



## Rural Impact Fund

### Overview

The Rural Impact Fund is a micro loan. Primarily created to create traction for a project as a gap financing option. Businesses may apply to this fund to establish, enhance, or expand and meet their financing needs at their current stage.

### Eligible Borrowers

Loan recipients may be new or existing small businesses in Region 8, North Dakota. This includes the counties of Adams, Billings, Bowman, Dunn, Golden Valley, Hettinger, Slope, and Stark.

### Eligible Use of Funds

Funds will cover no more than 50% of project costs or \$50,000, whichever is less. Match must be in cash or proof of purchases made towards approved scope of work.

- Equipment
- Real Estate
- Working Capital

### Standard Terms

The Rural Impact Fund will offer loans not to exceed \$50,000, with a minimum loan of \$5,000. The interest rates will be determined at time of application approval. The maximum loan amount will be limited by the amount of funds available in the fund at time of application. Repayment terms will be determined based upon the use of funds and the borrower's ability to repay the loan. The interest rate will be determined based upon a risk rating, repayment terms, and project activities. Repayment will not begin until the buy down period is complete.

Loan terms:

- Inventory and working capital - 5 years
- Equipment and machinery - 10 years
- Building and real estate - 25 years

### Security Requirements

Equity requirement is a minimum of 10% of the application. All loans will be secured with the best lien position available on the collateral of the project. Personal guarantees are required.

### Special Considerations

Projects are based on job creation/retention and must have a 51% minimum LMI benefit. The restructuring of a Rural Impact Fund loan may be necessary and considered under special circumstances. If a loan recipient becomes delinquent or is in violation of the conditions of the loan, an analysis of the factors causing the delinquency or violation will be conducted. In such cases where negative aspects can be countered and the project shows potential for success, Rural Impact Fund terms may be extended or modified to improve the borrower's ability to follow loan terms, which will protect the investment and allow the program to accomplish its objectives. When appropriate a loan may be restructured.



### **Program Authority**

The RCRC Board of Directors has full authority of this program. Application analysis and financing expertise is provided by the RCRC Loan Committee. The loan committee shall approve or deny funding on applications. The loan committee will have full approval abilities on applications up to \$100,000. For applications over \$100,00 approval from the full Board of Directors will be required. The loan committee will make recommendations per application for final approval from the Board of Directors.

### **Program Administration**

RCRC will provide technical assistance to applicants to ensure accuracy. RCRC is responsible for the administration, monitoring, and service of all Badlands Fund loans.

RCRC will provide security for the loan by operation of a conservative but prudent lending program. It will make loans only after receiving a completed application, due diligence has been done on the principals involved, project investigation, and after discussing the project with the other funding sources involved.

RCRC will share in collateral prorated through a participation agreement with the bank(s). Mortgages, Uniform Commercial Code (UCC) and other documents will be filed to secure the loan.

During the repayment period, monthly payments are due the first day of each month, and paid via ACH draft, with a 10-day grace period. After the grace period, a late fee of fifty dollars (\$50.00) or five percent (5%) of the payment due, whichever is greater, will be assessed.

Loan recipients will be considered delinquent when monthly payments are more than 30 days late. Delinquent borrowers will be contacted by phone, mail, or email, to request information on the status of the project. This request may include, but is not limited to, up-to-date financial reports and bookkeeping records, a site visit, and/or a meeting.

Loan recipients who are delinquent more than 60 days shall be referred to the RCRC Loan Committee. The Loan Committee shall carry authority to make decisions involving delinquent loans, however, shall make recommendations to the Board of Directors for final approval regarding collection or write-off. Determining factors will include the cost of attempting to collect the loan and whether all legal recourse for collection has been pursued. All actions of the RCRC Loan Committee regarding delinquent loans shall be reported to the Board of Directors at a regularly scheduled meeting.

Borrowers who are not cooperative and not willing to work with RCRC at any time may be recommended for collection procedures. This may include selling collateral, enforcing personal guarantee(s) and/or legal action.

### **Reporting**

The RCRC Loan Committee shall review program financial reports and loan status report at all regularly scheduled meetings.