

## **RURAL ECONOMIC DEVELOPMENT LOANS**

### **NARRATIVE**

Rural Economic Development Loan funds are geared toward development by building infrastructure that generates and/or saves jobs in our area.

### **TYPE OF FUNDS**

Santel Communications has two types of loan funds available,

- The first fund is sponsored by Santel Communications and was originally seeded with \$400,000.
- The second fund was in the form of a grant from USDA-RBS through a program that was started during the late 1990`s in the amount of \$200,000. (This money went to the Ethan School District).

The Santel board of directors has control of both funds. They set the interest rate and the term of the loan for both loan funds. Our board of directors has more flexibility with the fund seeded by the cooperative.

The USDA fund must follow guidelines provided by USDA. The USDA money is term limited to ten years. Repayment terms are monthly. A loan could be for a lesser number of years than ten.

Loan funds must be sponsored by an entity such as a City government, County government, Development Corporation, or etc. The loan is granted to the governing entity, not directly to the business. The promissory note will be between Santel and the sponsoring entity (City, County, Development Corporation). It will be up to the business and the entity to have their own agreement, lien and other terms and conditions for the loan. This insulates Santel from any default of loan payments and places the responsibility on the community where the loan funds are utilized.

The cooperative's legal council will handle loan all paperwork that is necessary between the loan sponsor, and Santel.

There are no guidelines stating that a governing entity could not charge a higher interest rate to a business than their loan agreement rate with Santel. Although this may not provide a good image within a community because there are those that would consider it an additional tax rather than an economic development move.

Looking to the past most of the previous loans were offered at an interest rate of 5.0%

When disaster strikes as it did when the Woonsocket grocery store was destroyed by fire, Santel funds were used with a longer term and a somewhat lower interest rate. The City sponsored the loan.

Each community needs to look at their specific situation to determine the risk of a loan versus the return to their community,

Application for loan funds must be made to Santel in writing. The Santel board of directors meets the third Thursday of each month and any application for loan funds should be made before this day of the month. Send letter of request to the General Manager, Santel Communications, 308 South Dumont Avenue — Box 67, Woonsocket, SD 57385.

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