



## **Buffalo and Erie County Regional Development Corporation 50/50 Minority, Women and/or Start-Up Business Loan Fund**

The Buffalo and Erie County Regional Development Corporation and the banks are committed to offer incentives that will promote and enhance the ability of minority, women-owned, or start-up business enterprises to successfully start-up, develop, or expand small business in Erie County by providing financial and other support services. The success of this loan program will be based on the provision of pre-application assistance, reasonable and necessary financing, subsequent counseling and mentoring.

### **Eligibility**

An eligible borrower may be a minority, women-owned and/or start-up business (in operation less than two years) enterprise located within Erie County. It may be a proprietorship, partnership or corporation engaged in service-related or manufacturing industries. Priority will be given to targeted growth industries and those located in designated distress areas of the county.

### **Loan Program**

Financing for the Loan Program will be offered jointly through special loan programs of the RDC, banks and the U.S. Small Business Administration (SBA) in the range of \$25,000 to \$500,000. Any size request will be considered if it is in compliance with SBA standards and regulations in effect at such time. The blended, effective interest rate will be approximately prime plus ½ % depending upon the amount of owner equity contributed to the project. Generally borrowers must have an equity participation in the project of five percent (5%), but on an exception basis only, owner equity participation as low as two percent (2%) may be considered. Loan proceeds can be used for any of the following purposes or combinations thereof:

1. Permanent working capital
2. Acquisition of machinery and equipment
3. Pollution control and related equipment
4. To effect a change in ownership where the Employment base of a company is in jeopardy

For any loan which is approved under the loan program, a bank will initially fund one hundred percent (100%) of the total principal amount to be advanced. In turn, the bank will sell RDC a fifty percent (50%) participation which will reduce the bank's participation which will reduce the bank's

participation to fifty percent (50%) of the total principal amount to be advanced. Of the amount being financed under this participation agreement, an SBA guaranty will be received for eighty five percent (85%) for loans up to \$150,000 and 75% for amounts over \$150,000.

In those instances where the owner equity is less than the amount required by SBA the Bank will enter into a subordinated loan agreement with the borrower. The RDC will then purchase a 100% participation in the subordinated loan.

### **Restrictions**

No expenditures or commitments for expenditures should be made prior to loan approval for the proposed project. Dollar for dollar refinancing without additional private financing is not permitted.

### **Application Procedures**

Requests for application to the 50/50 Loan fund may be initiated by the principals of a company or by the company's professional advisors (attorney, banker accountant). A feasibility meeting to determine the appropriateness of the application should then be arranged. If the application is deemed appropriate the Basic Loan Application Requirements will be issued and should be prepared for submittal subsequent to the feasibility meeting. The company will also agree to participate in a program that will include pre-application counseling and mentoring from qualified business professionals. All loans shall be documented and processed using standard SBA forms and other such documents as may be required by the Bank. Upon joint loan approval by the bank, the RDC and the SBA a letter of commitment will be sent to the company for acceptance.

### **Loan Closing/Fees**

The ECIDA charges no fees or closing costs on the ECIDA portion of the loan. Bank closing costs and fees apply.