



KANDIYOHI COUNTY
ECONOMIC DEVELOPMENT

Microenterprise Loan Fund

MANUAL

Adopted by KCED Finance Committee 11/20/2019
Adopted by KCED Joint Operations Board
12/12/2019 Ratified by KCED Joint Powers Board
1/23/2020

Most recent revision by KCED Finance Committee 04/08/2025
Adopted by KCED Joint Operations Board 04/10/2025
Ratified by KCED Joint Powers Board 04/24/2025

Introduction

A Microenterprise Loan Fund was established by the former Willmar Area Multicultural Business Center and is now owned by the Kandiyohi County and City of Willmar Economic Development Commission (EDC), doing business as Kandiyohi County Economic Development (KCED), and administered by its Finance Committee, referenced as 'Committee' throughout the remainder of this document. The Microenterprise Loan Fund is intended to be a permanent loan fund where money is available for new loans on a continuing basis as loans are repaid.

The purpose of the fund is to provide alternative (gap) financing to for-profit businesses to promote job retention, job creation and the stimulation of private investment in an effort to strengthen and diversify the economy and the tax base of Kandiyohi County. Loans will serve as matching funds to create up to 100% leverage project financing with other borrowing sources to assist existing or new businesses meeting the program eligibility. Loan money is intended to complement, not replace, existing local development and private financing efforts.

Definitions

BORROWER must be a for-profit business in Kandiyohi County. Said business shall be identified per the North American Industry Classification System (NAICS).

COMPLETE APPLICATION shall include: form completed as provided by the KCED and all items described in Application Content.

LENDING INSTITUTION is any financial institution in Kandiyohi County or located outside Kandiyohi County doing business with a company located or expanding in Kandiyohi County.

NON-REAL ESTATE LOAN is any secured loan, except real estate, with a maturity greater than one year, but not more than five years, which is on an amortizing schedule and repays from cash flow. The need and economic reasonableness of the loan must be firmly established. The term of the loan must not exceed its economic purpose.

MICROENTERPRISE LOAN FUND LOAN is a loan used for the primary purposes of purchasing equipment, working capital, purchasing or expanding an existing facility or constructing a new facility in Kandiyohi County.

Loan Guidelines

1. Applicants must be for-profit businesses located in Kandiyohi County, meet the eligibility guidelines of the program, and be in an eligible industry category under the Small Business Administration (SBA) guidelines.
2. Applicants must have adequate collateral and cash flow to service the debt and show additional lending to meet up to the 100% leverage guidelines.
3. The Committee shall recognize that adequate collateral is not a primary consideration in approving loans.
4. Applicants must provide a minimum of 10% owner equity as part of the 100% leverage guidelines. KCED participation not to exceed 50% of total project.
5. Applicants must provide with their application a current (within 90 days of application) personal credit report and personal financial statement for principal owner(s) with 20% or more ownership.

Loan Terms

1. Minimum amount of loans—\$2,500
2. Maximum amount of loans for one borrower—\$20,000
3. The loan term shall be no less than one year and may be negotiated up to five years based upon the productive life of the assets.
4. KCED will take a security interest position in any equipment or real estate financed.
5. KCED will require personal guaranties of the applicant(s).
6. KCED will accept subordinate position loans.
7. The Microenterprise Loan Fund's collateral must be adequately insured and list the EDC/KCED as a loss payee.
8. Recipients will be charged a 1% loan origination fee plus all costs associated with the loan.

Disbursement of Funds

The borrower will sign all loan documents before funds are disbursed. Loan funds must be fully disbursed within 90 days from the date the loan is approved by the KCED Joint Operations Board and/or the KCED Joint Powers Board. Extensions may be granted upon approval of the KCED Finance Committee and ratification by the KCED Joint Operations Board and/or the KCED Joint Powers Board.

Administration

1. The Committee will operate within the guidelines stated in this document.
2. The administration and operation of the Microenterprise Loan Fund program will be the responsibility of the Committee. All loan applications approved by the Committee will be presented to the KCED Joint Operations Board and/or Joint Powers Board for final approval (before loan closing).
3. Loan applications should be submitted to the KCED office, 1601 U.S. Highway 12 East, Suite 3, P.O. Box 1783, Willmar, MN 56201.

4. The Committee will advise the KCED Joint Operations Board of its activities monthly and the KCED Joint Powers Board quarterly.
5. The Committee may contract with a partnering financial institution to service the loan. If a financial institution services the loan, terms will be approved by the KCED Finance Committee and ratified by the KCED Joint Operations Board and/or the KCED Joint Powers Board.
6. The Committee will invest all non-committed funds in short-term investment financial instruments at a local financial institution determined by the KCED Joint Operations Board and/or the KCED Joint Powers Board.
7. Because of the nature of the information that will be considered in the administration of the Microenterprise Loan Fund, the meetings of the KCED Finance Committee will be open only to Committee members, the involved lending institution and affected business parties.
8. Because of the potential for conflicts of interest in the loan decision process, any Committee member who has a potential conflict of interest in a loan request is required to reveal their position to the full Committee. The Committee member with the conflict will be allowed to assist in the application process and participate in the discussion of the loan request, but will abstain from the motion and voting on the motion to approve or reject the loan.
9. The Committee will not participate in the application process.
10. The Committee will not approve incomplete applications.
11. The Committee will recognize the increased risk associated with lower equity levels and will not recommend for approval loans that it believes do not provide sufficient cash flow opportunities to support repayment of the obligation.
12. Applications that have the potential to create up to 100% leverage project financing must be based on the appraised market value of the property.
13. The participating bank shall provide to the KCED quarterly reports.
14. The Committee will review annually the information from the participating banks about the Microenterprise Loan Fund loans.
15. KCED staff will request tax returns from the borrower on an annual basis. The Finance Committee may require staff obtain monthly financials from any or all borrowers for monitoring.
16. It may be necessary for the Committee to review periodically and modify its policy for loans in response to changing money market conditions, portfolio structure and local market conditions.

Interest Rate and Repayment Terms

The interest rate will be fixed and determined by the project, borrower's credit and capacity, and risk assessment. The interest rate will be computed as simple interest and will be fixed for the term of the loan. The rate will not be less than 3% or more than 1% above the current Prime Rate set by the Wall Street Journal. All loans will be structured to fully amortize over the term of the loan.

Borrowers will be required to set up automatic payments from their bank account for the monthly loan payments under this program.

A Late Fee of \$25 or 10% of the payment (whichever is greater) may be charged on payments that are declined by the borrower's financial institution. If a payment is returned, the borrower may be charged the late fee and the returned payment fee.

Application Content

Borrower shall provide a completed Application form as provided by the KCED, which shall include the following items:

1. A business plan, including:
 - a. History of the business
 - b. Market analysis and strategy
 - c. Products
 - d. Manufacturing process; and
 - e. Financials (including those designated below)
2. Business organization documents, including Articles of Incorporation, Bylaws and Certificate of Incorporation.
3. Certificate of Good Standing (obtained for corporations from Secretary of State) or Certificate of Assumed Name, if applicable.
4. Federal tax returns filed by the business for the past three years (unless in business less than three years).
5. Income statements and balance sheets from the past three years plus current within 90 days (unless in business less than three years).
6. Current debt schedule as outlined in the Application form.
7. Current detailed accounts receivable and accounts payable listing including an aging report.
8. Income and cash flow projections for the next two years (the projection must show a positive cash flow after one year).
9. A detailed Sources and Uses for the project showing how the requested funds would be spent and during what time periods.
 - a. The Sources should be clearly identified (including loan and equity partners) and letters of commitment from all lenders available with terms outlined.
 - b. The Uses should make clear how the major elements of revenues and expenses were estimated. Applicant(s) should specify when the loan is desired and in what amount.
10. Current (within 90 days of the application) personal credit report for each principal owner.
11. Collateral for the proposed loan should be clearly identified, including source(s) of appraisal(s)/valuation(s).
12. Signed personal financial statements dated as of the date of application for principal owner(s) with 20% ownership or more.

