

**West Piedmont Business Development Center**  
**Micro-loan Program Guidelines**  
**April 6, 2005**  
**Rev. February 8, 2012**

The purpose of the micro-loan program is to encourage small business development among WPBDC incubator tenants who cannot initially access funds through traditional lenders. Tenants must be located in the incubator when the loan originates. Loan repayment may be scheduled after a tenant graduates from the incubator program. An applicant's creditworthiness, cash available, cash flow, and collateral are the criteria considered for loan approval, and/or other documents as requested. Loan decisions will be made by the WPBDC Microloan Committee, which meets as necessary.

**Eligibility/Requirements:**

- Successful admission into the incubator program. Admission into the incubator program does not guarantee loan approval.  
Tenant selection guidelines for our admission to our program require the following:
  - a. Completed and signed application
  - b. Current three-year business plan
  - c. Current eighteen-month financial projections
  - d. Current financial statement
  - e. Personal credit report
  - f. Three (3) business references
- Applicant must be a tenant in incubator for 6 months before applying for loan (exceptions will be reviewed on a case by case basis)
- The applicant must show evidence of an equity contribution to his/her business. "Sweat equity" will be recognized as legitimate contributed equity.
- The applicant must prepare a loan application and maybe required to appear before the WPBDC Loan Committee to have the proposed loan reviewed. The Loan Committee will also use the tenant application materials listed above in the loan review process.
- The loan applicant shall be responsible for the cost of any applicable credit reports or filings.
- Loan amounts will not exceed available funds in the loan pool.
- Additional loan criteria will include but not be limited to the following:
  - a. Analysis of repayment ability/performance vs. business plan
  - b. Repayment history of previous loan(s).
  - c. Length of time since previous loan(s).
  - d. Length of time until graduation from incubator program.
  - e. Letter of declination for additional loan(s).

**Loan Terms:**

The following terms will apply to all funds distributed from this loan program:

- Loans will be for \$500 to \$5,000. Exceptions up to \$20,000 may be considered on an individual basis. Multiple loans may be considered on an individual basis. Individual loan amounts may not exceed \$20,000.

- The interest rate will be the Wall Street Journal prime rate quoted at the time of the loan minus 1 percent.
- The term of the loan shall be no longer than 36 months, depending on the amount of the loan.
- The loan funds must be used for business operations and cannot be used for repayment of prior debt (debt consolidation).
- The loan funds may be used in conjunction with other loans but not as collateral for such loans. This loan cannot be subordinated.
- Whenever possible, the loan will be collateralized by the assets of the business or of the business owner.
- The loan funds must be used to promote a legitimate business and shall not be used in any generally defined "illegal" business or pyramid sales plan.
- The borrower will provide monthly financial reports to the incubator manager for review by the Microloan Committee.
- A default on one loan represents a default on all loans.
- A personal guarantor(s) is required for all approved loans.