

SPRINGBOARD ARTIST LOAN FUND

FREQUENTLY ASKED QUESTIONS

Springboard's Artist Loan Fund makes small loans (\$1000-\$5000) to Twin Cities area artists for artistic development and artistic business development. The Fund is a community-based revolving loan program designed for artists who may have difficulty securing funds from traditional lending sources. The loan fund is not only a source of loans, but is also an artist-friendly source of business and financial skill development. The loan fund is administered via a collaboration of two community agencies: Springboard for the Arts and the Northcountry Cooperative Development Fund (NCDF). The mission of the program is to enrich the vitality of the Twin Cities arts community by providing timely access to capital while improving artists' financial management abilities.

A. BACKGROUND OF THE FUND

Where does the money come from?

The Artist Loan Fund (ALF) was provided seed capital by the Dayton Hudson Foundation in 1991. Artist loan payments continually replenish the fund. Since ALF's inception, Springboard for the Arts has loaned money to over 130 artists for a variety of needs and opportunities.

What is Springboard, and how are they involved with the loan fund?

Springboard for the Arts is a nonprofit service organization which assists independent artists and nonprofit arts organizations by helping them gain access to materials and resources that will improve their professional and business management skills. Springboard provides technical assistance to loan applicants helping artists to prepare loan applications, and learn about financial management and planning through individual consultations and workshops.

What is NCDF, and what does it do?

The Northcountry Cooperative Development Fund is a cooperatively owned loan fund founded in 1978 for the purpose of providing capital to cooperatively owned enterprises in the Upper Midwest. NCDF acts as the loan fund's "bank" by processing applications, doing credit checks, and managing the loan portfolio.

Who can apply?

Artists of any discipline who can demonstrate an ongoing commitment to their artistic career, and reside in the 14-county area surrounding the Twin Cities are eligible. As of Spring 2007, counties served include Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Washington, Isanti, Wright, and Chisago in Minnesota and Pierce, Polk, and St. Croix counties in Wisconsin.

The Fund is for individuals only. Nonprofit and for-profit corporations may not apply. Loan fund recipients represent a broad array of disciplines. Visual artists, musicians, writers, performers, textile, media, jewelry and interdisciplinary artists are all represented.

What is the difference between the Artist Loan Fund and a grant?

ALF loans are not made based on artistic merit. Loans are made based on an individual's track record as a working artist and their ability to repay the loan. A grant is given to an artist to complete a project or continue to produce a significant body of work. It is a partnership between an artist's ideas and a funder's capital. ALF is a partnership too, but it is not free money. It is a business loan – with collateral, repayment schedules and consequences for not making timely payments. As such, an ALF loan may not be considered “matching” money in some grant proposals.

How is this fund different from a bank?

ALF is meant to serve the needs and opportunities of artists. The loan fund is also an artist-friendly way for first-time borrowers to establish a credit history. To get a business loan at most banks, you must request a minimum amount that is too great to be economically reasonable for an artist. ALF loans can be as little as \$1000. The Artist Loan Fund bridges the gap between a self-employed artist's need and what is an economically feasible loan for a bank.

ALF is also designed to increase the basic skills necessary for budgeting and managing money. Loan recipients may take money management workshops offered through Springboard for free. Loan recipients are also eligible for free individual consultations with ALF staff during the loan period.

B. SPECIFIC LOAN INFORMATION

What size loan can I ask for and how long do I have to pay it back?

Loans range in size from \$1000 to \$5000. Payback periods vary from 12 months to 36 months, based on the size of the loan and the particular situation of the artist recipient.

What can I get a loan for?

Loans will be made for artistic development and artists' business development purposes. Artists have received loans for equipment purchases, to purchase materials, manufacture CDs, complete projects and start businesses. The guidelines are meant to be inclusive and flexible – to cover a wide range of artists' needs and opportunities.

What interest will be charged?

Loan interest rate is charged at one point over the current prime rate.

Will I need collateral?

Yes. This is a secure loan, which means you will need to declare business property and/or personal property that can be used by the fund to secure the loan.

Are there any fees I have to pay?

Yes. ALF is a community-based fund and as such looks to its users for partial support. Artists applying for the loan attend an informational meeting, which is free. The artist then meets with Springboard staff to prepare and/or review the loan application materials. There is a loan application fee of \$20 due when you turn in your completed materials. Also, at the time the loan is approved, a loan origination fee of \$75 will be assessed.

C. LOAN APPLICATION PROCESS

How do I initiate a loan application?

Call Springboard to preregister for one of the free informational meetings. Meetings are held monthly around the region. You can get application materials and answers to your questions.

Can I get help preparing my application?

Springboard staff is available to help with the application. In most cases, a one-hour consultation and subsequent phone calls are enough, but additional technical assistance is also available if needed. Artists will then meet with NCDF's Loan Fund manager, who will review the financial information on the application.

Who will decide whether I get a loan or not?

The Loan Committee will decide. The Committee is comprised of staff from NCDF and Springboard. They will evaluate each application, considering the purpose of the loan, the credit history of the applicant, and the ability of the artist to pay back the loan.

In some cases, if a loan is denied, applicants may resubmit an application after providing additional information.

How often are loans available?

Loans are made on an ongoing basis, but the process usually takes about two weeks.

What will happen if I don't pay it back?

ALF will take your neat stuff! And the loan fund will suffer. Failure of a loan recipient to repay a loan limits the ability of the Fund to make loans to other artists.

If I successfully pay back my loan, can I apply again?

Yes! You can apply again when your loan is paid off. Many artists have taken advantage of this opportunity.

Do I have to pay taxes on my loan?

No. ALF loans are business loans and as such are not taxable income. In fact, the interest on the ALF loan is tax deductible and should be noted as a deduction on Schedule C of your federal income tax return.

D. THE LOAN APPLICATION PACKAGE

What should be included with my loan application?

Please include the following items when you apply for a loan:

- A completed application including financial worksheets
- A one to two page artist resume
- Personal tax returns for the past three years (include 1040 and Schedule C only)
- Art business income and expense worksheets (if applicable)
- A marketing, sales or business plan (if applicable)
- Work sample (encouraged, but optional)
- \$20 application fee - make checks out to NCF (North Country Foundation)

CHECKLIST FOR COMPLETED APPLICATION

Artists are strongly encouraged to bring work samples to their technical assistance appointments.

- Application
- Financial worksheets
- One or two page artist resume
- Personal tax returns for past three years (include 1040 and Schedule C only)
- Art business income and expenses worksheets (if applicable)
- Additional pages for purpose of explaining loan, employment history or situation, collateral or expenses and marketing, sales or business plan (if applicable)
- Work sample
- \$20 application fee - make checks out to NCF (North Country Foundation)

Note: Loan application materials need not be complete for the technical assistance meeting at Springboard for the Arts.

For the loan application review meeting with the loan fund manager from the Northcountry Cooperative Development Fund you will need the completed loan application and the addenda listed above. When loans are approved a \$75 loan origination fee will be assessed.

Meetings with Springboard staff for technical assistance are usually held at Springboard for the Arts in the Northern Warehouse, 308 Prince Street, Suite 270 in Lowertown in St. Paul. Your meeting with the loan fund manager at NCDF will be scheduled the week after your application materials are due. These meetings are held at the NCDF offices at 219 Main Street SE #500, Minneapolis, MN 55414.

WHAT ARTISTS HAVE SAID ABOUT THE LOAN FUND

One recipient states, “I think the loan process of looking carefully at my finances and getting organized helped me a lot and helped lead to buying my first house.”

Another – “You were there for us when we needed you. Even if you’re fairly solvent and have piles of degrees, banks look askance at our ilk which is, of course, the reason you exist.”

“As a result of the equipment I purchased, I could take on new projects that I otherwise would not have been able to do. This has helped to increase my income as an artist.”

“The entire program is truly amazing. I have a continued sense of hope because of the support the loan fund has given to artists for artistic endeavors within this community.”