

## **Alaska Microloan Revolving Loan Fund**

The Alaska Microloan Revolving Loan Fund was passed by the Legislature in 2012 under AS 16.43.950-990, and began operations in November 2012. This legislation established the public policy goal of promoting economic development in Alaska by assisting small and micro businesses that may not have access to traditional financing. This access facilitates startup, expansion, and job creation throughout Alaska, with a specific policy emphasis on rural communities. The fund provides financing for working capital, equipment, construction, or other commercial purposes.

### **Capitalization:**

The AMRLF was originally capitalized with \$2.5 million in 2012. Currently, there is \$2,276,247 available to lend.

### **Loan amounts:**

Maximum loan amount is \$35,000 to a person or up to \$70,000 to two or more persons.

### **Collateralization:**

All loans must be adequately secured. A loan may not exceed the loan value of collateral used to secure a loan. The loan value is a percentage of an industry-accepted valuation method determined by using a Loan-To-Value ratio as a risk assessment tool.

### **Credit evaluation process:**

Standard industry practices are employed for the evaluation or risk assessment of an applicant:

- Statutory and regulatory requirements are analyzed;
- Credit report and public records are analyzed;
- Collateral offered to secure the loan is evaluated;
- Business experience, business plan, or resume evaluated;
- Financial capacity to repay the loan is evaluated;
- Capital contributed to the project by the applicant is evaluated; and
- Required or requested terms of the loan are evaluated.

### **Business plan requirement:**

There is not a blanket requirement for a business plan. The loan officer will request a formal business plan if the sophistication of the business or applicant's intent requires further clarity. The average loan amount under the MRLF is \$20,600 and most businesses are sole proprietorships.

### **Interest rate adjustments:**

Interest rates are set on the first day of each calendar quarter. The interest rates are based on the prime rate over the previous quarter.

### **Application process:**

- Completed Microloan application;
- Completed residency questionnaire;
- Letter of intent stating the amount requested and intended use of proceeds;
- Schedule of acceptable collateral, including assets acquired with loan funds;
- Individual financial statement consisting of a current balance sheet and profit and loss statement;
- Statement of projected income and expenses for the following year's operating plan;
- Consent to release information for obtaining credit records;
- Three years tax returns for the years preceding application;
- Copies of purchase agreements, estimates, invoices, or other documentation for use of loan proceeds;
- \$100.00 non-refundable application fee; and
- Any other information requested to process the loan application.

Average Loan Amount:

The average loan amount is \$20,600 and the average monthly payment is \$449.00.

Industries/Success Stories:

\$34,000 loan provided working capital for a new tourism family-owned business located in a small native community in Southeast Alaska. The business has been a financial success however the owners have stated the highlight of their success is not financial but rather the creation of 3 jobs in their village and building up employee capacity and skillsets such as watching deckhands grow to become experienced and certified 100-ton vessel captains.

\$34,000 loan provided funds for capital improvements to an existing Alaskan seafood restaurant that is located on the Kenai Peninsula. The loan saved 2 jobs.

\$27,961 loan provided financing for the purchase of two outboard engines to an existing vessel. The vessel is operated by a locally owned Alaskan business based in Southeast Alaska that provides marine transportation services in addition to sightseeing tours in Glacier Bay National Park. The loan saved 1 job.

\$28,095 loan provided funding for an energy efficiency project of an existing commercial building. The building is owned and operated by a long time seafood processing company based in Southeast Alaska. The loan created 2 jobs and saved 2 jobs.

Annual operating cost:

The FY17 allocation from this fund was \$9,400.

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