

Microloan Program



Eligible Businesses

- Must operate a business located in the seven counties of the South Central Ozarks Region (Douglas, Howell, Oregon, Ozark, Shannon, Texas, and Wright Counties)..
- Must be an OzSBI Client or become an OzSBI Client once loan is approved.
- One loan per applicant at a time.
- Must be a small business with 10 or less employees (including the owners).
- Minimum of 600 credit score.

Use of Funds

- Purchase of equipment
- Working capital (including rents)
- Fixed asset purchases
- Purchase of inventory and supplies
- Purchase of furniture and fixtures
- Educational training

Microloan Criteria

- Loan may be made for a minimum of \$2,500 and a maximum of \$25,000.
- Loans are only available to provide up to a maximum of 80% of the total project cost, or collateral value, whichever is lower.
- The 20% required equity value may be accounted for through:
 - ◇ Previous investment related to the project made over the nine (9) months prior to the loan request. Documentation of investment is required and/or...
 - ◇ By providing additional collateral in an amount that will allow an overall Loan-To-Value ratio of no less than 80%
- In determination of collateral requirements, OzSBI Microloan Review Committee (MLRC) will consider the merits and potential economic benefits of each request.
- All approved loan applicants set up loan repayment on ACH.
- All loan recipients must become a client of the Ozarks Small Business Incubator for 1 year.

Interest Rate, Fees and Terms

- All loans will be made at a fixed rate based on the current Wall Street Journal Prime Rate at the time the loan is approved. As of March 17, 2020, the WSJ Prime Rate was 3.25%.
- Other fees associated with the processing of these loans include:
 - ◇ \$20 loan application processing fee, non-refundable.
 - ◇ Loan origination fee of 2% of the loan amount or a minimum of \$200, whichever is greater.
 - ◇ Other fees required to perfect the lien on collateral, e.g. title fees, UCC-1 filings, etc.
- Fees may be paid at closing or deducted from the loan proceeds. except for the loan application fee.
- Loans may be repaid in term lengths set by the OzSBI Microloan Review Committee depending on the amount financed, the use of the funds, and the repayment ability of the borrower (s).
- The maximum length of repayment term is ten (10) years.
- The minimum length of scheduled repayments is one (1) year.
- There is no pre-payment penalty for early retirement of the loan.

Goals and Policy Statement

The Ozarks Small Business Incubator (OzSBI) provides direct, low rate, loans for “job creation” projects within the South Central Ozark Region through its Microloan Program. OzSBI’s strategic goal of the Microloan Program is to improve the economic condition of the region. The Microloan Program is designed to advance the successes of entrepreneurs within the South Central Ozarks Region thereby creating employment opportunities, diversifying the economy, and raising per capita income. The Microloan Program may be used as a direct loan, seed capital and/or “gap” financing combined with other lending and financial resources available to entrepreneur. OzSBI returns revenues (principal and interest) from the borrower back to the Microloan Program to assist other entrepreneurs with their “job creation” projects; hence the Microloan Program is designed as a revolving loan fund.

Ineligible Projects

- Refinancing of existing debt.
- Activities determined to be for investment purposes.
- Activities that are illegal or adversely affect the interest of the Microloan Program as determined by OzSBI Microloan Review Committee (MLRC).
- Projects in which any director, employee, or board member of the OzSBI, or close relative thereof, is an owner, stockholder, partner, or director would be a conflict of interest, therefore an ineligible project.

Collateral Requirements

- In order to encourage financial participation by other lenders and investors, the OzSBI loan lien position may be subordinated to other loans in connections with the project.
- In projects involving direct working capital loans, OzSBI will normally obtain collateral such as liens on inventories, receivables, fixed assets and/or other available assets of borrowers.
- In addition to the above types of security, OzSBI may also require security in the form of assignments of patents and licenses and such additional security as OzSBI determines is necessary to support the exposure.
- Some loans may not require collateral, based on strength of borrower and other factors. However, this option is solely at the discretion of the OzSBI Microloan Review Committee.
- Personal Guarantees will be required from the principal owners on each loan (part of closing document).
- Secured loans will require that hazard insurance listing OzSBI as the loss payee be obtained for any assets used as collateral for the loan.

Loan and Business Monitoring

- A semi-annual audit of “Job Creation” requirement will be on file with the OzSBI.
- A Employment Status Statement survey must be completed for each new job created at the time of hiring. (Form will be provided by OzSBI).
- An annual audit of the finances will occur, which will include the submission of business balance sheet, income statement, and cash flow statement.
- After 10 days, delinquent payments will result in a late fee being assessed in the amount of 5% of the monthly payment (not to exceed \$50.00 and not less than \$10.00).
- OzSBI staff will monitor OzSBI Clients’ businesses and assist with the setting milestones to reached in its efforts to secure the success of the borrowers’ business.
- Any borrower that becomes more than two months behind in their payments will be required to meet with the MLRC and provide financials.

Application Deadline

- Monthly OzSBI Microloan Review Committee, regularly scheduled meetings will be held on the second (2nd) Thursday of each month. However, should the need arise, special meetings, on other dates and times, may be called at the discretion of the committee.
- Applications must be received **AND** approved by OzSBI staff for submittal to the Microloan Review Committee on or before the first (1st) Monday of each month to be eligible for that month’s meeting.