
Economic Development
Administration
Revolving Loan Fund Program

For additional information about the EDA Revolving Loan Fund Program or an application for financing, contact:

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Introduction & Purpose

A grant from the U.S. Department of Commerce, Economic Development Administration (EDA) initially funded the EDA Revolving Loan Fund Program in the mid-1990's. This program was originally designed to assist businesses and individuals that were negatively impacted as a result of decreases in defense spending. Because of changing economic conditions, EDA Loan Program funds are now available to a wider range of businesses. The Revolving Loan Fund Program now targets and provides direct loans primarily to manufacturing and commercial businesses, although service businesses are also eligible.

Eligibility Requirements

Revolving Loan Fund Program monies are available to businesses of all sizes that are located in York and Cumberland Counties, with an emphasis on manufacturing and commercial ventures.

Financial Leveraging

The intent of the Revolving Loan Fund Program is to fill any gaps that exist because of a business' lack of access to other sources of financing. As a result, eligible businesses must be unable to meet their entire financing needs from conventional financing sources and their own resources. In order to qualify for financing, two-thirds of a project's total financing needs to be provided by sources other than SMEDD. All investment that is used as leverage must occur within 90 days of loan application.

Equity Requirements

In the case of existing businesses, there may be a requirement that the business owners provide an injection of equity that will be part of a project's financing. SMEDD staff and its Revolving Loan Fund Committee will determine this on a case-by-case basis. Start-up businesses will usually be expected to make a more significant equity contribution, usually in the range of 20% to 33% of project costs.

Use of Loan Funds

Loan funds can be used for any legitimate business purpose, including the purchase of land and buildings, machinery and equipment, furniture and fixtures, or leasehold improvements. Working capital loans are also available for the purchase of inventory, the financing of receivables or other business operating needs. Funds can also be used for business acquisition purposes in certain circumstances.

Loan Amounts

The maximum loan amount from program funds is \$250,000. There is no minimum loan amount. In the case of loans of under \$25,000, leveraging requirements may be reduced, depending on the particular project. SMEDD expects that most loans will be in the range of \$50,000-\$100,000.

Job Creation and Retention

Preference will be given to projects that retain existing jobs and/or create new jobs. SMEDD's goal is to create or retain one full-time job for each \$10,000 of loan funds that are invested.

Loan Terms & Rates of Interest

The economic useful life of the assets being financed will determine the term of the loans. Equipment and working capital loans will have a term of 3-7 years, real estate loans a term of up to 20 years. Balloon payments may be required for longer term loans. Loan rates are flexible depending on project need and factors such as risk, business cash flow, economic development benefits, and other circumstances.

Security

Security for loans can consist of both business and personal assets and depends on the overall strength of the project that is being financed. Since most loans will require a substantial commitment from a private lender, in those instances SMEDD will assume a subordinate security interest to that private lender. Personal guarantees are generally required from all individuals who own 20% or more of the business requesting a loan. Outside guarantors may also be required, if necessary.

Loan Application Review and Approval

The loan review process consists of the completion of an application by the business followed by review by SMEDD staff, which will make a recommendation to the SMEDD Revolving Loan Fund Committee. The Loan Committee makes the final determination on loan requests. The Committee consists of nine individuals from York and Cumberland Counties who represent financial institutions, the business community, and the public sector.