



**Richmond
Economic
Development
Corporation**

**411 e franklin st
suite 203
richmond va**

**p: 804.780.3012
f: 804.788.4310**

redcfinance.org

LOAN PRODUCTS

504 DEVELOPMENT LOANS:

Under the 504 development loan program, REDC works with the SBA and private sector lenders to provide financing to small businesses, in order to create and/or retain jobs.

Typically, a 504 project includes:

- A third party loan secured with a senior lien on the financed asset made by a private-sector lender covering 50% of the financing.
- A 504 loan secured with a junior lien made by REDC, which is funded by an SBA guaranteed debenture, covering up to 40% of the financing.
- And a contribution of at least 10% equity from the borrower.

Use of Proceeds:

Proceeds from 504 loans must be used for fixed-asset projects, such as:

- Purchasing of land and improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping.
- Constructing, modernizing, renovating or converting existing facilities.
- Purchase of long-term machinery and equipment.

Loans cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing.

Terms, Interest Rates & Fees:

The maximum loan under the 504 development loan program could range between \$2 million and \$4 million, depending upon the type of business, when combined with a 50% private sector loan. Our maximum loan cannot exceed 40% of the project cost with the owner providing the remaining 10% in equity.

- **Maximum Term:** Maturities of 10 and 20 years are available.
- **Interest Rates & Fees:** Interest rates on 504 loans are pegged to an increment above the current market rate for five (5) year and ten (10) year U.S. Treasury issues. Maturities of ten (10) and twenty (20) years are available. Fees total approximately three (3) percent of the debenture and may be financed with the loan.

Collateral:

Generally, the project assets being financed are used as collateral. Personal guaranties of the principal owners are also required.

Eligibility:

To be eligible, a business, with its affiliates, must be operated for profit and fall within the size standards set by the SBA. The business must also have a tangible net worth of \$7 million or less, and average net income of \$2.5 million or less on an after-tax basis for the preceding two years. Loans cannot be made to businesses engaged in speculation or investment.

BUSINESS ENTERPRISE ZONE LOAN (BEZL):

The BEZL program provides financing to small businesses located in low-income census tracts and enterprise zones of the Richmond/Petersburg MSA that are unable to obtain traditional bank financing.

Use of Proceeds:

Proceeds can be used for the purchase or renovation of commercial or mixed-use properties, the acquisition of machinery and equipment, and working capital, including:

- Purchase or rehab of "owner-occupied" commercial or mixed-use properties located in low-income census tracts and enterprise zones of the Richmond/Petersburg MSA. **Maximum loan of \$250,000.**
- Purchase of machinery and equipment to be used in the operations of a small business. **Maximum loan of \$50,000.**
- Seasonal or long-term working capital needs. **Maximum loan of \$25,000.**

Terms, Interest Rates & Fees:

The maximum loan using a combination of any eligible purposes cannot exceed 90% of the appraised value or purchase and rehab cost of the asset being acquired with loan proceeds, whichever figure is less.

- **Maximum Term:** Maturities of 10 to 20 years available depending upon the loan purpose or the actual remaining useful life of the asset being purchased or renovated with loan proceeds. Maximum term for working capital loans will vary depending upon whether the request is for seasonal or permanent working needs and source of repayment, but in any event not to exceed five (5) years.
- **Interest Rate & Fees:** Competitive and fixed-rate loans are available, which are based upon length of the loan, collateral, overall risk assessment and cost of funds. An origination fee ranging from one percent (1%) to one and one-half percent (1.5%) is charged on all fixed-rate mortgage loans, and there are no prepayment penalties or call provisions.

Collateral:

Loans under the program are secured by the assets acquired or renovated with loan proceeds, and generally require the personal guaranty of all owners having 20% or more interest in the business.

Eligibility:

Business must be for profit and in operation for two (2) or more years and unable to obtain traditional bank financing.

Loans for paying delinquent federal, state or local taxes are ineligible, unless combined with an eligible purpose.

MICROENTERPRISE DEVELOPMENT (MICRO) LOANS:

This program is designed to provide training, financing and technical assistance services to new and/or existing small businesses that do not qualify for traditional bank financing.

Use of Proceeds:

The Micro Loan proceeds can be used for start-up or expansion capital, including financing working capital, acquisition of fixed assets, and minor leasehold improvements.

Loans cannot be used for repaying existing debt, paying delinquent federal, state, or local taxes, unless combined with an eligible purpose.

Terms, Interest Rates & Fees:

- **Maximum Loan:** \$35,000.
- **Interest Rate & Fees:** Competitive interest rates are available. A \$100.00 administrative fee is due at closing and annually thereafter, to cover the delivery of technical assistance services provided to loan clients.

Collateral:

Loans can be unsecured or secured by business assets, and generally will require the personal guaranty of all owners having 20% or more interest in the business. Depending upon overall risk assessment, guarantors could be required to hypothecate (pledge) additional collateral to secure their guaranty.

Eligibility:

To be eligible, a business must be for profit, with the exception of non-profit child care providers, and located within the Richmond/Petersburg MSA. Loans for the purchase or rehab of real estate are not eligible. Owners of the business must have five (5) percent to ten (10) percent equity investment in the business or in the assets acquired with loan proceeds. Existing businesses must have a positive net worth.

NEIGHBORHOODS IN BLOOM (NIB) LOAN:

The NIB revolving loan fund is designed to promote economic and community development through the offering of low interest rate loans to startup and existing small businesses.

Use of Proceeds:

The maximum loan under the NIB loan program is \$50,000, which proceeds can be used for the acquisition of commercial buildings, machinery and equipment and working capital.

Terms, Interest Rates & Fees:

- **Maximum Term:** Based upon the average useful life of the asset being acquired with loan proceeds, i.e., 20 years for real estate and 10 years for equipment.
- **Interest Rate & Fees:** Four percent (4%).

Collateral:

Loans under the program are secured by the assets being acquired or renovated, and will generally require the personal guaranty of all owners having 20% or more interest in the business.

Eligibility:

Businesses must be located in one of the six (6) NIB targeted areas of the City of Richmond, including Brookland Park Boulevard, Carver area, Jackson Ward, Hull Street, North 25th Street and Highland Park.

TRAINING SERVICES

CREATING WINNING ENTREPRENEURS TRAINING COURSE:

REDC offers an intensive five-week course entitled "Creating Winning Entrepreneurs". This course provides information for evaluating the feasibility and suitability of starting a business, preparing a business plan, understanding small business financials, legal issues, and managing the growth of a small business.

The course is taught on pre-scheduled Tuesdays from 6:30-9:00pm. The cost is \$100, which covers instruction and training materials.

Completion of this course is necessary to apply for a loan under REDC's Microenterprise Development Program.

The instructor for this class is Harpal S. Malik.

For additional information please contact our office.

OTHER COMMUNITY DEVELOPMENT SERVICES

REDC has extensive experience and expertise in developing and managing government-funded loan programs. These programs target small businesses as a means to facilitate the creation/retention of jobs in low-income or investment-stagnant communities. REDC is often able to leverage local funding with other federal and private resources, in order to achieve maximum community impact.