



FY 2016

Revolving Loan Fund Report

for

July 1, 2015 – June 30, 2016

Prepared by

Laura Ostlie, Loan Officer

16 | UMRDC RLF



Upper Minnesota Valley
**REGIONAL
DEVELOPMENT
COMMISSION**

Helping Communities Prosper

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Annual Report FY2016

July 2015– June 2016

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EXECUTIVE SUMMARY

The UMVRDC Revolving Loan Fund participated in two 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 \$250,000 in revolving loan funds were lent out and helped generate an additional \$912,500 in leveraged financing from public and private sources along with owner investments.

FY2016 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

Josh Falness – Economic Development Representative

Swift County

Joe Fox – County Commissioner

Eddie Masee – Economic Development Representative

Yellow Medicine County

Louis Sherlin – County Commissioner

Craig Bakkelund – Economic Development Representative

UMVRDC Representatives

Gary Hendrickx – RLF Chairman

Gary Johnson

Warren Rau

STATUS REPORT (as of June 30th, 2016)

Total Loans in Portfolio – 31

Current Loans – 27

Deferred Loans – 2

Delinquent Loans – None

Defaulted Loans – 2

Loans Approved but Not Disbursed – 1 (listed on page 5)

Loans Paid in Full – 3

- Friendship Cafe – Clarkfield
- Appleton Power Equipment – Appleton
- Porter Elevator – Porter
- The Corner Stop – Maynard

Loans Written Off – 0

TOTAL FUNDS

Total Funds in Revolving Loan Fund \$1,783,236.74

ACCOUNTS RECEIVABLE 2016 (as of June 30th)

2009 Comparison

<u>Loan Status</u>	<u># of Loans</u>	<u>Outstanding Balance</u>	<u># of Loans</u>	<u>Outstanding Balance</u>
Loans Current	27	\$1,270,911.46	18	\$786,744.82
Delinquent	0	\$0	0	\$0
Default	2	\$25,226.40	2	\$134,260.35
Deferred	2	\$56,360.16	3	\$79,662.46
Other	0	\$0	0	\$0
Total Receivables	31	\$1,352,498.02	23	\$1,000,667.63
Total RLF Funds		\$1,783,236.74		\$1,200,000.00

COMMITTED FUNDS (as of June 30th)

Total Funds Committed for Projects: DoMat's **\$100,000**

BALANCES AVAILABLE FOR LENDING (as of June 30th)

Total Funds Available for Lending (as of June 2016): **\$330,738.70**

APPROVED LOANS

In FY16, the Revolving Loan Fund program (RLF) experienced a decrease in the number of inquiries for potential loan requests. Two loans totaling \$250,000 were requested and closed in FY16. Loans for the businesses listed below were approved for equipment, fixed assets, inventory, working capital and real estate. A combination 26 full and part-time positions were created or retained as a result of these business expansion and retention projects. A total of \$912,500 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, Minnesota Investment Funds (MIF funds) and local EDA's.

Yellow Medicine County

KEC of Granite Falls DBA Picht's Auto Body and Glass, Granite Falls - \$50,000

Equipment – New Business

Chippewa County

Clara City Foods, Inc., Clara City - \$200,000

Equipment – New Business

ALLOTTED FUNDS (as of June 30th)

In addition to the loans above, one additional loan has been approved and is pending a closing date.

Swift County

Not yet closed-DoMat's Family Foods, Benson. - \$100,000

Equipment – Existing Business

CURRENT LOAN PORTFOLIO (as of June 30th)

	Borrower	Original RLF Loan Amount	Disaster RLF Loan Amount	Interest Rate	Term (years)	Original RLF Balance at 6/30/2016	Disaster RLF Balance at 6/30/2016
1	Al's Mercantile	50,000		5%	10	\$ 25,960.56	
2	Appleton Hardware Inc	50,000		4%	12	\$ 820.47	
3	Appleton Meat Center	30,000		4%	10	\$ 17,066.19	
4	Barr's/Conroy Electric, Inc.	46,000		4%	10	\$ 28,540.95	
5	Bluegrass Proteins, Inc.	100,000	100,000	4%	5	\$ 87,412.73	\$ 87,412.73
6	Books by Kelly	20,000		5%	5	\$ 10,366.71	
7	C&L Loan #2	57,500		2.90%	10	\$ 47,682.84	
8	C.C. Diamond Products, LLC	100,000		4%	10	\$ 64,293.95	
9	Clara City Foods, Inc	100,000	100,000	4%	10	\$ 98,531.43	\$ 98,531.43
10	Clarkfield Family Foods	28,000		4%	10	\$ 10,734.02	
11	Granite Falls Dairy Queen, Inc	100,000		4%	10	\$ 64,014.09	
12	Handeland Chiropractic, LLC	33,000		5%	10	\$ 17,607.46	
13	Jack Anderson (GoldLeaf Fin.)	100,000		2.90%	5	\$ 36,658.62	
14	Jager building Supply, LLC	62,000		4%	10	\$ 41,712.95	
15	J C & Sons Hardware Inc	70,000		4%	10	\$ 29,593.70	
16	Kaercher Publications, Inc.	65,520		4.50%	10	\$ 43,017.31	
17	Kay's Processing, LLC	100,000		2.90%	5	\$ 36,943.59	
18	Kay's Processing/Naturals Loan 2		100,000	5.00%	5	\$ -	\$ 71,048.81
19	KEC of Granite Falls DBA Picht's	50,000		4.00%	10	\$ 50,000.00	
20	Lamecker's General Store	25,000		4.00%	5	\$ 15,294.75	
21	Madison Meats	37,200		4%	5	\$ 8,160.21	
22	Merritt Construction, Inc.	10,000		4.50%	12	\$ 6,686.10	
23	Northern Geo, LLC	50,000	100,000	4%	10	\$ 41,079.18	\$ 82,158.37
24	Northern Grain		100,000	2.90%	5	\$ -	\$ 43,789.80
25	Private Industry Council	50,000		4%	9.6	\$ 16,351.59	
26	R&R Outdoors	11,000		4%	10	\$ 8,677.32	
27	SEWearables	33,000		4.50%	7	\$ 13,975.91	
28	SpecSys Inc.	50,000		4%	10	\$ 19,071.78	
29	Swift Falls Bar & Grill	22,500		4%	10	\$ 8,559.83	
30	The Sawmill	50,000		4%	10	\$ 28,501.13	
31	West Central Powder Coating, Inc.		100,000	4%	15	\$ -	\$ 92,241.53

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	115
Loan Amounts	\$6,197,160.00
Private Dollars Leveraged	\$97,017,342.00
Public Dollars Leveraged	\$18,151,869.00
Owner Equity	\$32,037,490.00
Jobs Created	1,161.50
Jobs Retained	1,590.50
Business Type:	
Start-Up	41
Expansion	46
Retention	28
Total	115
Classification:	
Industrial	54
Commercial	27
Service	34
Total	115

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 UMVRDC's two funds into one.

In February 2013 the UMVRDC 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 UMVRDC'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 UMVRDC has two loan funds in which it can award loans to aid economic development in our region.

SUMMARY OF PROGRAMMATIC CHANGES

In November 2015, Laura Ostlie was hired to administer the RLF Program as the RLF Loan Officer. The position was previously held by Randy Larson.

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 and found the most effective marketing to be word-of-mouth. Many of the loan requests came from local lender referrals along with board member and local economic development staff promoting our program. UMVRDC 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. With the newest dollars from EDA that became available in June 2013 there are ample funds available. Staff will be marketing these funds heavily over the next year and relying on existing partnerships with local EDA's 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