



Kentucky Economic Development Finance Authority KEDFA SMALL BUSINESS LOAN PROGRAM

This fact sheet provides an overview of the KEDFA Small Business Loan program. For a full discussion of the program requirements, please see KRS 154.12-325 through 154.12-330. As with all state administered incentive programs, any inducements offered to an eligible company under the KEDFA Small Business Loan program are negotiated by Cabinet for Economic Development officials.

The KEDFA Small Business Loan Program was established under the authority of KRS 154.12-325 and 154.12-330. The purpose of the program is to help small businesses acquire funding needed to start or grow their small business. KEDFA may provide terms that are more lenient, less secure, or otherwise less stringent than industry standards. The program guidelines as set forth below outline the criteria, terms, and fees for participation in the program.

Program Guidelines

- ◆ Pursuant to KRS 154.12-325, a small business is defined as having 50 or fewer employees worldwide at the time of the application.
- ◆ An eligible small business must be engaged in manufacturing, agribusiness, or service and technology.
- ◆ Businesses primarily engaged in retail operations, personal services or professional services are not eligible. In addition, a service business involved in a direct service to the public pursuant to a license issued by the state, or by an association that issues licenses in lieu of the state is not eligible under this program.
- ◆ Loan funds may be used for acquiring land and buildings, purchase and installation of machinery and equipment, for working capital, or for any other expense deemed reasonable by KEDFA. Loan funds cannot be used to refinance or restructure existing bank debt.
- ◆ At least one new full time job must be created by the business within one year of the loan closing date.
- ◆ The minimum loan amount under this program will be \$15,000 and the maximum loan amount will be \$100,000.
- ◆ KEDFA can fund up to 100% of the project costs, or the loan can be used in conjunction with other lenders.
- ◆ All loans will be secured with the highest lien position available. In addition, KEDFA may require personal guaranties or may require other security as circumstances indicate.

- ◆ Loan terms will range from 3-10 years, depending upon the useful life of the asset financed. A KEDFA loan may be prepaid at any time without penalty.
- ◆ Interest rates will be fixed for the term of the loan, and will be tied to the Wall Street Journal Prime Rate at the time of the closing, plus a spread based on the risk of the loan, as determined by KEDFA.
- ◆ Fees: A \$250 application fee must be submitted with the application. Additionally, a 1.25% commitment fee is due once the loan is approved. The commitment fee can be deducted from the loan proceeds.

Loan Process

- ◆ Kentucky Economic Development Cabinet staff is contacted to discuss eligibility requirements, proposed financing structure, and collateral requirements.
- ◆ If project is eligible, a complete application must be submitted to KEDFA for staff review and preliminary approval.
- ◆ KEDFA Board reviews staff recommended loans and makes final decisions at its monthly meeting.

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