

Types of Financial Assistance to Businesses  
Smyth County, Virginia  
May 2008

**Small Business Loans**

✚ **Mount Rogers Planning District Commission Revolving Loan Fund:** Loans are for fixed asset and working capital needs to private businesses and local governments. The maximum loan amount is \$150,000 and minimum of \$25,000. Terms will not exceed ten years for fixed assets. Working capital loans will generally not exceed three years. A first lien position is required on collateral pledged to MRPDC. A minimum of two private dollars to one loan program dollar is required; the loan will finance up to 50% of your project cost. One job should be created for each \$15,000 borrowed. Interest rate is two points below prime rate with a floor of 6 percent. *Contact person: Brian Martin at 276-783-5103 or [bmartin@mrpdc.org](mailto:bmartin@mrpdc.org) or [www.mrpdc.org/loanfunds.htm](http://www.mrpdc.org/loanfunds.htm)*

✚ **Virginia Small Business Financing Authority (VSBFA):**

*Virginia Economic Development Loan Fund:* This is a source of gap financing that can provide up to 40% financing (max. of \$1,000,000, and/ minimum of \$50,000). The interest rates and terms are negotiated on each project, but are usually below market rate. This might be useful to a company if the bank is not willing to finance 100 percent with the bonds or conventional loan, or if the company needs to lower its debt service to make the project feasible. The state usually subordinates its position to other lenders. *Contact person: Patty Thorne with VSBFA at (804) 371-8208 or [http://www.dba.virginia.gov/financing\\_business.shtml](http://www.dba.virginia.gov/financing_business.shtml)*

*Loan Guaranty Program:* Maximum guaranty is \$500,000 or 75% of the loan or line of credit amount, whichever is less. A guaranty fee is due at closing (1.5 % of the guaranteed amount). The bank sets the interest rate. Typical borrowings include lines of credit to finance accounts receivable and inventory, and term loans for permanent working capital and fixed-asset purchases, such as office equipment. *Contact person: Patty Thorne with VSBFA at (804) 371-8208 or [http://www.dba.virginia.gov/financing\\_business.shtml](http://www.dba.virginia.gov/financing_business.shtml)*

*Virginia Capital Access Program:* This program provides a form of loan portfolio insurance for participating banks through special loan-loss reserve accounts. These accounts are funded by loan enrollment premiums paid by the bank/borrower and matched by VSBFA. The program allows the banks to exceed normal risk thresholds for business loans of all types, and thereby, accommodates a broader array of loans. The maximum amount of enrollment is \$250,000 with fees ranging from 3 to 7 percent. A list of participating banks is available through VSBFA. *Contact person: Patty Thorne with VSBFA at (804) 371-8208 or [http://www.dba.virginia.gov/financing\\_business.shtml](http://www.dba.virginia.gov/financing_business.shtml)*

#### Virginia Community Capital:

*New Markets Tax Credit Loans:* This loan is to increase economic activity by extending intermediate-term mortgage loans to new and expanding businesses that create living wage jobs. These projects are generally for new facilities or the capital improvements for expansion of existing facilities. *Contact person: Dawn DeHart or [www.vacommunitycapital.org/products/](http://www.vacommunitycapital.org/products/)*

*Building Development or Expansion Loans:* This program extends permanent mortgage loans to new and expanding businesses that create living wage jobs. These projects are generally for new facilities or the capital improvements for expansion of existing facilities. *Contact person: Dawn DeHart or [www.vacommunitycapital.org/products/](http://www.vacommunitycapital.org/products/)*

#### People Incorporated:

*Business Expansion Loans:* This program offers loans up to \$200,000. The loan is usually amortized over the life of any assets, up to a 10-year maturity. The interest rate offered will be a fixed rate based on the degree of risk. There is a 2% closing cost fee if real property is involved, and 1% for all others. *Contact person: Deborah Wagner at (276) 619-2239, [dwagner@peopleinc.net](mailto:dwagner@peopleinc.net) or [www.businessstart.org/pdf/Business\\_expansion.pdf](http://www.businessstart.org/pdf/Business_expansion.pdf)*

*Enterprise Loans:* This program offers loans up to \$35,000. The loan is usually amortized over the life of any assets, up to a 6-year maturity. The interest rate offered will be a fixed rate based on the degree of risk. There is a 2% closing cost fee if real property is involved, and 1% for all others. *Contact person: Deborah Wagner at (276) 619-2239, [dwagner@peopleinc.net](mailto:dwagner@peopleinc.net) or [www.businessstart.org/pdf/EntrepLoan\\_factsheet.pdf](http://www.businessstart.org/pdf/EntrepLoan_factsheet.pdf)*

Both of these loans are for companies with five or fewer employees and are to be used to purchase property, leasehold improvements, new construction, restoration and rehabilitation of real property, purchase equipment, furnishings, and inventory, working capital and start-up expenses.

*Ninth District Development Financing, Inc:* Ninth District Development Financing, Inc (NDDF) oversees a Revolving Loan Fund for tourism businesses that was established by Congressman Rick Boucher for use in the Ninth Congressional District. The NDDF is a tax-exempt corporation that was founded to make loans to new or expanding non-profit organizations and small businesses that are tourism-related. The NDDF loan fund provides working capital and fixed asset financing for projects that enhance tourism, create jobs, and expand economic development in the Ninth Congressional District. *Contact person: Deborah Wagner at (276) 619-2239, [dwagner@peopleinc.net](mailto:dwagner@peopleinc.net) or [www.nddf.org/PDF/NDDF%20Fact%20Sheet.pdf](http://www.nddf.org/PDF/NDDF%20Fact%20Sheet.pdf)*

- ✚ **Rural Development Business and Industry Loan Guarantee:** This federal program can guarantee up to 80 percent of a conventional loan. This program is especially designed for a project that due to a credit problem or a perceived risk, the bank is not comfortable making a straight loan. With an 80% guarantee, the lending institution should be more flexible with rate and terms. *Contact person: Craig Barbrow at the USDA - Rural Development Office, Wytheville, 276-228-5402 (Ext. 4 then 123) or [www.rurdev.usda.gov](http://www.rurdev.usda.gov)*

## **Bond Financing for Manufacturing Projects**

*Industrial Development Bonds:* Companies seeking to finance new manufacturing plants or improvements to existing manufacturing plants can obtain long-term financing at favorable interest rates through the use of industrial development bonds (IDBs). An IDB is a form of tax-exempt municipal bond issued by a state or local government entity to finance the acquisition, construction or equipping of a facility.

IDB tax-exempt financing for manufacturing projects has been restored under the federal Revenue Reconciliation Act of 1993 on a permanent basis. Today IDBs continue to provide companies with an important alternative to conventional financing of manufacturing projects.

Some of the benefits of IDBs are:

- Sub-prime pricing. Since interest earned on IDBs is exempt from federal income taxes, IDBs provide lower interest rates than conventional financing.
- 100% project financing. IDBs enable companies to finance virtually all the costs of a project, including site preparation, capitalized interest during construction and most issuance costs, up to \$20 million.
- Long-term financing. IDBs can have an average maturity of up to 120% of the economic life of the assets financed.

*Umbrella Bond Program:* In addition, the VSBFA offers an Umbrella Bond Program which provides a lower cost means for companies to sell their bonds in the public bond market, particularly for smaller projects with limited access to this market. There is no job creation requirement with these programs. The company applying for the bonds must obtain financial commitment from a private financial institution to back the bond issue. No working capital or inventory can be financed with bond proceeds. The capital expenditures by the company for the project (including expenditures three years prior and three years following bond closing) cannot exceed \$10 million.

*Contact person: Patty Thorne with VSBFA at (804) 371-8208 or [http://www.dba.virginia.gov/financing\\_business.shtml](http://www.dba.virginia.gov/financing_business.shtml)*