



FY 2017

Revolving Loan Fund Report

for

July 1, 2016 – June 30, 2017

Prepared by

Laura Ostlie, Loan Officer



Upper Minnesota Valley
**REGIONAL
DEVELOPMENT
COMMISSION**

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Helping Communities Prosper

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EXECUTIVE SUMMARY

The UMRDC Revolving Loan Fund participated in four projects over the last fiscal year assisting with gap financing for business start-ups and expansions needing working capital, inventory, fixed assets and real estate. A total of \$245,250 in revolving loan funds were lent out and helped generate an additional \$4,739,837 in leveraged financing from public and private sources along with owner investments.

FY2017 LOAN ADVISORY BOARD MEMBERS

The Loan Advisory Board met on an as-needed basis to review loan applications and other requests throughout the fiscal year.

The time and dedication by all board members is greatly appreciated!

Big Stone County

Jay Backer – County Commissioner

Vicki Oakes – Economic Development Representative

Chippewa County

Jim Dahlvang – County Commissioner

Mitch McKay – Economic Development Representative

Lac qui Parle County

Terry Overlander – County Commissioner

Carie Driesen – Economic Development Representative

Swift County

Joe Fox – County Commissioner

Eddie Masee – Economic Development Representative

Yellow Medicine County

Glen Kack – County Commissioner

Craig Bakkelund – Economic Development Representative

UMVRDC Representatives

Gary Hendrickx – RLF Chairman

Gary Johnson

Warren Rau

STATUS REPORT (as of June 30th, 2017)

Total Loans in Portfolio – 30

Current Loans – 26

Deferred Loans – 1

Delinquent Loans – None

Defaulted Loans – 3

Loans Approved but Not Disbursed – None

Loans Paid in Full – 5

- Appleton Hardware Inc - Appleton
- Kay's Processing, LLC – Clara City
- Kay's Processing, LLC Loan #2 – Clara City
- C.C. Diamond Products, LLC – Clara City
- Northern Grain – Clara City

Loans Written Off – 0

TOTAL FUNDS

Total Funds in Revolving Loan Fund \$1,784,574

ACCOUNTS RECEIVABLE 2017 (as of June 30th)

2016 Comparison

<u>Loan Status</u>	<u># of Loans</u>	<u>Outstanding Balance</u>	<u># of Loans</u>	<u>Outstanding Balance</u>
Loans Current	26	\$1,784,574	27	\$1,270,911.46
Delinquent	0	\$0	0	\$0
Default	3	\$72,909.24	2	\$25,226.40
Deferred	1	\$8,347.20	2	\$56,360.16
Other	0	\$0	0	\$0
Total Receivables	30	\$1,223,486	31	\$1,352,498.02
Total RLF Funds		\$1,784,574		\$1,783,236.74

COMMITTED FUNDS (as of June 30th)

Total Funds Committed for Projects: None

BALANCES AVAILABLE FOR LENDING (as of June 30th)

Total Funds Available for Lending (as of June 2017): **\$561,087**

APPROVED LOANS

In FY17, the Revolving Loan Fund program (RLF) experienced a decrease in the number of inquiries for potential loan requests. Four loans totaling \$245,250 were requested and closed in FY17. Loans for the businesses listed below were approved for equipment, fixed assets, inventory, working capital and real estate. A combination 44 full and part-time positions were created or retained as a result of these business expansion and retention projects. A total of \$4,739,837 was leveraged in additional public and private funds for the projects listed below. Financial partners in projects included local banks/financial institutions, Southwest Initiative Foundation, Swift County Rural Development Authority, Rural Electric Economic Development Inc., United States Department of Agriculture, and the Appleton Project.

Swift County

DoMat's Family Foods, Benson - \$100,000

Equipment – Business Expansion

Northern Geo, Appleton - \$80,000

Business Assets -Business Expansion

SEWearable Designs, Appleton - \$27,250

Equipment – Business Expansion

Chippewa County

Trish's Catering, Clara City - \$38,000

Business Assets/Real Estate – Business Expansion

ALLOTTED FUNDS (as of June 30th)

None

CURRENT LOAN PORTFOLIO (as of June 30th)

Borrower	Original RLF Loan Amount	Disaster RLF Loan Amount	Interest Rate	Term (years)	Original RLF Balance at 6/30/2017	Disaster RLF Balance at 6/30/2017
Al's Mercantile	50,000		5.00%	10	\$ 20,685.65	
Appleton Meat Center	30,000		4.00%	10	\$ 17,066.19	
Barr's/Conroy Electric, Inc.	46,000		4.00%	10	\$ 24,011.87	
Bluegrass Proteins, Inc.	100,000	100,000	4.00%	5	\$ 78,173.65	\$ 78,173.64
Books by Kelly	20,000		5.00%	5	\$ 9,422.37	
C&L Loan #2	57,500		2.90%	10	\$ 47,682.84	
Clara City Foods, Inc	100,000	100,000	4.00%	10	\$ 90,172.18	\$ 90,172.17
Clarkfield Family Foods	28,000		4.00%	10	\$ 7,712.01	
DoMat's	100,000		4.00%	10	\$ 93,832.12	
Granite Falls Dairy Queen, Inc	100,000		4.00%	10	\$ 54,248.55	
Handeland Chiropractic, LLC	33,000		5.00%	10	\$ 14,031.15	
Jack Anderson (GoldLeaf Fin.)	100,000		2.90%	5	\$ 15,938.59	
Jager building Supply, LLC	62,000		4.00%	10	\$ 37,009.62	
J C & Sons Hardware Inc	70,000		4.00%	10	\$ 22,137.83	
Kaercher Publications, Inc.	65,520		4.50%	10	\$ 36,675.66	
KEC of Granite Falls DBA Picht's	50,000		4.00%	10	\$ 45,844.53	
Lamecker's General Store	25,000		4.00%	5	\$ 10,291.02	
Madison Meats	37,200		4.00%	5	\$ 8,160.21	
Merritt Construction, Inc.	10,000		4.50%	12	\$ 5,723.61	
Northern Geo, LLC	50,000	100,000	4.00%	10	\$ 36,565.44	\$ 73,130.89
Northern Geo, LLC (2)	60,000	20,000	4.25%	10	\$ 57,946.09	\$ 19,315.36
Private Industry Council	50,000		4.25%	9.6	\$ 12,193.43	
R&R Outdoors	11,000		4.00%	10	\$ 8,347.20	
SEWearable Designs	33,000		4.50%	7	\$ 10,195.19	
SEWearable Designs (2)	27,250		4.50%	10	\$ 26,669.02	
SpecSys Inc.	50,000		4.00%	10	\$ 13,671.38	
Swift Falls Bar & Grill	22,500		4.00%	10	\$ 6,127.73	
The Sawmill	50,000		4.00%	10	\$ 27,199.47	
Trish's Catering	38,000		4.25%	10	\$ 38,000.00	
West Central Powder Coating, Inc.		100,000	4.00%	15		\$ 86,959.53

PROGRAM IMPACT SUMMARY

Since the RLF was incorporated in August of 1988, the Fund has made a significant impact on the economic growth and employment opportunities in Region 6W. The RLF has completed the following loan activities:

<u>ECONOMIC IMPACT</u>	<u>TOTAL</u>
Number of Loans Closed	119
Loan Amounts	\$6,442,410.00
Private Dollars Leveraged	\$100,462,179.00
Public Dollars Leveraged	\$19,446,869.00
Owner Equity	\$32,993,027.00
Jobs Created	1,161.50
Jobs Retained	1,634.50
Business Type:	
Start-Up	41
Expansion	50
Retention	28
Total	119
Classification:	
Industrial	56
Commercial	29
Service	34
Total	119

LOAN FUND HISTORY

The Western Minnesota Revolving Loan Fund (RLF) was established on December 5, 1988. Big Stone, Chippewa, and Swift Counties and the U.S. Department of Commerce Economic Development Administration (EDA) originally provided capital for the RLF. In 1993, the RLF was recapitalized with EDA funds and matching funds from all five counties in Region 6W. With this recapitalization, businesses in Big Stone, Chippewa, Lac qui Parle, Swift and Yellow Medicine Counties were eligible to receive loans.

The RLF was again recapitalized with EDA and county funds in 2001 to create a separate disaster fund for Chippewa and Yellow Medicine Counties and after once revolved would be combined with the existing revolving loan fund for all counties to utilize. A request to combine funds in August 2006 was submitted to EDA for approval and action. In December 2010 EDA combined the UMRDC's two funds into one.

In February 2013 the UMRDC was awarded \$400,000 from the Department of Commerce Economic Development Administration (EDA) for an additional loan fund. Funds were matched by each of the UMRDC's counties: Big Stone, Chippewa, Lac qui Parle, Swift & Yellow Medicine. Matching funds from the counties totaled \$100,000 bring the additional funding to a total of \$500,000. For the purposes of this report numbers for the original fund and the new fund are combined. Currently, the UMRDC has two loan funds in which it can award loans to aid economic development in our region.

MARKETING

EDA requires seventy five percent (75%) of RLF funds to be lend out at all times. In order to maintain this lending standard, the RLF has tried a variety of different marketing approaches. Many of the loan requests came from local lender referrals along with board member and local economic development staff promoting our program. UMRDC staff continues to make regular contact with financial and economic development professionals throughout the region, which also serves as a valuable marketing strategy to ensure compliance with EDA's lending standards. Staff will be marketing these funds heavily over the next year and relying on existing partnerships with local EDA's, Small Business Development Center, and lenders to help bring forth quality loan projects for consideration.

FREQUENTLY ASKED QUESTIONS (FAQ)

Loan Size

- ∂ \$5,000 - \$100,000

Type of Assets Financed

- ∂ Equipment
- ∂ Inventory
- ∂ Working capital (with additional restrictions)
- ∂ Real Estate

Terms

- ∂ Fixed assets financed at a maximum of 10 years
- ∂ Real estate financed at a maximum of 20 years
- ∂ Working capital financed at a maximum of 5 years
- ∂ Average financing is 5 – 7 years

Interest Rates

- ∂ Not less than 4 percent below prime with a minimum of 4 percent or 75% of the prime interest rate listed in the Wall Street Journal whichever is less.
- ∂ Most loans are made at 4 – 7 percent
- ∂ Fixed Rate

Equity & Collateral

- ∂ Minimum of 10 percent borrower equity (in-kind equity allowed)
- ∂ All loans must be secured with available assets, inventory, real estate, etc. and personal guarantees

Repayment

- ∂ Monthly payments are made through electronic transfer (ACH)

Other Requirements

- ∂ Applicant must attend Loan Advisory Board meeting (2nd Monday)
- ∂ Project must demonstrate a gap financing need
- ∂ Bank participation is required

***The UMVRDC may use one or more of the following incentives to accomplish the objectives of the RLF:**

- ∂ Lower Interest Rates
- ∂ Longer Terms
- ∂ Balloon Payments
- ∂ Lower owner investments and/or sweat equity may be considered
- ∂ Subordinated positions