



The North Carolina Rural Center

Since 1987, the Rural Center has worked to improve the quality of life for the state's rural people and places. The NC Rural Center was created to develop, promote, and implement sound economic strategies to improve the quality of life of rural North Carolinians.

Data analyzed by the Rural Center shows bank lending to rural small businesses with less than \$1 million in annual revenues has decreased 61% from 2005 to 2015. During the same period, small businesses in rural North Carolina have declined by 7 %.

The Rural Center Launched Thread Capital

The Rural Center launched Thread Capital, a new non-profit to help more small business owners and entrepreneurs get access to the critical capital and resources to start or expand their business. Thread Capital also provides coaching and connections to tools entrepreneurs need to create jobs.

Loan Program Details

- Loan amounts from \$500 to \$50,000, with a limit of \$20,000 for start-up businesses (*less than 1 year of documented revenue*).
- Interest rates begin at 12.99%.
- Loan payment terms are up to 72 months depending on the use of loan proceeds.
- Target baseline credit score of 575, but scores below this will also be considered.
- Any individual with greater than 20% ownership in the business must cosign.
- Decisions are typically made within 15 days and loans funded within 30 days.
- Business planning and technical assistance.
- Business plans are required for start-up businesses (*less than 1 year of revenue*).
- Special emphasis to serving rural, low-income, female and minority borrowers.
- Loans require collateral.
- Lines of credit are not offered.

How is an applicant referred to Thread Capital?

Email the applicant's information to Cathy Barr at cathy.barr@ashecountygov.com. Or, a referral to Thread Capital can be made by sending the applicant's information to jalisha@threadcap.org. For tracking purposes, please copy Cathy Barr on emails sent directly to Thread Capital.

Thread Capital Frequently Asked Questions

What opportunities and services does Thread Capital offer?

Thread Capital works one-on-one with small business owners to identify and provide connections to the optimal financing, networking and coaching resources for their business. They work with individuals who have good ideas and experience but may have difficulty obtaining financing through “traditional” loan programs.

Thread Capital provides direct financing to businesses and connections to other lenders. If they are not a good fit, they work with additional partners across the state. They also work with Small Business Centers and NC Small Business and Technology Development Center offices.

How does a business qualify?

Basic requirements are:

- Applicants must be 18 years of age.
- A business must be based in N.C.
- The business should not be involved in adult entertainment, multi-level marketing, real estate speculation, lending or gambling.
- There cannot be an unsettled public judgment, bankruptcy, delinquent taxes or delinquent student loans unless they are on an active payment plan.
- Anyone who owns more than 20 percent of the business must sign the loan.
- Business must be for-profit and have a sound business idea.

Can the loan be used to start a new business?

Absolutely. Many of the borrowers are start-ups. Existing businesses are also funded.

Are there any restrictions for the use/purpose of the loan funds?

Typical uses of proceeds include working capital, inventory, equipment and leasehold improvements. Loan funds cannot be used to pay off personal debt, credit card debt, personal expenses or real-estate speculation. The loan also cannot be used to payoff delinquent federal, state or local taxes.

What is the application and approval process like?

The application should take about 10 minutes to complete. Questions will be asked about personal and business finances, available collateral, etc. Once the application is received, the staff reviews the application and contacts the applicant to schedule a 30-minute interview. After the interview, if the applicant chooses to proceed with the loan he/she will be asked to provide documentation about himself/herself and the business. Once Thread Capital has the necessary documentation, an applicant can expect a loan decision in a matter of days and the funds shortly thereafter.

How much can an applicant borrow?

Thread Capital will work hard to provide access to the capital required and make loans of up to \$50,000. If the loan is not funded directly by Thread Capital, they will assist the applicant in working with one of their partners who may be a better fit. Thread Capital has a

network of resources for small business borrowers seeking as little as \$500 and as much as \$5 million.

What are Thread Capital's interest rates?

Interest rates vary based on the age of the business, the size of the loan and other factors. Generally, an applicant can expect to pay higher rates for small loans and lower rates for larger loans.

Are there any loan fees?

Yes. Fees are charged to close the loan and file liens on collateral. They can be financed in the loan.

Is there any pre-payment penalty?

No. A loan can be paid in full at any time without penalty.

How long will the applicant have to pay Thread Capital back?

The length of the loan terms will be based on how the loan funds will be used. The maximum loan term is seven years.

Is collateral required?

If the applicant has assets, collateral will be required. However, an applicant is eligible for a loan even if he/she does not have collateral to pledge.

How does the applicant repay the loan?

Monthly payment automatically deducted from the business bank account.

Does an applicant have to be incorporated to borrow money?

No. Thread Capital will fund any legal, for-profit entity. Many of the borrowers are sole proprietors.

Can an applicant get free money to start a business?

Thread Capital offers business loans, not grants. Grants are generally not available for small businesses.

How long does it take to receive the money?

The timeline is driven mostly by how quickly an applicant provides business documentation. Thread Capital's internal process can take as little as seven business days

If an applicant applies and is turned down, will it show up on his/her credit record?

Yes. A credit inquiry will show the applicant's credit report.

If an applicant applies, who else will see his/her information?

The information will be seen by the credit committee, each of which has signed a confidentiality agreement. All information contained in the application is kept strictly confidential and will not be used for any other purpose.

What if the applicant can't repay the loan?

Thread Capital works with an applicant to arrive at a financing solution that gives him/her the best chance for success, but sometimes it doesn't work out. Thread Capital expects the loan to be paid back in full, with interest. Any collateral put up is security against the possibility of default and can be repossessed. If the loan is in default, Thread Capital uses whatever legal recourse available to recover the funds that are owed.

COMMUNITY PARTNERS

Vibrant communities are built on the strength of people and businesses connecting. Thread Capital knows they are only as successful as the partnerships they build and maintain.

- NC Community College Small Business Center Network's (SBCN)
- NC Small Business and Technology Development Center (SBTDC)
- SCORE
- Business Link North Carolina (B-LNC)
- Carolina Small Business Development Fund
- Mountain BizWorks
- Natural Capital Investment Fund
- NC Association of Community Development Corporations (NCACDC)
- NC Community Development Initiative (The Initiative)
- NC Department of Commerce
- NCIMED (The Institute)
- NC Secretary of State
- NC Cooperative Extension

CURRENT FUNDING PARTNERS

- BB&T
- Golden LEAF Foundation
- USDA Rural Development
- Wells Fargo