

CRITERIA FOR LOANS COLLATERALIZED BY SHARE

Following is a list of criteria for the applicant to consider before applying for loan collateralization. The criteria are guidelines to help the SHARE board evaluate a project. Should you feel your project meets the spirit of the criteria, though not all the details, we encourage you to go ahead and apply. If you have any questions about the application form or need help in filling it out, please call and ask for a meeting with a SHARE board member.

General Criteria:

1. Loans should be for productive purposes to help you or your business provide goods or services more efficiently or economically to the community.
2. The business receiving the loan should be regionally based, that is as much as possible the goods should be locally produced, using local materials, employing local people and selling to a local market.
3. The goods or services offered should be needed by the regional community. Priority will be given to basic necessities such as food, clothing, shelter, alternative energy sources, and health and transportation services. The main intent here is to help encourage "import-replacing" business initiatives, that is, to find ways to foster production of needed goods and services within the region rather than importing such items from outside the region.
4. Production methods should be environmentally sound, using appropriate scale technology when possible and including measures for energy conservation.
5. The business should be socially responsible both in relationship to employees and consumers. Products and services should be of high quality and safe to the health and well-being of the community. Non-discriminatory hiring practices, fair employment terms and safe working conditions should be used at all times. Priority will be given to organizations structured as cooperatives in which workers have a significant participation in management and ownership.

Financial Criteria:

1. A sound business plan that demonstrates the capability of the business to repay the loan.
2. The borrower should be prepared to demonstrate that there is a local market for the good or service, either through contracts in hand, response from advance advertising or assessment of producers of similar products.
3. Borrower should have or plan to get experience in producing and/or marketing such a product.
4. Product should be of good quality and should be available at a reasonable price.

5. Sound bookkeeping methods should be employed by the business.
6. The borrower might not generally qualify for a conventional bank loan.
7. The loan should be partially collateralized, either by equipment or by personal signatures of customers or workers in the business.

Types of Loans:

Credit Fund:

Loan collateralization of up to \$3,000 is available through the Credit Fund of SHARE. In general the loans should be for a period of under two years. Interest rates would be:

- the going interest rate on SHARE deposit accounts plus 7 1/2 % for an installment loan (with monthly payments on the interest and principle) or
- the going interest rate on SHARE deposit accounts plus 4% for a demand note loan (quarterly payments on the interest with the interest paid in one lump sum at the end of the loan period).

We prefer to make installment loans but will consider collateralizing demand-note loans when the project calls for it.

Direct Loan Fund:

Loan collateralization for larger amounts is possible through the Direct Loan Fund of SHARE. In such cases SHARE reviews the application as for the Credit Fund and then informs its members about the project. Individual members may agree to directly collateralize the project, taking the risk upon themselves. In such cases interest rates may vary depending on the needs of the borrower and the availability of funds from members. Borrowers should understand that approval of a loan collateralization request through the Direct Loan Fund does not guarantee that funds for the project will be available.

The application form should include the amount of the loan to be collateralized, the period of the loan and the interest rate.