

Just the Facts:

Kentucky Economic Development Finance Authority (KEDFA)

Direct Loan Program

July 2022

KEDFA offers a mortgage loan program to work in conjunction with private financing. The program is designed to allow businesses to obtain the long-term financing needed to encourage growth.

Program Guidelines

- Projects financed must be agribusiness, tourism, industrial ventures, or service industry. No retail projects are eligible.
- KEDFA may participate in projects with loans ranging from \$25,000 to \$500,000. The amount of KEDFA participation is dependent on the project fixed asset cost, based on the following:

Project Cost	KEDFA Participation
Up to \$200,000	50%
\$200,000 to \$500,000	40%
Above \$500,000	30%

- The project owners must inject a minimum of 10% toward the fixed assets.
- KEDFA financing may be combined with a Community Development Block Grant, however, in no case will the total involvement from both exceed 33% of the project cost.
- KEDFA financing may be combined with SBA 504 financing.
- Projects must create new jobs or have a significant impact on the economic growth of a community.
- Only fixed assets (land, building, and equipment) may be financed.
- No refinancing will be undertaken.
- Term and repayments are based on that of the private lending institution.
- Personal guarantees are required of the company's owners who control at least 20% of the stock of the company.
- The borrower must provide KEDFA proof that the project is underway (invoices, etc.) within 4 months of the approval date, or the commitment will expire.
- KEDFA funds are not disbursed until the entire project, as outlined in the application, is complete.

Interest Rates

The interest rate is fixed and is tied to the term of the loan. Rates are as follows:

Term	Interest Rate
3 years	1.0%
5 years	2.0%
7 years	3.5%
10 years	5.0%



The Process

- Applicant should contact his/her bank to discuss funding for the project.
- Cabinet staff is contacted to discuss project eligibility, proposed financing structure, and collateral requirements.
- If project is eligible, an application must be submitted to Cabinet staff for review, negotiation of terms and recommendation.
- KEDFA reviews staff recommended loans and makes final decisions at its monthly meeting.

Fees

There is a \$500 non-refundable application fee payable upon submission of the application. Additionally, a commitment fee of one percent (1%), minimum of \$1,000, is due within one month of the date of KEDFA approval.

.....
To learn more, contact:
Kylee Palmer
Kylee.Palmer@ky.gov
Phone: (502) 564-7670
.....