



We Are Columbia

Office of Business Opportunities

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To: City Council
From: Tina Herbert, Office of Business Opportunities
Date: October 15, 2013

Below is a summary of **major changes** proposed for the Commercial Revolving Loan Fund Code (CRLF) (Ordinance No.: 2013-117, Agenda Item Number 21).

8.1. **Purpose**

- The provisions of the code have been **applied to all commercial revolving loan funds**, regardless of funding source.

8.2 **Definitions**

- Changes the definition of small business from the SBA definition to a business with **50 employees or less**
- The **target areas** specifically mentioned in the previous code have been removed and the new code reflects that the city may determine targeted areas for funding

8.3 **Types of Loans**

- Section added to describe the three major types of loans available based on required bank participation and equity investment

8.5 **Eligible Applicants**

- Require all principals or owners to provide personal guarantees
- Added **applicants who have been in default on City loans are not eligible for additional funding**
- Established **a minimum credit score of 600**
- **Established conditions for a current loan recipient to be eligible for additional funding**: minimum 50% equity; previous loan must be paid off or in repayment for at least two years with no late payments or defaults; must be in an identified target area of the City; must be unable to get required financing from a private financial institution or other private source
- **Removed allowance for Loan Review Committee to waive any requirements**

8.6 **Ineligible Activities**

- **Removed ability for loan committee to waive these requirements**

8.7 **Fees, Interest, Terms and Limits**

- Removed refunding of application fee in the event of denial and credit for commitment fee in the event of approval
- Changed commitment fee to origination fee and set at 1%
- Stated that interest rate charged on CRLF loans may be set at 1% below prime unless otherwise dictated by funding source and that the rate shall never be below 3% or greater than the maximum allowed by law
- Specified that all loans will have five (5) year balloon/call features

- Established new terms for repayment: equipment 7-10 years; working capital up to 2 years; leasehold improvements up to 25 years
- Set **maximum loan amount at \$200,000** unless otherwise dictated by funding source

8.8 Loan Review Committee

- Changed name to committee from board
- **Added licensed commercial contractor to committee members**
- **Removed “a community leader from the target area”**
- Stated that the committee is authorized to approve/deny all loan requests; approve/deny loan modifications recommended by staff; approve/deny subordination requests which would change the collateral position of the City on a loan; approve/deny requests for legal action on defaulted loans; review policies and procedures which apply to CRLF funds; review quarterly portfolio reports prepared by staff
- Stated that only the CRLF committee can reverse its decisions to approve or deny loan requests, modifications and referrals for legal action
- Stated that the committee is a public body subject to FOIA

8.10 Underwriting Criteria

- **Specified minimum private commitment of 10%** or higher as dictated by funding source and that other City programs may not be used for this equity requirement
- **Specified one job created or retained per \$35,000** borrowed from the City.
- Specified minimum Debt Coverage Ratio of 1.0-1.15 and above
- Specified maximum Loan to Value ratio for loans of 50-80% depending on collateral
- Established that City may take subordinate position to other lenders
- Waived collateral requirement for loans \$10,000 and under with the exception of personal guarantees and UCC's

8.11 Loan Closing Requirements and Monitoring

- Personal guarantees required for all loans
- UCC's will be recorded for all FF&E used as collateral
- Key man insurance may be required for loans over \$50,000 with no real estate collateral and a sole proprietor
- Job creation/retention is to be monitored for three years

8.12 Reporting

- Specified that **semi-annual report will be provided to council** in July and January of each fiscal year.

8.13 Delinquency and Default

- Past due-up to 30 days late; Seriously delinquent-30-90 days late; **default-over 90 days late**

8.14 Loan Servicing

- All loans not serviced by the lead lender or loan servicing agent selected by the City will be serviced by City staff

8.17 Portfolio Goals and Performance

- **CRLF as a whole should create 1 job per \$15,000 borrowed**
- **Working capital loans limited to 30% of portfolio**
- **Goal of 40% minority participation**
- **Goal of 35 % women owned business participation**
- **Loans to start-ups limited to 30% of portfolio**

Added section 8.18-8.20 on specific funding sources

- EDA loans have a maximum of \$200,000 and require 50% equity from borrower
- CDBG and CERF loans have a maximum of \$100,000 and require a minimum 10% equity investment from borrower

Added section 8.21- Conflict of Interest