

# LOAN PRODUCT: LINES OF CREDIT



Formed by REDF in response to the demand for flexible capital, REDF Impact Investing Fund's (RIIF) mission is to provide financing paired with capacity-building support to nonprofit and for-profit employment social enterprises to strengthen their financial sustainability and grow their businesses so they can employ and equip more individuals striving to chart a new course in life.

## PRODUCT OVERVIEW

A line of credit is a useful financing tool for businesses that experience cash flow timing challenges while they balance awaiting payment on government or contract receivables with making timely payments on operating expenses such as payroll.

## TYPICAL TERMS

**Loan size:** \$100k - \$1 million; smaller or larger requests are reviewed on a case-by-case basis

**Term:** 12 months with potential for renewal

**Origination fee:** Loans >\$200,000:  
1.0-1.25% of total loan amount;  
Loans <\$200,000: \$2,500

**Interest rates typically:** 6.75-7.25%

**15-day zero balance "clean up" period** during term is required

**Up to once a month draws:** draws determined by a borrowing base of eligible receivables

**Collateral:** Lien on business assets

## LINE OF CREDIT UNDERWRITING REQUIREMENTS

**12-month cash flow projections required, including anticipated draw and pay down schedule**

**A/R aging reports**

**Due diligence on contracting, billing, and collections processes and time frames**

**Key contract reviews**

*\*For Eligibility Criteria visit: [redf.org/RIIF-eligibility](http://redf.org/RIIF-eligibility)*

## BORROWER SPOTLIGHT

Weld Seattle is a lived experienced non-profit that provides formerly incarcerated individuals with housing, employment opportunities, and resources conducive to recovering from substance abuse addiction and successful reintegration back into society.

A \$200k line of credit from RIIF is allowing Weld Works, its social enterprise business line, to bridge receivables to fund weekly payroll expenses without dipping into its reserves while awaiting its contract receivables to be paid.

The RIIF financing will enable the borrower to make 200 temporary placements over the loan term, 90% of which turn into full time jobs in the construction industry.

