



## **Northern Kentucky Area Development District Revolving Loan Fund Program**

### *Eligibility Requirements*

The Northern Kentucky Area Development District's small business lending program is funded by the Economic Development Administration (EDA), part of the U.S. Department of Commerce. The official name for the program is Revolving Loan Fund, due to the way the program functions. As loan recipients pay back their loans, their entire principal and a portion of the interest are returned to the fund for relending. Any small business owner starting-up or expanding their business in the eight-county area served by the Area Development District is eligible to apply, provided they meet a few criteria.

1. The applicant must provide supplemental evidence documenting the need for RLF financing. This must include the following:
  - A commitment letter from a bank stating the loan terms, the maximum amount to be extended by the bank, and the need for RLF participation; or
  - A bank rejection letter(s), denying financing.

The RLF is not in competition with area financial institutions and a borrower will be deemed ineligible if credit is otherwise available on terms and conditions which would permit completion, successful operation and/or accomplishment of the project activities to be financed.

An exception will be made to this credit test where RLF financing may be used as an incentive (through favorable loan terms) to attract a new business or business expansion into an eligible area in which it would not otherwise locate. Priority will be given to projects in which the private investment to RLF loan ratio is 2:1 or better.

2. Owners must contribute personally 10% of the project costs.
3. Owners must agree to a credit check. While credit is not the only factor in determining if clients may receive financing, it is a critical element.
4. Owners must submit a personal financial statement, also a critical element in understanding the financial situation of all owners with a greater than 20% stake in the business.

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5. Owners must submit collateral equal to or greater than the value of the loan for which they apply. The RLF may take a subordinate position as appropriate to the total financing package. The RLF will also require security in the form of insurance (i.e. hazard, key-man, flood, title, and others) and such other additional security as the NKADD RLF Board determines necessary to protect the Fund's risk exposure. Personal guarantees of individuals having 20% or more ownership in the business may also be required. Other personal and corporate guarantees will be obtained if deemed necessary.
6. While minority, disability or veteran status will be considered, there are no formulas for the approval of loans, and therefore, no "extra points" are assigned for the classifications.
7. Because the funding for this program is from the U.S. government, and the purpose of the program is to create jobs in Northern Kentucky, it is essential that the owner(s) is not relocating a business from another commuting area to Northern Kentucky. We would not want to take away jobs from one state or city just to bring them here; this is about creating jobs.
8. As an economic development program, creating and retaining jobs in Northern Kentucky is a key component to the success of the Revolving Loan Fund. It is expected that for every \$20,000 of RLF loans to borrowers, that one (1) job will be created/retained. Roughly 75% of the jobs associated with the loan will be created, while 25% will be tied to job retention. Since these projections are based on the assumption that the RLF will generate a substantial level of private investment, the one job per \$20,000 invested shall be a requirement of the RLF portfolio as a whole, and not necessarily for each loan project.

Special consideration will be given toward the creation of unskilled positions with a potential for advancement and skills development, as well as job creation/retention for minorities, women, the long-term unemployed and/or Job Training Partnership Act (JTPA) eligible participants.

9. Businesses receiving RLF dollars must incorporate in Northern Kentucky. Further, it has been decided in the recent history of the program that it is appropriate only for citizens and legal residents of the United States to obtain financing.
10. Lastly, all applications are subject to the approval of the Revolving Loan Fund Committee, pursuant to the overall goals and objectives of the RLF program and to the purposes of community and economic development and job creation in Northern Kentucky.