

# OzSBI Microloan Fund



## Eligible Businesses

- Must operate a business located in one of the following seven counties: Douglas, Howell, Oregon, Ozark, Shannon, Texas, and Wright Counties.
- Must be at least 18 years old.
- Must be a US Citizen or Permanent Resident.
- One loan per applicant at a time.
- Minimum credit score of 600 required.

## Use of Funds

- Working Capital (including rents)
- Equipment/Vehicles
- Supplies
- Furniture and Fixtures
- Educational Training
- Marketing
- Real Estate and/or Leasehold Improvements

## Microloan Criteria

- Loan may be made for a minimum of \$5,000 and a maximum of \$50,000.
- 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 twelve (12) months prior to the loan request. Documentation of investment is required.
  - ◇ By providing additional collateral in an amount that will allow an overall Loan-To-Value ratio of no less than 100%.
- In determination of collateral requirements, OzSBI Microloan Review Committee (MLRC) will consider the merits and potential economic benefits of each request.
- All approved applicants must set up loan repayment on ACH.
- All loan recipients agree to nine mentoring meetings during the first year of the loan and annually thereafter.
- All loan recipients agree to provide annual financial statements and semi-annual economic impact data until the loan is paid in full.

## Interest Rate, Fees and Terms

- All loans will be made at a fixed rate based on the current Wall Street Journal Prime Rate + 0 at the time the loan is approved. The minimum interest rate or floor is 4.50%.
- Fees associated with processing the loan includes:
  - ◇ Non-refundable \$20 loan application processing fee.
  - ◇ Loan origination fee of 2% of the loan amount or a minimum of \$200, whichever is greater.
  - ◇ Loan servicing and support fee:
    - ◆ \$950 for loans under \$25,000
    - ◆ \$1,250 for loans over \$25,000
  - ◇ 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 non refundable loan application fee.
- Loans may be repaid in terms between 1 and 10 years. Term is 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).
- 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-interest microloans for the startup, expansion and growth of rural businesses located in the south central Missouri counties of Douglas, Howell, Oregon, Ozark, Shannon, Texas and Wright. OzSBI is a regional business support organization focused on building local business ownership and lasting livelihoods by strengthening the region's entrepreneurial eco-system. The OzSBI Microloan Fund is designed to advance the success of small rural entrepreneurs with business training and counseling, education and microfinancing. The goal is to build stable businesses that create jobs, improve average household wages, and diversify the economy. The Microloan Fund may be used as a direct loan, seed capital or "gap" financing combined with other lending and financial resources available to entrepreneur. OzSBI returns revenues from the borrower back to the OzSBI Microloan Fund to assist other entrepreneurs with their business development; hence the OzSBI Microloan Fund 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 OzSBI Microloan Fund 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 any other such additional security as OzSBI determines is necessary to support the exposure.
- Secured loans will require that hazard insurance listing OzSBI as the loss payee be obtained for any assets used as collateral the loan.
- Personal Guarantees will be required from the principal owners on each loan (part of closing document).
- 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.

## Loan and Business Monitoring

- OzSBI will monitor Microloan recipient's business and assist with the setting of milestones to support the success of the borrowers' business.
- A semi-annual audit of "Economic Impact and Job Creation" is required and will be on file with the 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).
- Unresolved delinquencies more than 2 months past due will be declared in loan default and foreclosure procedures will be initiated according to policy.

## Application Deadline

- OzSBI Microloan Review Committee's regularly scheduled meetings will be held on the third (3rd) 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) of each month to be eligible for that month's meeting.