



Just the Facts:

Kentucky Economic Development Finance Authority (KEDFA) Small Business Loan Program

July 2022

This fact sheet provides an overview of the KEDFA Small Business Loan program. For a full discussion of the program requirements, please see KRS 154.12-325 through 154.12-330. As with all state administered incentive programs, any inducements offered to an eligible company under the KEDFA Small Business Loan program are negotiated by Cabinet for Economic Development officials.

The purpose of the KEDFA Small Business Loan Program is to help small businesses acquire funding needed to start or grow their small business. KEDFA may provide terms that are more lenient, less secure, or otherwise less stringent than industry standards. The program guidelines as set forth below outline the criteria, terms, and fees for participation in the program.

Program Guidelines

- Pursuant to KRS 154.12-325, a small business is defined as having 50 or fewer employees worldwide at the time of the application.
- An eligible small business must be engaged in manufacturing, agribusiness, or non-retail service or technology.
- Businesses primarily engaged in retail operations, personal services or professional services are not eligible. In addition, a service business involved in a direct service to the public pursuant to a license issued by the state, or by an association that issues licenses in lieu of the state is not eligible under this program.
- Loan funds may be used for acquiring land and buildings, purchase and installation of machinery and equipment, for working capital, or for any other expense deemed reasonable by KEDFA. Loan funds cannot be used to refinance or restructure existing bank debt.
- At least one new full time job must be created by the business within one year of the loan closing date.
- KEDFA can fund up to 100% of the project costs, or the loan can be used in conjunction with other lenders.
- All loans will be secured with the highest lien position available. In addition, KEDFA may require personal guaranties or may require other security as circumstances indicate.

Loan Amount, Term and Interest Rates

- The minimum loan amount under this program is \$15,000 and the maximum loan amount is \$100,000.
- Loan terms will range from 3-10 years, depending upon the useful life of the asset financed. A KEDFA loan may be prepaid at any time without penalty.
- Interest rates will be fixed for the term of the loan, and will be tied to the Wall Street Journal Prime Rate at the time of the closing, plus a spread based on the risk of the loan, as determined by KEDFA.

The Process

- 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 \$250 non-refundable application fee payable upon submission of the application. Additionally, a commitment fee of 1.25% is due after the loan is approved by KEDFA. The commitment fee may be deducted from the loan proceeds.

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