



RCEDA ready to offer small business loans

by JEFF SCHMERKER - Ravalli Republic Jan 6, 2010 0



While the county's microloan program is about to begin operations, so is another loan system designed to boost small business owners.

The Ravalli County Economic Development Authority has \$600,000 in U.S. Department of Agriculture loans to issue. The loans are part of USDA's intermediary relending program.

While \$335,000 of the money available is from USDA, another \$165,000 comes from the Montana Board of Investments and a further \$100,000 from the Ravalli County federal stimulus program.

"We have \$600,000 ready to lend out," said Julie Foster, director of the economic development authority.

Whereas microloans are being targeted to small businesses with almost zero capital and perhaps zero business history, these loans are meant to suit businesses with some capital and some history, said Bob Thomas, who chairs the authority's loan fund committee.

Normal bank loans may require a borrower to put up 25 percent of a loan as collateral, Thomas said. While no parameters have been decided on, this program may require just 10 percent collateral.

"This loan-to-value is higher," he said.

The program can sustain the riskier investment because the loans are guaranteed by USDA.

“These types of loans can be put together whereas on a conventional loan basis, if there is not historic performance available then it gets to be pretty difficult to get a startup going,” Thomas said.

That being said, if a business needing money has good collateral and a good track record, chances are they’re better off heading to a normal bank for their loan.

“Your bank is really in a strong position to help you in that case,” Thomas said. “It is when you are compromised, either through down payment or a loan-to-value situation, that is when people will be driven to find alternative financial opportunities, and that is where (this loan) comes in.”

Like the microloan program, this USDA loan boosted with county funds is a way to grow the county’s economy.

“It is a way of filling the gap and getting these things going,” Thomas said. “They not only make the borrower successful but inject dollars into the economy.”

Like the microloan program, which is funded fully by the county commission, these funds will require candidates to first have an approved business and financial plan. If need be, candidates can sit in on the same classes that microloan candidates will be required to attend.

While a good idea may get a potential loan recipient farther in the business world, that’s not necessarily what the loan committee will be looking at.

“We are not going to differentiate between who has the best idea or needs the money more,” Foster said. “It’s just what state of readiness they are in.”

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