

SMALL BUSINESS LOAN PROGRAM

BACKGROUND

The Small Business Loan Program has been created to promote small business development and job creation in Beaumont, and to stimulate employment and entrepreneurship among women, minorities, and the economically disadvantaged. The loan program will provide below market rate financing for new and expanding businesses within the City.

ELIGIBILITY

To be eligible for City assistance, a company must:

- Be located within the City of Beaumont
- Have fewer than 100 employees

USES

- New Construction
- Property Acquisition
- Building Rehabilitation
- Acquisition of Machinery and Equipment
- Working Capital
- No Refinancing Permitted



FINANCING

Projects less than \$25,000

Minimum loan amount is \$5,000.

- The City may finance up to 90% of an eligible project.
- Applicant must substantiate the need for direct City assistance by providing documentation from a lending institution indicating that they have been denied a comparable loan amount.
- Maximum term is 5 years.

Projects \$25,000 and greater

- Loan amount \$7,500 - \$200,000.
- The City may finance up to 30% of an eligible project.
- A private lender or other source may finance up to 60% of an eligible project.
- Maximum term
 - Working Capital 5 years
 - Equipment 10 years
 - Land & Building 25 years

Equity

- Minimum owner's injection for any project is 10% of the total project cost.
- Equity can be in the form of cash or contributed assets.

Rate

- The interest rate will be in the range of 4% - 8%.
- The rate will be set at prime lending rate less 2% at the time of closing.

COLLATERAL AND SECURITY

- Collateral shall consist of personal or business assets.
- Personal Guarantees will be required.
- Additional security may be required (i.e., life insurance, lease agreements, etc.).

JOB CREATION

- For every \$10,000 loaned by the City, one job must be created.
- 51% of all jobs created must be filled or made available to low and moderate income individuals.

APPROVAL

All loans shall be approved by the Small Business Loan Committee. Loan requests are reviewed by the committee and a decision is based upon factors including, but not limited to:

- Creditworthiness of applicant
- Job creation for low and moderate income persons
- Demonstrated capability of applicant to repay debt

FEEES

- A processing fee of 1% is payable to the City of Beaumont upon submission of the application packet.

Should the application not be approved, one-half of the fee will be returned.

APPLICATION PROCEDURES

1. Borrower completes loan application packet.
2. When application is submitted, borrower provides supporting documents, including:
 - History and description of business
 - Project cost summary
 - Last 3 years' business financial statements
 - 3 years' business projections (for a new business)
 - Last 3 years' tax returns - business and personal
 - Current personal financial statements
 - Lender commitment or denial letter
 - Detailed list of collateral available to the City
 - Certified bids or cost estimates
 - Vender quotes
 - Sales contracts
 - Job creation certification
 - Other supporting documents as appropriate
3. Completed loan packets submitted by the first business day of the month shall be presented to the Small Business Loan Committee at the regularly scheduled meeting on the third Wednesday of the month.
4. Once application is approved, the loan documents are prepared. The disbursement of funds occurs within 3-4 weeks.