



<b>Wisconsin Economic Development Corporation Program Guidelines for Fiscal Year 2021</b>
<b>Program Name:</b> Business Development Loan Program <b>Program Inception:</b> WEDC FY18 <b>Lead Division:</b> Business and Community Development <input checked="" type="checkbox"/> <b>New</b> <input type="checkbox"/> <b>Revised</b> <input checked="" type="checkbox"/> <b>Aid</b> <input type="checkbox"/> <b>Pass-thru Aid</b> <input type="checkbox"/> <b>Technical Assistance</b>

**Program Goal:**

The goal of the Business Development Loan Program (BDL) is to support the retention and expansion of businesses operating in the state of Wisconsin.

This program primarily supports the following WEDC Strategic Pillar and Focus Area:

Business Development: Business Retention and Expansion

**Program Description:**

The program offers financing primarily to small businesses that have limited access to standard types of debt or equity financing, particularly, but not limited to, rural areas of the state. The program is intended to provide gap financing to existing businesses seeking to expand, increase operational efficiency, or enhance competitiveness in key Wisconsin industries.

**Eligibility Requirements:**

Definitions:

“Designated Rural County” means a county with a population density of less than 155 residents per square mile as of the 2010 Census.

“Economically Distressed” means a county or municipality so designated by WEDC by considering the most current area and state data available for the following indicators:

- Unemployment rate
- Percentage of families with incomes below the poverty line
- Median family income
- Median per capita income
- Average annual wage
- Manufacturing assessment values by county
- Other significant or irregular indicators of economic distress – such as a natural disaster, or plant closings and layoffs

“Financial Institution” means a bank, as defined in s. 214.01 (1) (c), a savings bank, as defined in s. 214.01 (1) (t), a savings and loan association, a trust company, a credit union, as defined in s. 186.01 (2), a mortgage banker, as defined in s. 224.71 (3) , or a mortgage



broker, as defined in s. 224.71 (4), whether chartered under the laws of this state, another state or territory, or under the laws of the United States; a company that controls, is controlled by, or is under common control with a bank, a savings bank, a savings and loan association, a trust company, a credit union, a mortgage banker, or a mortgage broker; or a person licensed under s. 138.09, other than a person who agrees for a fee to hold a check for a period of time before negotiating or presenting the check for payment and other than a pawnbroker, as defined in s. 138.10 (1) (a).

“Opportunity Zone” means a designated qualified opportunity zone in the State of Wisconsin under Internal Revenue Code § 1400Z-1.

### **Eligible Recipients:**

Eligible businesses may apply for a direct loan to receive financing for eligible projects in the state of Wisconsin. The WEDC loan program is available to businesses meeting the following criteria:

- For-profit enterprises registered to conduct business in the state of Wisconsin
- Less than 500 full-time employees
- Engaged in one of the following industries:
  - Aerospace
  - Bioscience
  - Energy, Power and Control
  - Food and Beverage
  - Forest Products
  - Manufacturing
  - Water Technology
  - Transportation
- Loans require financing from a primary lender

### **Ineligible Businesses:**

“Ineligible Business” means businesses ineligible for loan funds, unless extraordinary circumstances exist, including but not limited to a serious threat of a business leaving the state, significant job creation or retention, or significant capital investment, and such extraordinary circumstances are approved by the Board of Directors’ Awards Administration Committee:

- Payday loan and title companies
- Telemarketing other than inbound call centers
- Pawn shops
- Media outlets
- Retail
- Farms
- Primary care medical facilities
- Financial institutions
- The hospitality industry



## **Eligible Activities:**

WEDC loan funds may typically be used for the following project activities:

- Real property, plant and equipment
- Long-term leasehold improvements
- Working capital, if fixed assets are also financed with WEDC funds

## **Ineligible Activities:**

Project costs not directly related to project activities will be considered ineligible for WEDC loan funds. Examples of ineligible activities include, but are not limited to:

- Past costs
- Mergers and acquisitions
- Refinancing, consolidation or restructuring of existing debt

## **Incentives and Available Funding (FY21) The program is not being funded in FY21.**

The incentives in this program are loans, typically not less than \$100,000 but not to exceed \$500,000. Priority may be extended to projects based on factors such as job creation or retention, capital investment, location, industry and return on investment. Loans require financing from a primary lender.

## **Loan Terms, Rates and Fees**

Loan terms, interest rates and fees will adhere as closely as practicable to commonly accepted commercial lending practices.<sup>1</sup> Loan terms will vary depending upon the useful life of the asset financed. Rates will be tied to the Wall Street Journal Prime Rate published at the time the application is initially accepted by underwriting and fixed for the term of the loan. There is no penalty for pre-payment.

## **Term**

The term for loans will typically range between 60 and 72 months to match the primary lender, up to a maximum of 84 months for real estate.

## **Interest Rate**

Generally, the interest rate for loans will be the Prime Rate published by the Wall Street Journal bank survey at the time of application. For projects located in an Economically Distressed area, Opportunity Zone, or Designated Rural County, the interest rate shall be 1.5 percent (1.5%) or 150 basis points below the Prime Rate or 3 percent, whichever is lower.

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<sup>1</sup> Wis. Stat. 238.124(2).



## **Fees**

Loans have a one percent (1%) loan origination fee of the total loan amount, payable prior to loan disbursement. For projects located in an Economically Distressed area, the loan origination fee shall be waived. Additional fees shall apply for real estate transactions where title letters and commitments become necessary.

## **Collateral**

Security interest in all or specific business assets. Subordination of WEDC's loan to those of the primary lender may be required.

## **Guarantor(s)**

WEDC generally requires personal or corporate guaranties for any owner with ownership in the company equal to or more than 20%. WEDC may also choose to add contingencies for release of these guaranties following additional financing or other milestones.

## **Activities and Expected Outcomes:**

WEDC does not anticipate any program activities or outcomes during FY21.

## **Performance Reporting:**

Recipients will be required to annually submit a performance report documenting job creation, job retention, capital investment, as well as any contract deliverable(s).

WEDC annually selects awards on a sample basis for an audit. All backup to the performance report is required to be maintained for the life of the award.

WEDC may impose additional reporting requirements to evaluate project performance and to ensure compliance with contract deliverables.

## **Application and Awards Process:**

The BDL program has a continuous application process. Applicants for a BDL should complete an application through an Account Manager. The completed application will be assigned to an underwriter and go through the award review process.

For more information on application review, internal process, and award distribution, please refer to WEDC's award administration policies and procedures.



**Revision History:**

Effective Date	Description of Change
7/1/2018	Added statutory citations.
7/1/2018	Decreased applicable interest rate for projects in an Economically Distressed Area or a Designated Rural County.
7/1/2019	Decreased applicable interest rate for projects in an Opportunity Zone; clarified collateral requirements; clarified performance reporting requirements.
7/1/2020	Placed temporary suspension on program activities and funding during FY21.

**PROGRAM REVIEW:**

This document has been reviewed by the following parties (Check all that apply):

- Chief Operating Officer
- Chief Legal Officer
- Chief Financial Officer
- Other \_\_\_\_\_

Senior Director of Public Policy: \_\_\_\_\_

Date \_\_\_\_\_

Division Vice President: \_\_\_\_\_

Date \_\_\_\_\_

**AUTHORIZED APPROVAL:**

CEO or Designee: \_\_\_\_\_

Date \_\_\_\_\_