

## Economic Development Loan Fund

The Virginia Small Business Financing Authority's Economic Development Loan Fund is designed to fill the financing gap between private debt financing and private equity. Funds are provided to create economic benefit through increased revenues and the creation of new jobs and the retention of "at risk" jobs in Virginia. Businesses should meet one of the following criteria within the Commonwealth of Virginia: have \$10 million or less in annual revenues over each of the last three years; or a net worth of \$2 million or less; or have fewer than 250 employees; or be a 501 (c) 3 entity.

### Eligible Borrowers:

- Industrial or Economic Development Authorities empowered by the Code of Virginia to make loans for economic development purposes and other Virginia economic development entities.
- Businesses engaged in technology, biotechnology, tourism, manufacturing, renewable energy, government contractors, basic commercial and industrial companies and those businesses or entities that provide for a locality's economic and "quality of life" development.
- Businesses which derived 15% or more of their revenues from defense-dependent activities and can demonstrate economic hardship related to defense downsizing.

### Amount:

In economically distressed areas of the state the maximum loan available from the Fund for each project is 40% of the project costs or \$1,000,000, whichever is less. For all other areas of the state, the maximum loan is \$500,000 or 40%, whichever is less. Minimum loan amount is \$50,000.

### Term:

Generally the loan will be amortized over the life of the assets or the borrower's ability to repay, with a note maturity of not more than 10 years.

### Interest Rate and Fee:

Fixed base rate is tied to "like-treasuries" with a spread based on the credit risk as determined by VSBFA. \$500 non-refundable application fee.

### Benefits to the Participating Lender

- ✓ Better LTV position against assets purchased and collateral
- ✓ Lender uses their own documents and procedures for their loan
- ✓ Reduces credit exposure
- ✓ No restrictions on rates or fees
- ✓ Able to meet customer's needs without losing relationship to competitor

### To qualify for assistance under the Economic Development Loan Fund, the applicant business must:

- ✓ Create or save permanent full-time jobs which pay a minimum of \$10.00 per hour;
- ✓ Be able to inject new cash equity into the project; and
- ✓ Provide a first lien on the assets purchased with the loan proceeds; however, a subordinate lien position will be considered, if required by the primary lender.

#### Loan funds can be used for:

1. Acquiring land and buildings
2. Leasehold improvements or expansions
3. Purchase and installation of machinery
4. Equipment purchases
5. Technology infrastructure
6. Permanent working capital (some restrictions)

#### Loan funds *cannot* be used to:

1. Subsidize a business that is able to obtain financing for the project at reasonable terms from conventional sources
2. Refinance or restructure a bank's existing debt
3. Finance passive real estate
4. Compensate for a fundamental business weakness
5. Provide short-term working capital
6. To finance the unguaranteed portion of SBA-guaranteed loans or other federally guaranteed loans.

Completed applications will be reviewed by the VSBFA staff and for those \$500,000 and less, the staff generally can make the credit decision within a few business days. For those requests in excess of \$500,000 recommendations will be made to VSBFA's Board of Directors at their next monthly meeting. Credit decisions will be based on the company's creditworthiness, ability to repay the loan, collateral offered to secure the loan, and the economic benefit to the Commonwealth.

For additional information and application materials, visit our website, <http://www.vabankers.org/VSBFA> or call 1-866-248-8814.