

COUNTY OF NEOSHO, KANSAS

MICRO-LOAN PROGRAM GUIDELINES

The County of Neosho has been awarded \$100,000 in Community Development Block Grant (CDBG) funds as part of a state Micro-Loan Program that is administered by the Kansas Department of Commerce (KDOC). These funds are subject to KDOC's Small Cities CDBG Program Guidelines. Loans made with the funds are to be used to stimulate self-employment activities either by starting a new business or enhancing an existing business. Persons applying must meet the following general guidelines:

Micro-loans made with CDBG funds must assist low to moderate-income persons who are starting a new retail or service type business, or help a small existing retail or service business to expand. The business to be assisted must have or will create jobs for five (5) or fewer employees at the time of the loan. One of the employees must be the owner of the business. No third party loans are permitted.

The Micro-Loan Program's job creation requirements are as follows:

1. When a loan is provided to help a person establish a business and there are no immediate plans for hiring other persons to work in the business, then that person receiving the assistance must be a low to moderate-income person based on an income limit chart supplied by KDOC.
2. For the purpose of being considered a "created job", the job must be a new job (full or part-time) for the person or the CDBG assistance must enable an existing income producing "sideline" activity to become the person's principal occupation.
3. If the person is forming or expanding a business that will involve the creation of several jobs, then it would not be necessary that the owner be a low to moderate-income person as long as fifty-one percent (51%) of the jobs overall, computed on a full-time equivalent basis, will be held by, or available to low to moderate-income persons who qualify based on their past twelve (12) months' income verification.
4. A person who resides in a census tract where at least seventy percent (70%) of its residents have low to moderate-incomes would qualify.
5. The business to be assisted will also qualify if it will be or is located in a census tract that has a poverty rate of at least twenty percent (20%), which does not include any portion of a central business district, unless that census tract has a poverty rate of at least thirty percent (30%) as determined by the most recent United States census information.

KDOC requires that the business to be assisted must be located in the County of Neosho, but outside the limits of the City of Chanute. This is because the City of

Chanute has an existing, similar loan program that was created with CDBG funds that is not available to businesses outside of Chanute.

The minimum loan is \$3,000 and the maximum loan is \$15,000. The KDOC guidelines allow only one (1) outstanding loan to a business and the combined total amount of loans made to that business from the Micro-Loan Program cannot exceed \$15,000. Loans can be made for the following:

<u>Type Of Loan</u>	<u>Term</u>	<u>Interest Rate</u>
Working Capital	1 to 5 Years	Set at Closing
Machinery and Equipment	Up to 10 Years	Set at Closing
Land and Building	Up to 15 Years	Set at Closing

The fixed interest rate of the loan to be repaid will be either four percent (4%) or four percent (4%) below the prime rate; whichever is the greater interest rate. Interest must be collected from the start of the loan. Collection of the principle will be deferred for up to eighteen (18) months. The interest and principal payments then will be spread equally over the remaining term of the loan. There will be no penalty for early loan repayment.

Loan applicants will submit a business plan with their application. Loans will be secured with personal guarantees. No corporate guarantees will be accepted.

The County of Neosho reserves the right to deny any Micro-Loan Program application due to appropriate circumstances. Businesses that will be ineligible for the Program include taverns, liquor stores, private clubs, bars, massage parlors, and adult entertainment facilities. Even though these businesses are legitimate and lawful, the County, however, will not use public funds to subsidize businesses that may foster behavioral problems.

Any person who accepts a loan will be required to obtain business management counseling, which may be obtained from the Pittsburg State University Small Business Development Center (SBDC) that is a part of a statewide and nationwide network created to strengthen the business side of small businesses. SBDC provides professional one-on-one business management counseling, practical information, and low cost education programs designed to help small businesses to succeed. Appointments are recommended for SBDC in-office consultations. SBDC is located in the Business and Technology Institute at Shirk Hall, 1501 South Joplin Street on the Pittsburg State University campus in Pittsburg, Kansas. The telephone number for SBDC is (620) 235-4920.

A Micro-Loan Program application can be obtained by contacting the Office of the Neosho County Clerk in the County Courthouse at Erie, Kansas, or by calling (620) 244-3811.