

# Small Business Loan Q & A

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## About the Program

**What is the Small Business P2 Loan Program?** The Small Business P2 Loan Program (P2 Loan Program) is a program that allows businesses of 500 employees or less to apply for loans up to \$400,000 at an interest rate of five percent or less. The loans must be used to implement a project that eliminates or reduces waste through pollution prevention. Pollution prevention includes reducing a waste at the point of generation (source reduction) or environmentally sound reuse and recycling.

**Why was it created?** The P2 Loan Program was proposed as an amendment to Part 145 of the state's Natural Resources and Environmental Protection Act. Funding to support the program was approved by voters in November 1998, as part of the Clean Michigan Initiative.

**What state funds will be used for the P2 Loan Program?** Loans up to \$400,000 are shared equally between the lending institution and the state funds. Money from the state's small business loan fund, established by the Clean Michigan Initiative and appropriated by the Michigan Legislature, may not exceed \$200,000 per loan. The remaining balance of the loan will come from lending institutions.





**What businesses are eligible for a loan?** Any small business that employs 500 or fewer people, is independently owned or operated, and not dominant in its field, is eligible to apply for a P2 Loan. Loans are available to all private business sectors including manufacturing, farming, retail, and service.



**What types of projects are eligible for the P2 Loan?** Projects are eligible if they reduce or eliminate waste and are either: (1) a recommendation resulting from a Retired Engineer Technical Assistance Program (RETAP) audit, or (2) are a qualifying pollution prevention expenditure. Qualifying projects include equipment modifications, product substitution, improved inventory control, improvements in housekeeping and maintenance, energy conservation studies and on-site water conservation. A list of sample eligible pollution prevention projects is available through the Michigan Department of Environmental Quality (MDEQ).

**How much can be borrowed and at what interest rate?** Loans under the program are provided at an interest rate of five percent or less, to be determined by the MDEQ Director. Loans up to a maximum of \$400,000 can be borrowed at this discounted interest rate. The total amount of the low interest loan is shared equally between the small business loan fund and the lending institution. The lending institution may provide supplemental loans for projects that exceed the \$400,000 maximum, however, these loans will be at market rate and not considered part of the loan program.

### **Benefits**

**What is the benefit of the program to the borrower?** Small businesses will benefit from the loan program by being able to finance pollution prevention projects with low interest loans at their facilities. Pollution prevention is the preferred method for improving the environment and brings economic benefits from improved efficiency. P2 Loans are offered at below market rate level to help small business obtain the resources they would need to improve operations at their business by reducing wasteful practices.

**What is the benefit of the P2 Loan Program to the lender?** Lenders participate with the state by providing half of the loan for pollution prevention projects at discounted interest rates. Lenders only assume half the risk of the loan and their rate of return is at a fair market rate while the state buys down the interest rate. Lending institutions can offer these



loans to local business and existing customers. Through the benefits of the loan program, businesses may ultimately decrease their environmental and financial risk.

**Who has responsibility for the program?** The MDEQ administers the program. MDEQ staff are available to answer questions about the loan program and assist in reviewing proposed pollution prevention projects. The participating lending institution is responsible for reviewing credit worthiness and collecting loan repayments from the business. Engineers from the Retired Engineer Technical Assistance Program (RETAP) are available at no cost to perform confidential assessments at businesses. Recommendations from a RETAP assessment can be implemented by applying for a P2 Loan.

### Application Process

**How does an applicant apply for a P2 Loan?** Upon identifying a proposed project, an applicant can meet with a lending institution to obtain a financial review for the loan. An application that describes the P2 project is completed by the small business and submitted to the MDEQ by the lending institution. Once the project is determined to be eligible by the MDEQ, the applicant finalizes the loan with the lending institution.

**Are there deadlines for applying?** There are no deadlines for applying; project applications are reviewed on a first-come, first-serve basis. MDEQ staff are available for pre-loan meetings to identify eligible projects or discuss the application process prior to meeting with the lending institution. This service is optional, but highly encouraged. This optional service is intended to help expedite the MDEQ formal processing of the application.

**What lenders can participate in the P2 Loan Program?** Any organized lending institution, such as a bank, out-of-state bank, national bank, association, savings bank, or credit union that has entered into a lender participation agreement with the department can participate in the P2 Loan Program. Lenders will be required to sign a lender agreement outlining their responsibilities and obligations assigned under the program. The signed agreement is submitted to the MDEQ during loan closing.

**What criteria will be used to evaluate an application?** P2 Loans will be evaluated by the MDEQ to determine whether the project is eligible for a loan under this program. The criteria includes (1) whether the applicant is a small business and (2) whether





the project results in pollution prevention at the site. The lending institution will make the determination of a business's "credit worthiness."

**Who will make the actual credit decision regarding the application?** All credit decisions are made by the lending institutions.

Terms of the loan are determined on an individual basis; however, in no case may interest exceed five percent.

**Will the application process be cumbersome?** The application for the P2 Loan is a simple three-page document that includes information about the applicant and the project. A description of the project, estimated costs, schedule, and reduction estimate of pollution generated, must be provided. MDEQ staff are available to assist a business in completing an application.

**Can an eligible business apply for more than one P2 Loan?** Only one P2 Loan can be obtained by a business over a three-year period. If a project is denied, an application for a new or revised project can be submitted at any time.

**Contact Information**

Additional information is available by calling the Environmental Assistance Center at **800-662-9278**, reviewing the P2 Loan website at [www.michigan.gov/p2loan](http://www.michigan.gov/p2loan), or by contacting the Small Business P2 Loan Program, Michigan Department of Environmental Quality, PO Box 30457, Lansing, Michigan 48909-7957.



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