



Caroline County Small Business Loan Program Process and Guidelines

****Please note: ALL FUNDS ISSUED THROUGH THIS PROGRAM ARE A LOAN (NOT A GRANT) AND MUST BE REPAID ACCORDING TO TERMS AGREED UPON. IN ORDER TO RECEIVE THE FUNDS, YOU MUST SIGN AND HONOR A PROMISSORY NOTE TO THE COUNTY COMMISSIONERS OF CAROLINE COUNTY, MARYLAND**

1. Business must locate or expand in Caroline County. The physical location of the business must be in Caroline County.
2. The project shall benefit Caroline County by any of the following: developing vacant or underutilized property or eliminating slum or blight; and creating new, permanent, full time jobs.
3. The Loan Applicant must show proof of personal investment of at least 10% into the project for which the loan funds will be used. Proof of personal investment includes but is not limited to receipts of purchased inventory or equipment, paid invoices for construction.
4. One active Caroline County Small Business Loan per business owner. Eligible entities include existing businesses and start-ups.
5. Applicants will be required to submit the following with the loan application:
 - a. Personal financial statement for each owner
 - b. Applicant income tax returns for preceding two years
 - c. Current balance sheet and profit/loss statements for preceding two years
 - d. Complete business plan (at a minimum a business plan must include business description, market validation, marketing strategy, management/owner resumes, and financial strategy)
 - e. Business financial projections for three years
6. Loan Applicant must be in good standing with Maryland State Department of Assessments and Taxation (SDAT) and Caroline County Tax Office, and the property must be in good standing with Towns' and County's planning and codes regulations.
7. Loan Applicant must not have been subject to judgement or bankruptcy within the last ten years.
8. Loan Applicant and project is bound to all applicable Local, State, and Federal laws and regulations.
9. All rehabilitation or new building construction must meet all applicable building codes.
10. ALL FUNDS ISSUED THROUGH THIS PROGRAM ARE A LOAN (NOT A GRANT) AND MUST BE REPAID ACCORDING TO TERMS AGREED UPON. Loan repayment is required regardless of standing of business. Loan repayment is required if the project is removed or demolished. Loan repayment is required if the business moves to a location outside of Caroline County.
11. Business owner must have a personal credit score of 600 or above.



12. Loan security must be provided, including but not limited to a personal guaranty, property lien, real estate, or personal property. Property liens used as collateral will be given a more favorable review.
13. Loans are to be used for gap funding along with funding from other sources, such as a traditional bank or credit union, or federal or state grants and loans.
14. Allowable uses for loan funds are limited to: commercial real estate acquisition, new construction, building improvements, inventory purchase, machinery or equipment purchase, business start-up costs, and no more than 12 months of operating capital. Ineligible uses include non-owner occupied real estate investment and personal expenses of business owner(s) or employees.
15. Loan funds cannot be used to finance existing debt, reimbursement to owner or equity partner, or to buyout of partners.
16. Loan funds cannot be used for payment of delinquent federal, state, or local taxes.
17. The maximum loan amount to a single Loan Applicant is \$20,000. Exceptions may be made for large projects that create a substantial amount of new jobs.
18. The interest rate is typically prime rate plus 1% but is at the discretion of the CCED Loan Committee based on the risk level of loan.
19. REGARDING THE LOAN TERM:
 - a. Terms are 5 to 7 years based on the risk level of the loan.
 - b. All loans with monthly payments under \$100 are to be set as quarterly payments.
 - c. All loans with monthly payments over \$100, borrowers are given the option of monthly or quarterly payments.
 - d. Loan payments are due quarterly on the first day of the new quarter: January 1, April 1, July 1, October 1.
 - e. Loan payments are late if not paid in full within 15 days of due date.
 - f. A late charge equal to five percent (5%) of the regular quarterly payment will be assessed on the 16th of the month.
 - g. "Late Notice" Letters will be sent to borrowers at 30 days late and 60 days late.
 - h. Caroline County will take legal action to collect the full amount of the remaining balance once loan becomes 90 days past due.
20. APPLICATION PROCESS:
 - a. A \$50 application fee must accompany all applications.
 - b. Submit Caroline County Small Business Loan and all attachments to:
Caroline County Economic Development
425 Colonial Drive
Denton, MD 21629
 - c. All incomplete loan applications will be returned to the applicant without consideration. Resubmitted applications require a \$50 application fee.



- d. Applications for consideration may be brought before the Caroline County Economic Development Advisory Board, which makes recommendations for Small Business Loans to the County Commissioners of Caroline County. Applicant(s) may be required to appear before the Caroline County Economic Development Advisory Board for an interview.
- e. Recommendations are submitted to the County Commissioners of Caroline County for final approval.
- f. The approvals of all loans are at the discretion of the Caroline County Commissioners. Funds will not be disbursed until all loan documents are signed by all parties and fee is collected.
- g. Once the loan application has been approved by Caroline County Commissioners, the promissory note and other required documents will be prepared and reviewed by Caroline County Office of Finance and Caroline County Attorney.
- h. Applicant will meet with CEDC staff member to execute all loan documents.

Please sign to indicate receipt of this “Caroline County Small Business Loan Program Process and Guidelines” and return this document to Caroline County Economic Development, 425 Colonial Dr., Denton, MD 21629, or electronically to dbowden@carolinemd.org. Please retain one copy for your records.

Borrower’s signature

Date

Borrower’s signature

Date