



Small Business Fund-Traditional Loans

The NARCOG Small Business Fund is a locally controlled source of capital used to finance start-up and expanding businesses whose projects will result in job creation, leverage private sector investment, and reduce unemployment in Cullman, Lawrence, or Morgan Counties.

How can funds be used?

- Purchase real estate (land and/or buildings)
- Construct new buildings or renovate existing buildings
- Purchase machinery and equipment
- Provide for working capital

Advantages: Attractive Interest Rates & Terms

- Interest Rates: Fixed (Typically 5% but varies)
- Real Estate: Up to 25 years
- Equipment: Up to 10 years
- Working Capital: Up to 5 years

Bank Participation

The Small Business Fund was not established to compete with the banking community. Instead, its purpose is to provide "gap financing" after the bank and applicant have reached their financial limits. The Loan Fund aims to limit the lender's exposure on higher risk loans that might not be made without secondary participation. Letters requesting NARCOG participation and/or a denial for financing are often required as part of the application.

Loan Approval

All decisions are made locally by the Loan Review Committee which is composed of representatives from the three-county region.

Loan Size

Typical loan sizes are \$10,000 to \$100,000 (A maximum of \$250,000 is available for projects with a "significant economic impact" on the local area).

Loan Guidelines

- 2:1 Private to Public lending ratio (NARCOG can finance up to 33% of total project cost)
- Applicants should be prepared to provide business plan, financial projections, and commitment of private sector (bank participation)
- Successful loan applications must result in retention or creation of permanent job(s)
- Business owner must provide 10% equity injection
- Businesses and individuals must be credit-worthy
- Hazard and key man insurance in the amount of the loan naming NARCOG as beneficiary is required
- Collateral is required with NARCOG usually taking second lien behind bank
- Standard underwriting principles apply

North Central Alabama Regional Council of Governments

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Positively Impacting People and Communities