Lanesboro Economic Development Authority
Revolving Loan Fund
Frequently Asked Questions

- What’s the timeline for repayment? **7 years, loans can go out to 10 - 15 years for real estate, however depending on the funding source the loan may need to conform to different lending guidelines.**

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- What does it mean to put a lien on the property? What rights does that give the EDA? **Collateral must be put up by the borrower for the lender to lend funds. Collateral must be 1:1 in value, The goal is not to lend more than the value of the building and equipment. The bank, SBA, and EDA each take a stake in ownership if the borrower does not repay. EDA takes a 2nd or 3rd lien position against the collateral.**

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- How are applications prioritized? **The order is based on when the application was received.**

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- What are the city's priorities for lending money? **Providing gap financing to assist entrepreneurs is a main function of revolving loan funds, activities of the EDA, and developing a pro - business can do approach to assisting existing and new entrepreneurs, loan funds will bring in a new tax base to keep ongoing rising city expenses down for residents, and create jobs. The fund is designed to bridge the gap between owner financing and private lender financing. In today’s economic climate, primary lenders are increasingly seeking ways to decrease risk in their portfolios. This partnership allows the economic engine of our region to keep producing jobs and supporting new business initiatives in a challenging economic environment.**

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- What benefits do cities gain from doing this kind of thing? **Retain businesses, assist with succession planning, control blight, and activate vacant buildings.**

Revolving loan funds provide critical financing when credit access is limited, supporting the development and expansion of local businesses and other special initiatives. While a revolving loan fund cannot finance projects on its own, it is an integral part of the small business loan package.
The bank provides capital, the sba provides the bank with guarantees, the EDA is gap financing. Transactions are getting to be rather large, the cost to get into the business is high. Given all lenders want to see the entrepreneurs have an investment in the project the bank will require 20-25%% down. This is not always feasible, additionally business people need to keep some working capital on hand. If the SBA 504 can be used, not the case for all purchases, an SBA 504 may only require 15% down, the EDA may only be asked to fill 5-10% of gaps or funding to improve the building to activate new commercial spaces to generate income to keep fixing up the building.