

LOAN PRODUCT: WORKING CAPITAL LOANS



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.

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

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: 6.75-7.25%

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

TERM LOANS UNDERWRITING REQUIREMENTS

3-7 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, ex. financial analysis to verify secondary source of repayment

BORROWER SPOTLIGHT

CRCD Enterprises hires graduates from CRCD'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 CRCD 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, CRCD expects to hire 900+ employees.

