

## **Tri-County Revolving Loan Fund**

**TREDC administers** a revolving loan fund for the three counties. The maximum amount available for a business is \$150,000 and is dependent upon availability, jobs, and investment.

RLF programs provide financial assistance for small business creation and expansion that meet their defined economic development goals. They work in partnership – not in competition - with local financial institutions and fill a much-needed role that banks often can't fill. The RLFs usually target small businesses – both at the start-up and expansion phases – that face strong limitations in their ability to raise debt and equity financing, including:

- Small capital requirements
- Difficulties meeting their short-term debt obligations
- Limited collateral
- High debt-to-equity ratios
- Exposure to higher risks
- Lack of expertise in raising capital, management experience, and financial planning

Public sector loans are used most often to provide "gap" financing. "Gap" financing fills the void between the cost of the project and the total amount of funds that the business has available from other sources such as owner's cash and bank loans. In addition, public sector loans are often used to lower the initial financing cost of a business expansion or location to assure a favorable rate of return on investment.

### **What do RLF Loans Look Like?**

RLF loan programs often have the following characteristics:

- Loans are most often made for fixed assets
- Interest rates are lower than bank rates
- Terms can often be longer than conventional financing
- Debt can be subordinated and repayment may be deferred
- One-to-one match is required

Wisconsin RLFs have made approximately 2,800 loans to local businesses since the late 1980s with an average loan amount of \$50,000. Terms and conditions of the loans are varied, but the average interest rate is historically around 2%-4%. The default rate for loans has averaged 8-9%, an acceptable loss given the goals and purpose of the RLF program.

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