

The Rural Business Initiative Loan Program

South Central Illinois Regional Planning
and Development Commission



The Rural Business Initiative (RBI) Loan provides a valuable tool for business development within the counties of Clay, Effingham, Fayette, Jasper, and Marion, in the State of Illinois. The South Central Illinois Regional Planning & Development Commission established the RBI direct loan program in January of 1993. The Commission's RBI lending authority was made possible by three separate, long-term very low-interest, fixed-rate federal loans totaling \$3.2 million under the provisions of the Intermediary Relending Program which is administered by the Rural Development division of the USDA.

These federal funds are reloaned to qualifying, creditworthy commercial and industrial businesses within the region by the Commission at Wall Street Journal Prime Rate -1% point (Currently 5.75%) repayable over as long as a 15-year term. Like the agency's other direct loan programs, the RBI program has proven to be an invaluable means of leveraging substantial private investment which, in turn, has created hundreds of local job opportunities for rural residents while building the tax base of our local communities.

The Commission is a non-profit regional organization with the proven staff experience to foster economic development through lending at local and regional levels. The Commission works cooperatively with **USDA Rural Development** and traditionally partners with **local lending institutions** to provide fixed-asset financing for creditworthy small businesses.

Benefits of the RBI Loan program include:

- **low down payment** financing for existing, financially-stable firms;
- **favorable repayment schedules** that match the assets (*up to 15 years*);
- **competitively-priced interest rates** for small business borrowers, and;
- **fixed interest rates** (*at a time when bank rates generally fluctuate*).

Loan Structure

Currently, the RBI loan provides a portion of the overall project financing based upon the following formula:

- **Maximum Loan Amount** - \$250,000
- **Maximum Project Participation** – 75% (partner lender and borrower provide the remaining 25%)
- **Required Job Creation** – One job created/retained within two years for every \$25,000 loaned

With this formula, a company borrowing \$250,000 would create, or retain, 10 jobs within two years, for a project that is \$333,333.



RBI direct loan funds can be used by the borrower to support both fixed assets and inventory/working capital financing needs. In some cases, they can be used to refinance existing loans. The majority of the regional organization's RBI loans have been made for \$100,000 or less. The Commission expects not less than a prorated co- first lien position of the assets it helps finance along with the personal guarantee(s) of all major stockholders, partners or investors, etc. as security for its RBI loan. Typical RBI repayment terms are as follows, but can be modified to some extent to meet the borrower's debt repayment capabilities:

- Inventory = 2/3 Years
- Working Capital = 2/3 Years
- Rolling Stock = 2/4 years
- Equipment = 3/7 Years
- Real Estate = 15 Year Maximum (10-year balloon)

Eligibility

For-profit businesses located and operating in the counties of Clay, Effingham, Fayette, Jasper, or Marion, in the State of Illinois, are eligible for the RBI Loan program. The applicant's business must be the operating company and demonstrate a need for, and ability to repay, the RBI Loan.

How the Application Process Works

Estimated Project Costs:

- A non-refundable \$1,000 **loan packaging & processing fee** to SCIRPDC;
- Payment of certain **front-end expenses** to complete the RBI application for submission to the local bank, SCIRPDC (e.g., appraisals, site audit and possible accounting and legal costs, etc.);

Estimated Application Timeframe:

RBI loans can be packaged by the Commission's staff in two to three weeks with the borrower's full cooperation, thereby permitting a credit decision within a total of four to five weeks. Within an additional two weeks, the RBI loan could be ready for closing.

How the Closing Process Works

The following documents are required to get the closing process started:

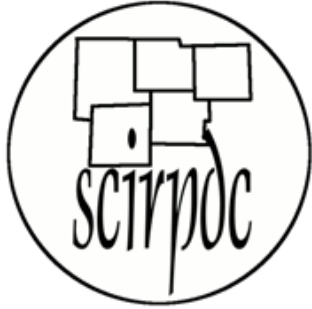
- **Appraisal**
- **Environmental**
- **Title Work**
- **Interim Note and Mortgage**
- **Organizational Docs**
- **Life Insurance Policies** (these can be time-consuming)

Additional documents will also be needed to complete our closing book but can be collected while awaiting closing or at closing. However, the documents listed above are necessary for preparing the closing documents.



For Further Information

If you would like to schedule a meeting and review session for your potential RBI Loan project, we would be happy to meet with you. Here is our contact information:



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