



## Survey of Revolving Loan Funds and Entrepreneurial Capital: Funds, Loan Purposes, and Capital

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Revolving loan funds and entrepreneurial capital are important issues for Iowa and its entrepreneurs. The survey<sup>1</sup> reported here was conducted to learn more about the characteristics and practices of revolving loan funds in Iowa. This report examines findings from questions in the survey that asked for information about the fund, the amount and sources of capital in the fund, and the purposes and kinds of businesses for which the fund would make loans.

The funds responding to the survey were from across the areas and regions of Iowa and involved many kinds of agencies and entities that sponsored the fund. Among these were cities, counties, local economic development groups, regional Councils of Government, rural electric

utility cooperatives, and telephone and communication companies. Many of the loan funds are geographically oriented to the service region of the sponsoring organization, such as a Council of Government's set of counties or a rural electric cooperative's region. Some funds focus on just one county or just one community. Some of the local funds report that they are organized by and funded through the local government but others are private sector development groups that, while oriented to a particular town or county, are not an official local government entity (Table 1).

Many of the funds responding had been started in the last decade. One third reported a starting date from 2005 or later and half had begun from 2000 onward (Table 3).

**Table 1: Geographic focus and organizational support of revolving loan funds.**

Geographic Focus and Support	Count	Percent
<b>City or Community Area</b>	<b>24</b>	<b>30.0</b>
Government Sponsorship	10	12.5
Private Sponsorship	14	17.5
<b>One County Area</b>	<b>17</b>	<b>21.3</b>
Government Sponsorship	6	7.5
Private Sponsorship	11	13.8
<b>Regions</b>	<b>35</b>	<b>43.7</b>
Councils of Government	13	16.2
Rural Electric Cooperatives	16	20.0
Community College, Other	2	2.5
Telephone, Communications	4	5.0
<b>Statewide</b>	<b>1</b>	<b>1.3</b>
<b>Unknown</b>	<b>3</b>	<b>3.7</b>
<b>Total Funds Reported</b>	<b>80</b>	<b>100.0</b>

**Table 2: Primary sources of capital for loans of revolving loan funds.**

Source of Capital	Count	Percent
<b>City</b>	<b>13</b>	<b>10.4</b>
Municipal Utilities	2	1.6
<b>County</b>	<b>11</b>	<b>8.8</b>
State of Iowa	2	1.6
U.S. Department of Agriculture	49	39.2
Economic Development Administration	17	13.6
Rural electric cooperatives	5	4.0
Telephone companies	3	2.4
Local match	8	6.4
Private investors	6	4.8
Gaming	2	1.6
County foundation	1	0.8
Other	5	4.8
<b>Total Sources Reported</b>	<b>125<sup>2</sup></b>	<b>100.0</b>

**Table 3: Year when fund started.**

Year	Count	Percent	Year	Count	Percent
1980 - 1984	1	1.1	2000 - 2004	15	16.9
1985 - 1989	9	10.1	2005 - 2009	25	28.1
1990 - 1994	14	15.7	2010 - 2011	5	5.6
1995 - 1999	20	22.5	<b>Total Dates Reported</b>	<b>89<sup>2</sup></b>	<b>100.0</b>





The survey asked about the sources from which the fund obtained the capital that it loaned. Many of the 78 respondents that answered the question cited more than one source for a total of 125 sources mentioned. The U.S. Department of Agriculture was the source noted most often (39.2%) and the Economic Development Administration was cited next most often (13.6%). These two federal government sources together accounted for half of the sources mentioned in the responses (Table 2). A variety of other capital sources included city or county funds, state of Iowa funds, as well as private funds from rural electric cooperatives, telephone companies, gaming, and other private investors.

Some of the funds lend capital that is largely owned by the fund or the sponsoring entity itself. Other funds





serve in an intermediary capacity, obtaining capital from external sources that it then loans out to businesses in the local or regional area. Nearly 44 percent of the respondents said that their fund loaned capital that was borrowed from another agency and nearly 60 percent said their fund loaned capital obtained from public or private grants (Questions 16, 17).

In general, the purpose of a revolving loan fund is to enhance business and employment opportunities in a region or a community. The funds responding to this survey supported these purposes in that a large percentage would make loans to startup businesses (94.7%) as well as for business expansions (97.3%). In contrast, most (81.9%) would not have business refinancing as one of their loan objectives (Questions 8, 9, 10). These funds




### 16. Does your loan program currently relend borrowed agency funds?

		Response Percent	Response Count
Yes		43.7%	31
No		35.2%	25
Not Sure		15.5%	11
Other (please specify)		5.6%	4
<b>answered question</b>			<b>71</b>
<b>skipped question</b>			<b>11</b>




### 17. Does your program currently relend public or private grant funds?

		Response Percent	Response Count
Yes		59.7%	43
No		23.6%	17
Not Sure		12.5%	9
Other (please specify)		4.2%	3
<b>answered question</b>			<b>72</b>
<b>skipped question</b>			<b>10</b>




### 8. Does your fund make loans to startup businesses?

		Response Percent	Response Count
Yes		94.7%	71
No		4.0%	3
Not Sure		1.3%	1
answered question			75
skipped question			7



### 9. Does your fund make loans for business expansions?

		Response Percent	Response Count
Yes		97.3%	73
No		1.3%	1
Not Sure		1.3%	1
answered question			75
skipped question			7




### 10. Does your fund make loans for business refinancing?

		Response Percent	Response Count
Yes		8.3%	6
No		81.9%	59
Not Sure		9.7%	7
answered question			72
skipped question			10



### 11. Are loans made to businesses with fewer than 10 employees?

		Response Percent	Response Count
Yes		98.6%	73
No		0.0%	0
Not Sure		1.4%	1
answered question			74
skipped question			8

### 12. Are farming enterprises excluded from application?

		Response Percent	Response Count
Yes		59.5%	44
No		29.7%	22
Not Sure		10.8%	8
answered question			74
skipped question			8

### 13. Are retail businesses excluded from application?

		Response Percent	Response Count
Yes		20.3%	15
No		79.7%	59
Not Sure		0.0%	0
answered question			74
skipped question			8

are highly likely (98.6%) to make loans to small businesses, but nearly 60% would exclude farm enterprises. Retail businesses would be excluded by 20% of the funds reporting in the survey as well (Questions 11, 12, 13).

One-fourth of the respondents noted some additional business sectors and situations for which their fund would not give loans (Question 14). Among the sectors that a few respondents noted as ineligible for loans were cable TV (3), casinos and gambling activities (4), residential housing (3), financial institutions (3), production

agriculture (3), illegal activities (3), government entities (2), or pre-development costs (2). Also mentioned were golf courses, restaurants, race tracks, tourist attractions, general purpose vehicles, transfers of ownership, working capital, relocations out of the area, and non-profits. Thus, a fund may likely have some kinds of projects or sectors which they will not fund .

On the other hand, some of the funds reported that there is a fairly specific purpose for the fund and only a limited kind of project could receive a loan. One example





14. Are any other sectors excluded from application?		Response Percent	Response Count
Yes		25.3%	19
No		58.7%	44
Not Sure		12.0%	9
Other		4.0%	3
answered question			75
skipped question			7

Table 4: Capital amount in revolving loan funds: total capital amount, capital loaned out, and capital unobligated and available.

Value of Funds	Total Capital		Capital Loaned Out		Capital Available	
	Count	Percent	Count	Percent	Count	Percent
\$0	0	0.0	4	5.3	2	2.6
\$1 - \$99,999	1	1.3	17	22.3	23	29.5
\$100,000 - \$199,999	16	21.1	10	13.2	18	23.0
\$200,000 - \$299,999	12	15.8	7	9.2	8	10.3
\$300,000 - \$499,999	8	10.5	12	15.8	11	14.1
\$500,000 - \$699,999	12	15.8	6	7.9	10	12.8
\$700,000 - \$999,999	3	3.9	5	6.6	5	6.4
\$1,000,000 - \$1,499,999	9	11.9	6	7.9	1	1.3
\$1,500,000 - \$1,999,999	7	9.2	4	5.2	0	0.0
\$2,000,000 - \$4,999,999	7	9.2	5	6.6	0	0.0
\$5,000,000 or more	1	1.3	0	0.0	0	0.0
<b>Total Reported</b>	<b>76</b>	<b>100.0</b>	<b>76</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>

Table 5: Percent of fund loaned out.

Percent	Count	Percent	Percent	Count	Percent
0.0	4	5.3	60.0 - 69.9	12	15.8
0.1 - 24.9	4	5.3	70.0 - 79.9	12	15.8
25.0 - 34.9	4	5.3	80.0 - 99.9	14	18.5
35.0 - 49.9	9	11.7	100.0	2	2.6
50.0 - 59.9	15	19.7			
<b>Total Reported</b>				<b>76</b>	<b>100.0</b>

is a fund that reported it is only for downtown buildings, thus other purposes could not be funded. There may be restrictions on the loans that result from the agency or entity from which the loan capital was obtained that limit the kinds of businesses that can be funded. Finally, as noted earlier, almost all of the funds have a particular geographic location or area for which they have been developed and the business must be within the specified area in order to receive a loan.

The amount of total capital in the revolving loan funds varied widely among those responding. Although just one fund had less than \$100,000, 38 percent reported less than \$300,000 in total funds. These smaller funds contrasted with some that were quite large. Nearly one-third of the funds had access to at least \$1 million in loan capital and one fund reported more than \$5 million in the fund (Table 4). Four funds noted that, at the time of the survey, they did not have any of their capital loaned out.

In most cases, however, significant portions of the fund were loaned to businesses. More than half of the respondents reported that 60 percent or more of their capital had been loaned and, for two funds, it had all been loaned (Table 5). Fifty-five percent of the funds said there was less than \$200,000 in their fund available for new loans. Although 24 funds had reported at least \$1 million in total capital, only one fund said it had that much remaining to be loaned (Table 4).

Thirty-eight (54.3%) of the reporting funds said they had an internet presence which, for essentially all of these, was with the web site of the sponsoring organization or program. Thirty-two of the respondents (45%) said there was no web site for their fund (Question 7).

There are two centralized internet sites that have information about revolving loan funds in Iowa and show a county map and listing of the funds. MyEntrenet,<sup>3</sup> an online entrepreneurship development system hosted by

#### 7. Does the loan fund have a website? If so, please give web address.

	Response Count
	70
answered question	70
skipped question	12




#### 45. Is your fund listed on the MyEntrenet Money Map?

		Response Percent	Response Count
Yes		38.4%	28
No		21.9%	16
Not Sure		39.7%	29
	answered question		73
	skipped question		9

the Regional Business Center at the University of Northern Iowa, is one of the sites. The other site is hosted by the U.S. Department of Agriculture's Iowa Rural Development Office.<sup>3</sup> Between the two sites, many funds are listed and much information is available. Some of the respondents, however, were unsure if their fund was listed. Although 38 percent of the respondents said that their fund was listed on the MyEntrenet Money Map, an equal proportion was unsure if their fund was listed there. A similar pattern resulted for the Rural Development site as well. Nearly 42 percent knew that their fund

was listed but an even larger proportion (47%) was unsure (Questions 45, 46). Because of the local or regional orientation of most of the revolving loan funds, many businesses and entrepreneurs looking for capital and loans may want to start with development groups and organizations in the community and area where they want to locate their business. A set of resource web sites follows.<sup>3</sup> Additional reports in this series examine other topics covered in the survey and can be found on the Community Vitality Center web site.

#### 46. Is your fund listed on the US Department of Agriculture Rural Development Revolving Loan Fund Map?

		Response Percent	Response Count
Yes		41.9%	31
No		10.8%	8
Not Sure		47.3%	35
answered question			74
skipped question			8

<sup>1</sup>This project was carried out by the Community Vitality Center at Iowa State University as a taskforce project of the Iowa Small Business Assistance Connection (ISBAC), a newly formed statewide alliance of entrepreneurial support networks. The survey was conducted in the summer of 2011. Loan fund managers responded to the internet survey after first being

contacted by email. There were 82 responses but only 81 were usable for a response rate of 41%. Additional reports in this series examine other topics covered in the survey and can be found on the CVC web site at: [www.cvcia.org](http://www.cvcia.org).

<sup>2</sup>Totals exceed number of respondents because some gave information for more than one fund.

<sup>3</sup>Web site resources:

MyEntrenet: [www.myentre.net](http://www.myentre.net)

U.S. Department of Agriculture, Iowa Rural Development: [www.rurdev.usda.gov/SupportDocuments/IA\\_rlf.pdf](http://www.rurdev.usda.gov/SupportDocuments/IA_rlf.pdf)

Iowa Association of Regional Councils of Government: [www.iarcog.com](http://www.iarcog.com)

Iowa Area Development Group: [www.iadg.com](http://www.iadg.com)

Professional Developers of Iowa: [www.pdiowa.com](http://www.pdiowa.com)

Iowa Department of Economic Development: [www.iowalifechanging.com](http://www.iowalifechanging.com)

Iowa MicroLoan: [www.iowamicroloan.org](http://www.iowamicroloan.org)

Community Vitality Center: [www.cvcia.org](http://www.cvcia.org)

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