

# Just the Facts:

## Kentucky Economic Development Finance Authority (KEDFA) Direct Loan Program

June 2011

KEDFA offers a mortgage loan program to work in conjunction with private financing. The program is designed to allow businesses to obtain the long term financing needed to encourage growth.

### Program Guidelines

- Projects financed must be agribusiness, tourism, industrial ventures, or service industry. No retail projects are eligible.
- KEDFA may participate in projects with loans ranging from \$25,000 to \$500,000. The amount of KEDFA participation is dependent on the project fixed asset cost, based on the following:

Project Cost	KEDFA Participation
Up to \$200,000	50%
\$200,000 to \$500,000	40%
Above \$500,000	30%

- The project owners must inject a minimum of 10% toward the fixed assets.
- KEDFA financing may be combined with a Community Development Block Grant, however, in no case will the total involvement from both exceed 33% of the project cost.
- KEDFA financing may be combined with SBA 504 financing.
- Projects must create new jobs or have a significant impact on the economic growth of a community.
- Only fixed assets (land, building, and equipment) may be financed.
- No refinancing will be undertaken.
- Term and repayments are based on that of the private lending institution.
- Personal guarantees are required of the company's owners who control at least 20% of the stock of the company.
- The borrower must provide KEDFA proof that the project is underway (invoices, etc.) within 4 months of the approval date, or the commitment will expire.
- KEDFA funds are not disbursed until the entire project, as outlined in the application, is complete.

## Interest Rates

The interest rate is fixed and is tied to the term of the loan. Rates are as follows:

Term	Interest Rate
3 years	1.0%
5 years	2.0%
7 years	3.5%
10 years	5.0%

## The Process

- Applicant should contact his/her bank to discuss funding for the project.
- Cabinet staff is contacted to discuss project eligibility, proposed financing structure, and collateral requirements.
- If project is eligible, an application must be submitted to Cabinet staff for review, negotiation of terms and recommendation.
- KEDFA reviews staff recommended loans and makes final decisions at its monthly meeting.

## Fees

There is a \$500 non-refundable application fee payable upon submission of the application. Additionally, a commitment fee of one percent (1%), minimum of \$1,000, is due within one month of the date of KEDFA approval.

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