



# CHEDA Revolving Loan Application

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## Overview

The Crookston Housing and Economic Development Authority Revolving Loan Fund has been established by the Crookston Housing and Economic Development Authority Board to strengthen and diversify businesses in Crookston. Loans are made to businesses when credit is not otherwise available or as a supplement to private financing to ensure the successful completion of the activities to be financed.

Generally, the CHEDA Revolving Loan Fund has the following limits:

### **Standard Loan**

Loan Size: \$5,000 to \$75,000

Maximum Project Cost: None

Business Type: Existing or New

Eligible Activities: Land, building or equipment acquisition, construction or renovation, or working capital. Refinancing existing debt is generally not permitted.

### **Application Procedure**

The first step in applying is to complete the attached Application Form. This form is designed to give our staff an overview of the project you are proposing.

In the Loan Application Form, you will be asked to give a more detailed explanation of your project, including business plan information, three years of financial projections, three years of historical business financial statements, personal financial statements, a schedule of existing business and personal debt, and letter of commitment or turn down from other lenders. You will be asked to provide evidence or assurances that will comply with laws concerning civil rights, the environment, and other issues.

Our staff will review your Loan Fund Application for completeness and consistency, and may ask for additional information or explanations depending on the specifics of your project. After this stage, your application will be reviewed by our Board of Directors. You will be asked to make a brief presentation of your project to the Board members and respond to any questions they may have. If approved, your loan will be scheduled for closing as soon as possible.

### **FEES**

Every application must be accompanied by a non-refundable \$50.00 fee (which will be applied to loan issuance, closing, and legal fees).

If a loan is approved, the recipient of the loan will be responsible for all cost associated with loan issuance and closing as well as any legal and recording fees. These fees will be collected from the applicant at closing and may be deducted from the loan proceeds.

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### **Summary of Lending Criteria**

- ◆ The project must be located within the City of Crookston, Polk County, Minnesota, or have significant impact on the Crookston Community.
- ◆ Public Benefit – the business must provide benefit under one or more of the following categories: Job Creation, Job Retention, Increased Property Value, or the addition of a business critical to the local economy.
- ◆ Private Benefit – offered to business through this CHEDA Loan: Gap financing needed to augment owner equity, private investment, and bank financing; Lower interest rates to augment cash flow needs; Flexible terms to augment cash flow needs or provide protection from unexpected revenue or cost trends; A more reasonable “tying up” of personal or business assets.
- ◆ There should be some balance between public and private benefit.
- ◆ Private, for profit businesses are eligible for financing of activities for which credit is not otherwise available or is only partially available on terms and conditions which would permit completion and/or successful operation or accomplishment of the project activities to be financed. Agricultural production is not eligible for financing.
- ◆ Interest rates vary with risk: Normally prime minus 1%, not to be less than 4%
- ◆ General Terms: Maximum of 1 year per \$1000 of loan, Maximum of 10 years Non-Real estate, 15 years Real estate.
- ◆ The CHEDA loan will generally not exceed one third of the total project cost.
- ◆ New businesses must have an equity contribution of a minimum of 10% of the project cost. This may be a contribution of cash and/or a contribution of in-kind equity. In-kind equity must be approved by the CHEDA and the value and security of the equity verified. Existing businesses may contribute additional cash equity, and/or request that the Board consider the equity in the businesses. The Board will review the net worth of the business to determine adequate owner equity.
- ◆ Repayment Ability must exist and cash flow to service the loan verified (priority guideline).
- ◆ Adequate collateral must be available.
- ◆ Loans that are more than 30 days delinquent will be considered in default and will be subject to declaration of all or any part of the obligation due and payable; and in addition to the rights and remedies granted by the security agreement; all rights and remedies under the Uniform Commercial Code or any other applicable law. Debtor agrees in the event of a default to make available all collateral and agrees to pay all costs and expenses associated with the collection of the obligation.

- ◆ The CHEDA Board will evaluate each application/ project on its own merits and special circumstances and will approve or deny the application based on that evaluation. Additionally, the CHEDA Board may define the final terms of any approved loan based on that same evaluation. Final terms will be established within the guidelines previously listed.
- ◆ The CHEDA Board reserves the right to change or amend the criteria listed above.

### **Requirements of Loan Recipients**

Individual consideration is given to each applicant, and as such the requirements will vary from project to project. In general, the following conditions will apply:

- ◆ An affirmative action plan must be completed by any applicant intending to create more than 50 jobs.
- ◆ The business owners are required to provide personal guarantees for the loan amount.
- ◆ A life insurance policy on the business owner and/or key personnel sufficient to cover the balance of the loan with the collateral assignment to the CHEDA may be required.
- ◆ Any fees incurred by the CHEDA for processing the loan will be due at closing.
- ◆ Collateral for the loan may be taken, although the CHEDA board may approve a position subordinate to another lender.
- ◆ Hazard insurance on the collateral, naming the CHEDA as loss payable.
- ◆ Loan recipients will be required to fill out an annual report on the number of jobs created and/or retained and provide documentation to support any other planned public benefits such as increased property value.
- ◆ Loan recipients will be required to submit financial statements as required as a condition of their loan. Minimum of annual statements to be provided: Profit and Loss Sheet, Balance Sheet and Tax returns.
- ◆ Applicants should be aware that information provided in the application procedure is public information and could be available to persons outside the application process if requested. If the application is approved, loan status reports are provided to the CHEDA.
- ◆ Loan payment method will normally be by automatic withdrawal.

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**Authorization for Release of Financial Information**

***Complete this form which authorizes the release of credit reports and other financial information to the Crookston Housing and Economic Development Authority.***

The undersigned Prospective Borrower hereby authorizes any third party to release to Crookston Housing and Economic Development Authority (CHEDA) without limit, any and all financial information regarding the undersigned that is requested by the CHEDA, its representatives, or employees, and that is in possession of that third party or readily accessible to that third party.

This Authorization to release financial information specifically includes records and information prepared or compiled prior to the date of the signing of this Authorization. This Authorization also includes records and information prepared after the date of the signing of this Authorization.

The undersigned hereby authorizes release of said records and information by CHEDA to a third party, and as CHEDA deems necessary.

A photocopy of this signed Authorization shall be treated in the same manner as the original.

Upon full repayment of the loan obligation of the undersigned to CHEDA, this Authorization shall automatically expire without any express written revocation on behalf of the undersigned.

\_\_\_\_\_  
Name of Business

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Owner or Chief Executive Officer

\_\_\_\_\_  
Title

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### Loan Package Checklist

If you are applying for a business loan or have had a business loan and applying for new loan, the following is a list of items that will be requested or need to be updated.

- 1. Business Plan:
  - a. Description of Business
  - b. Marketing Plan
  - c. Manufacturing/Operations Plan
  - d. Organizations and Management Plan
  
- 2. Financial Statements:
  - a. Year-to-date business financial statements including income statement and balance sheet
  - b. Business financial statements/Business Tax Returns for the last 3 years
  - c. Schedule of Existing Debt
  
- 3. Summary of Project Costs:
  - a. Sources and uses of funds
  - b. Bids and estimates for project
  
- 4. Collateral:
  - a. Collateral Analysis
  - b. Detailed listing of all existing assets
  
- 5. Projections:
  - a. Monthly cash flow - minimum 12 months
  - b. Earnings projections for second year
  - c. Assumptions used in cash flow projections
  - d. Identify break even point.
  
- 6. Copy of all legal documents, such as:  
lease or purchase agreement, partnership agreement, sworn construction statement, deeds,  
articles of incorporations etc.
  
- 7. Personal financial statements of owners, officers, and any partner with 20% or  
more ownership
  
- 8. Brief resume of management, owners, and officers
  
- 9. Personal tax returns for last 2 years
  
- 10. Appraisals

**Business Information**

- |  |                                   |
|--|-----------------------------------|
| <p>1. Name and Address of Business</p> | <p>2. Telephone Number: _____</p> |
|  | <p>3. Type of Business: _____</p> |
|  | <p>4. Date Established: _____</p> |
| <p>5. Business Owner/s:</p>            | <p>6. Structure of Business:</p>  |
| <p>Name</p>                            | <p>_____ Proprietorship</p>       |
| <p>Address</p>                         | <p>_____ Corporation</p>          |
| <p>Title</p>                           | <p>_____ Partnership</p>          |
| <p>Ownership %</p>                     | <p>_____ Other: _____</p>         |

**Project Budget and Financing Information**

- |  |  |
|--|--|
| <p>7. Project Costs:</p>   | <p>8. Funding Sources:</p>   |
| <p>New Construction: \$ _____</p>  | <p>CHEDA Loan Fund \$ _____</p>  |
| <p>Property Acquisition \$ _____</p>   | <p>(Cannot exceed 33% of <i>Total Cost</i>)</p>  |
| <p>Site Improvements \$ _____</p>  | <p>Owner Investment \$ _____</p>   |
| <p>Building Renovation \$ _____</p>  | <p>Bank-Name \$ _____</p>  |
| <p>Machinery/Equipment \$ _____</p>  | <p>Other Funding \$ _____</p>  |
| <p>Furniture and Fixtures \$ _____</p>   | <p>(Name)</p>  |
| <p>Working Capital \$ _____</p>  | <p>TOTAL FUNDING \$ _____</p>  |
| <p>Inventory \$ _____</p>  |  |
| <p>TOTAL COSTS \$ _____</p>  |  |
| <p>9. Interest Rate Requested: _____%</p>  | <p>10. Term Requested: _____ Years</p>   |
| <p>11. Payment Terms or Conditions:</p>  | <p>12. Bank Name, Address,<br/>Telephone Number and<br/>Contact Person</p>                                   |
| <p>13. Are company owners (and spouses if married) willing to disclose their personal financial conditions? ____ Yes ____ No</p> | <p>14. Are company owners (and spouses if married) willing to sign personal guarantees? ____ Yes ____ No</p> |

**JOB IMPACT (Include Owner/s if applicable)**

**15. Jobs to be Created**

\_\_\_\_\_ Full Time, Year Around  
 \_\_\_\_\_ Part Time  
 \_\_\_\_\_ Total hours per year for all  
 part time employees

**16. Jobs to be Retained**

\_\_\_\_\_ Full Time, Year Around  
 \_\_\_\_\_ Part Time  
 \_\_\_\_\_ Total hours per year for all  
 part time employees

**LOAN PROPOSAL SUMMARY (Attach additional pages as necessary.)**

**17. Briefly describe your current business, if any.**

**18. Briefly describe the project you are proposing and indicate the part of the project for which this loan would be used.**

**19. Include information on any existing financial situations which might affect the credit worthiness of the applicant.**

**20. Environmental Issues (If yes to any questions below, briefly explain.)**

Yes	No	
{ }	{ }	Will the project be located in or adjacent to a floodplain or wetland area?
{ }	{ }	Will the project be located in or adjacent to an area with known hazardous or toxic contamination?
{ }	{ }	Will the project impact any archeological sites, buildings, or structures older than 50 years, or any properties listed on, or eligible for the National Register of Historic Places?
{ }	{ }	Will this project result in any other adverse environmental impacts which would affect endangered or threatened species, scenic rivers, or other sensitive ecological habitats?

**CERTIFICATION:** I hereby certify that all information contained in this document and any attachments are true and correct to the best of my knowledge.

\_\_\_\_\_  
Signature of Owner or Chief Executive Officer

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date