



## Micro-Loan Program Guidelines

**Through the generosity of a grant from the Headwaters Fund, HCAR is now offering micro-loans to qualified entrepreneurs with developmental disabilities in the Redwood Coast Regional Center catchment area.**

### Eligibility:

1. Minimum 18 years of age
2. Eligible for regional center services
3. Currently self-employed or in process of starting own business
4. A current bank account in the name of the business or its owner or a representative capable of cashing/administering the loan award
5. Receiving support services (either paid or unpaid) for the operation or development of their business (may be waived by the Loan Review Committee based on business experience and individual circumstances)
6. Resident of Humboldt County

### Restrictions:

1. Business use only (cannot be used for personal expenses)
2. Purchase of tangible items (not for paying business fees such as licenses or thing like rent or utilities) or as collateral for a loan through a financial institution for tangible items
3. Only one outstanding HCAR micro-loan at a time (new loan may be requested once current loan is paid off)
4. Maximum loan amount - \$1000/individual (The maximum loan amount may be subject to waiver based on the particular circumstance and at the discretion of the Loan Review Committee)

### Terms:

1. Fixed interest rate for the term of the loan equal (0% margin) to the 11th Federal Home Loan Bank District COFI<sup>1</sup> at the time of loan approval (As of 12/15/09 this rate was 1.259%)

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<sup>1</sup> What it means: A monthly cost-of-funds index (COFI) reflecting the weighted-average interest rate paid by 11th Federal Home Loan Bank District savings institutions for savings and checking accounts. The 11th district covers Arizona, California and Nevada. The index is published on the last day of the month and reflects the cost of funds for the prior month.

How it's used: Lenders use such an index, which varies, to adjust interest rates as economic conditions change. They then add a certain number of percentage points called a margin, which doesn't vary, to the index to establish the interest rate you must pay. COFI usually lags market interest rates in both up and down markets. That means loans tied to this index rise and fall more slowly than rates in general.

2. Term is negotiable based on individually affordable payments, but will be no greater than 3 (three) years without special waiver by the Loan Review Committee
3. Loan payments will be amortized in equal payments over the term of the loan
4. There is no pre-payment penalty and any payment in excess of the current amount due will be applied to the principal of the loan
5. Failure to repay the loan on the agreed schedule will result in the entire loan amount being due and payable immediately unless prior arrangements have been made and approved to renegotiate the terms of the loan

Application:

1. Request an application packet<sup>2</sup> from HCAR by mail or in person at 1707 E Street, Suite 2, Eureka CA 95501-7621 or by email at hcar@hcar.us (Subject: Micro-Loan Application)
2. Submit completed application packet.
3. Be prepared to attend a meeting of the Loan Review Committee to discuss the loan request and answer any questions

Additional Conditions:

1. Proof of purchase of the item(s) for which the loan was approved must be submitted within the timeframe agreed upon in the loan documents (generally in the form of a receipt)
2. Acknowledgement of HCAR and the Headwaters Fund (the source of the loan fund) in any business correspondence or publicity mentioning the item(s) purchased
3. Submission of periodic progress reports during the course of the loan repayment and at the end of the loan term at intervals individually determined by the Loan Review Committee and set forth in the loan agreement.

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<sup>2</sup> Packet includes basic personal information, explanation of loan request and amount requested, proposed repayment plan and business plan/budget