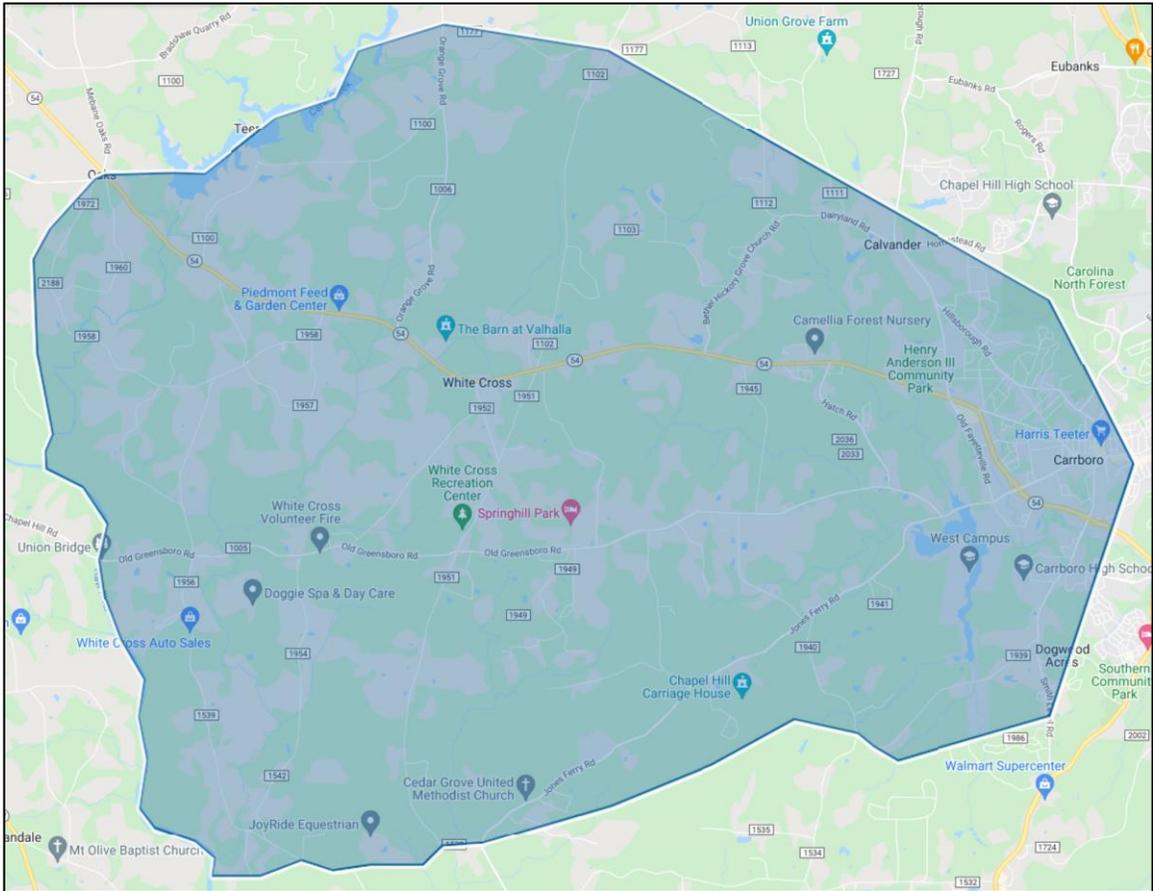


# **Carrboro Business Revolving Loan Program Policy**

## **1. General and Eligibility Requirements**

- 1.1. Each applicant is limited to one loan from the program at any given time.
- 1.2. Loans are available to for-profit and social businesses in Carrboro Town Limits or agricultural-based businesses (as defined by NAICS Codes) within the Carrboro Economic Region (see map below). Agricultural-based businesses must show economic ties in the form of direct-to-consumer base, retail distribution network, or incorporating items produced within the Carrboro Town Limits. Business outside of the Carrboro Town Limits are restricted to Agricultural Level loan program.



- 1.3. A personal guarantee shall be required for all investors who hold more than 20% ownership in the enterprise.
- 1.4. Enterprise owners shall collectively have a minimum of 10% contribution to the total investment.
- 1.5. Loans may only be granted to businesses which have less than 50 employees and applicants must not have any outstanding taxes or fees due to the Town of Carrboro or

Orange County.

1.6. No more than 30 percent of the total revolving loan fund value may be loaned outside of the Carrboro Town Limits.

## **2. Available Loan Types, Terms, and Conditions**

### **2.1. Start-Up Level - \$1,000-\$7,000**

- Rate: fixed Base Rate + 1%
- Term: up to 48 months, no payment due for first 6-months
- Security: Unsecured promissory note
- Low-to-Moderate Income or BIPOC up to \$10,000
- Up to 12,000 available 2nd time in-good standing and with full-repayment.
- Any FICO score below 580 limited to \$3,000 first time.
- Must seek bi-annual consultation with SBTDC or SBC for first 3 years.
- RESTRICTED to business less than 2 years old.

### **2.2. Growing Level - \$3,000-\$12,000**

- Rate: fixed Base Rate + 1%
- Term: up to 48 months, no payment due for first 3-months
- Security: Unsecured promissory note
- Low-to-Moderate Income or BIPOC up to \$15,000
- Any FICO score below 580 limited to \$5,000 first time.
- RESTRICTED to business greater than or equal to 2 years old.
- Secured with a personal line of credit.

### **2.3. Capital Level - \$10,000-\$35,000**

- Rate: fixed Base Rate
- Term: up to 120 months, no payment due for first 3-months
- Security: Secured promissory note. Real or personal property. Loan shall not exceed 80% of the appraised value.
- Preferred to have other financing sources at a 2:1 ratio.
- Any FICO score less than 670 limited to \$15,000 if no borrow history in good standing in last 5 years.

### **2.4. Investment Level - \$25,000-\$80,000**

- Rate: fixed Base Rate
- Term: up to 120 months
- Security: Secured promissory note. Real property. Loan shall not exceed 80% of the appraised value.
- Must have other financing sources at a 2:1 ratio.
- Must have a FICO score greater than 670 or previous borrow history in good standing in last 5 years.

### **2.5. Agricultural Level - \$5,000-\$35,000**

- Rate: fixed Base Rate

- Term: up to 60 months, no payment due for first 3-months
- Security: Secured promissory note. Real or personal property for loans greater than \$10,000. Loan shall not exceed 80% of the appraised value.
- Any FICO score below 580 limited to \$5,000 if no borrow history in good standing in last 5 years.
- Preferred to have 33% of sales to retail, restaurants, or direct-to-consumer sales within the Carrboro Town Limits.
- RESTRICTED to agricultural-based businesses with at least 2 years of experience, \$25,000 in gross revenue, 1/3 acre growing area, and have completed North Carolina Farm School or Small Business and Technology Development Center training or consulting.

2.6. Base Rate Exceptions. The Base Rate for any loan type previously listed may be lowered to match a rate provided by a private financial institution so long as the loan principle and term are equal to or greater than the principle and term of a loan from this program.

### **3. Other Terms and Conditions**

3.1. No loan greater than \$80,000 shall be issued through this program.

3.2. Loans from this program may be a second position loan recorded against property with an existing loan for applicants with a FICO score greater than 580 or in good standing.

3.3. Job Retention and Expansion. The business must commit to retain the same number of positions at the time of the loan approval or (in the case of new businesses) must add at least 1 full-time equivalent position for the term of the loan.

3.4. Late Payments and Fees. A \$35 late payment fee will be charged for payments greater than 30 days past due. The total sum of late fees during the term of the loan will be deducted from the final payment due or refunded so long as the account is paid in full by the end of the term. If the loan payment becomes 90 days overdue the loan will be considered delinquent, and the town may implement procedures for the collection of the loans.

3.5. Use of Loan Funds. The funds may be used for inventory, working capital, equipment purchase, leasehold improvements, or owner-user real estate and, in the case of equipment or real estate, may be used as security against the loan.

3.6. Pay-offs. There are no additional fees or charges should the loan be paid in full before the end of the term.

3.7. Business Wages and Salary. All businesses are encouraged to provide a living wage as defined in this policy, however, businesses with 10 or more employees at any time during the term of the loan shall either (a) be certified by Orange County Living Wage

or (b) pay all employees living wage.

- 3.8. The business shall maintain all appropriate licenses, insurance, permits, and other legal requirements for operation during the term of the loan.
- 3.9. Processing and Closing Fees. The loan processing and closing fees for any loan is equal to one percent of the approved loan amount. The fee will be due at the closing of the loan.

#### **4. Definitions**

- 4.1. Good standing. No more than one payment greater than 60 days past due per year and the balance of the loan paid in full by the end of the term.
- 4.2. Base Rate. The upper limit of the Federal Funds Target Range from the Federal Reserve, plus three percentage points. Also known as the prime loan rate.
- 4.3. BIPOC Business. A business or social business in which persons who identify as a person of color hold an ownership stake of 51 percent or more in the business, or where one-third of the board members, the chief executive officer, and at least half of the CEO's direct reports identify as a person of color.
- 4.4. Business. An enterprising entity legally organized as one of the following types: corporation, sole proprietorships, partnerships, and cooperatives.
- 4.5. Living Wage. A minimum hourly wage for a non-exempt employee which is calculated by taking the most recent Fair Market Rent (FMR) dataset for a one-bedroom unit in Orange County, NC as determined by the Department of Housing and Urban Development, dividing this number by 0.3, multiplying the quotient by 12, then dividing the product by 2,080 (see formula below). The living wage may be discounted by 10 percent if the employer provides health insurance to the employee.

$$[Living Wage] = (([Orange County FMR] \div 0.3) \times 12) \div 2,080$$

- 4.6. Low-to-Moderate Income. A household whose income is less than or equal to 80 percent of the area median income for Orange County as determined by the Department of Housing and Urban Development Income Limits dataset.
- 4.7. Social business. An enterprise that applies commercial strategies (primarily selling of goods and services to consumers) to maximize profits in order to fund other social or environmental programs, and to sustain the organization. Social business shall be directly engaged in the production and/or sale of goods and services, have a written statement with an explicit aim to provide financial, social, or environmental benefit to the community, and receive 30 percent or less of the total revenue from charitable giving, grants, and fundraising (averaged from Part I, Line 8 of the organization's 990 from the last 3 years).