two year projected balance sheet and income statements. The SBDC does not charge for their services. The applicant will also be required to meet with the SBDC quarterly after the loan is closed.

### LOANS UP TO \$25,000

Businesses may borrow up to \$25,000 and have up to five years to repay the loan. A business may borrow again when the first loan is paid in full.

### COLLATERAL REQUIREMENTS

As with credit standards, collateral requirements are set by RNDC. In most cases, loans are expected to be fully collateralized by equipment, contracts, inventory or other business property. In some cases, real estate equity will be required. Personal guaranties will always be required.

### INTEREST RATES, TERMS AND FEES

Interest rates will be fixed for the term of the loan. Maximum term is five years. The Revolving Loan Fund Review Committee determines the interest rate but in most cases stays close to the existing prime lending rate. RNDC's attorney for the transaction is Karl O. Friedrichs, Friedrichs Law Office in Mankato. A \$200.00 legal fee will be

collected at time of closing as well as any additional filing fees required by the county or state. A collaterally assigned life insurance policy may be required.

#### THE APPROVAL PROCESS

The RNDC relies on a Revolving Loan Fund Review Committee to make the loan decision. The application is summarized and presented to the committee along with client data, business plan and projections. A consensus or majority vote determines the RNDC action. The decision is communicated to the applicant by letter within 48 hours. The commitment letter is also given to RNDC's attorney for proper document processing.