

# Loan Product: Term Loans to Employment Social Enterprises



**REDF**  
An investment that works.

**REDF impact**  
Investing Fund



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

## PRODUCT OVERVIEW

A term loan is a useful tool for growing businesses, providing the capital to hire new staff, acquire equipment, perform leasehold improvements, purchase inventory, and move forward with other expansion needs.

## TYPICAL TERMS

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

**Term:** 2-7 years with potential for an interest-only period

**Interest rates typically:** 6.50-7.25%

**Repayment source:** Projected cash flow from operations

**Collateral:** Lien on business assets

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

## UNDERWRITING REQUIREMENTS

2-7-year cash flow projections with detailed growth assumptions required (RIIF provides a template if requested).

Review of all applicable project sources (fundraising campaign, equity, etc.); detailed description of the project for which funds will be used, and explanation of how the loan proceeds will contribute to growth.

Other standard requirements such as three year historical financial and operational review, employment program and mission fit, competitive analysis, growth plan, management overview, and vetting calls (customer/client feedback).

*\*For eligibility criteria go to: [redf.org/what-we-do/impact-lending/](http://redf.org/what-we-do/impact-lending/)*

## BORROWER SPOTLIGHT

CRCDC Enterprises hires graduates from CRCDC's Youth Academy and Work Source Center. Over ten years of operation, the company has evolved to provide training and apprenticeships for residents of South LA, teaching skills that will equip workers to grow in their positions and earn a prevailing wage.

A \$400k working capital loan funded a full-time project estimator and project manager and provided working capital for CRCDC to bid and compete for larger construction contracts which required significant upfront expenses, primarily in the form of prevailing wages for contract labor and job materials.

During the life of the loan, CRCDC expects to hire 900+ employees.

