

# **DeWitt County Development Council Revolving Loan Fund Program Details**

## **GOALS AND OBJECTIVES**

1. To be a resource that helps provide financing for viable projects that stimulate economic growth in DeWitt County.
2. To help cover financing gaps in existing loan sources and programs when a lender or program requires additional funding sources.
3. To assist new or existing businesses to create and retain jobs.
4. To provide businesses with an opportunity to expand in ways that result in a measurable, positive economic impact within the county.

## **LOAN SELECTION CRITERIA**

1. The RLF is designed to help cover financing gaps in existing loan sources and programs. The funding requested cannot already be available through traditional financing or other programs.
2. The applicant must be a commercial, retail or industrial business that is expanding in or locating to DeWitt County. It must be a private business with less than \$1 million in annual projected gross revenues and will employ 50 or fewer new employees to qualify for the RLF program.
  - a. For retail gross revenues is total sales minus cost of goods sold minus returns; for service organizations it is gross revenues minus cost of providing service; for manufacturing it is total sales minus cost of raw materials minus the cost of production (per RLF grantor).
3. The minimum loan request is \$5,000; the maximum loan request is \$60,000. The amount approved will be determined by the Review Committee and Board of Directors and may be less than the requested amount. There is a limited amount of funds available through the RLF.
4. Applications that demonstrate the greatest potential for meeting the goals and objectives of the fund will be given the highest priority.
5. Applicants must demonstrate they will have the ability to repay the loan.
6. The applicant will demonstrate the funding proceeds will result in new or retained jobs or result in a measurable, positive economic impact within DeWitt County.
  - a. For loan amounts over \$15,000 the applicant must provide reasonable projections explaining how the project will create or retain the equivalent of at least 1 full-time job for every additional \$15,000 requested.
7. The borrower contributes at least 10% of its own existing funds or equity into the project. The RLF portion will not exceed 75% of the total project funding.
8. The applicant provides all items requested by DCDC for the business financials, project plans, outside financing, and the corporate documents necessary to review and process the request. The DCDC Review Committee has compiled a list of Application Information to request from the borrower (see the separate page labeled *RLF Program Application Details*).
9. Collateral and Personal Guarantee(s) will be required when applicable.
10. The loan term will be between 3-5 years, not to exceed the normal life of the asset(s) financed.
11. There are no special provisions permitted that will prevent the recapture of the loan.
12. The applicant must certify at least 51% of the outstanding interest in the project has membership or is owned by those who are either citizens of the United States or reside in the United States after being legally admitted for permanent residence.

13. The RLF funds will not be granted directly to a current DCDC employee, board member, RLF administrator or RLF committee member, who has a legal financial interest in the RLF recipient. This also extends to their immediate family members.

### **ELIGIBLE USES OF FUNDS**

*When the RLF Objectives and Loan Selection Criteria are met these are eligible uses:*

1. Purchase or construction of a new facility or addition
2. Renovation of existing facilities
3. Leasehold improvements that result in a measurable, positive economic impact locally
4. Purchase of equipment or machinery
5. Start-up business initial costs
6. Training or technical assistance costs that lead directly to creating or retaining a job

### **INELIGIBLE USES**

1. Residential development projects, including funds a construction company may use for constructing residential housing
2. Land banking (passive real estate investments)
3. Refinancing existing debts
4. Ag production or livestock operations, except for commercial plant and tree nurseries, aquaculture or hydroponics
5. Cable TV systems
6. A project that will require other funding to complete it, unless there is a firm commitment for the remaining funds from the other lender or program.

### **LOAN APPROVAL PROCESS**

1. The DCDC Executive Director will verify if the applicant meets the eligibility and criteria requirements for the RLF Program. Only applicants that meet the eligibility and criteria requirements and who have provided all requested application information need reviewed by the RLF Review Committee.
2. If there is no current RLF Review Committee for DCDC the president will appoint members with a majority approval of the DCDC Board of Directors to review new applications. The committee shall consist of, but not be limited to the Executive Director and at least two representatives from the DCDC board. Members can also be appointed from outside DCDC. Local lenders, lawyers, or government planners are examples of good candidates.
3. If the financial institution lender for the applicant is also on the RLF Review Committee this will be disclosed to the applicant and the lender can participate in the review but will abstain from the final approval vote.
4. The applicant will need to allow their outside lender to share some of the proposed loan information with DCDC. The applicant may also want additional confidential information to be shared between a lender and the review committee to help with approval. If so, the applicant must sign an authorization allowing the sharing of confidential information.
5. The application and financial statements will contain confidential application information that is not to be shared with the public. The Review Committee members are to keep this information

confidential unless approved by the applicant. It will be necessary for part of this information to be shared with the DCDC Board to make an educated decision on the vote to approve or deny the RLF loan. The DCDC Board members are under agreement not to share confidential application information unless approved by the applicant.

6. DCDC will take appropriate collateral as security to reasonably assure repayment of the loan. However DCDC may subordinate its collateral position to other lenders who have a larger participation in the project if the Review Committee and Board agree.
7. The Review Committee will review the application and supporting docs, request additional requests and meetings as necessary, do a financial review and assess repayment ability, negotiate potential terms and collateral, and give a recommendation to the DCDC Board of Directors.
8. Final approval shall be determined by a majority vote of the DCDC Board of Directors.
9. Final approval is contingent upon items and supporting docs that are needed to complete the closing process and that protect DCDC's interest. This contingency applies even if not mentioned in the board minutes.
10. The Executive Director will notify the applicant of the decision, the contingencies, and make arrangements for the next steps. At this point the participating lender(s) can be given notification of DCDC approval and work in conjunction with them.

#### CLOSING PROCESS

1. The applicant will provide appropriate paperwork to verify the entity's identity, tax id and who can sign for the entity. An example is a corporation will normally provide Articles of incorporation, tax id letter, a corporate resolution and/or bylaws, and evidence of they are in good standing with the state. Guarantors will provide their legal name listed on their driver's license or state ID.
2. If life insurance was required then proof of life insurance will be provided by the applicant and they will add DCDC as a lienholder if applicable.
3. If collateral is used proof of insurance will be provided by the applicant and they will add DCDC as a lienholder to their policy.
4. The costs for items relating to the RLF loan application and closing will be passed on to the applicant unless the review committee has a reason to waive some or all of them.
5. When a mortgage is involved there are additional steps to be taken before closing. The Review Committee will determine which items are needed. Some examples include requiring a copy of the purchase contract, an appraisal to establish a value for the property, a title policy or UCC search to determine lien position, a flood zone determination (mandatory), an inspection or environmental review if applicable, requiring lien waivers for construction, etc.
6. An attorney chosen by DCDC will be used to prepare the main loan documents. The cost is passed on to the applicant unless the review committee has a reason to waive it. The Review Committee will decide what documents are needed and consult with legal counsel when necessary. Examples of common documents listed below.
  - a. Promissory note and security agreement, personal guarantees, mortgage, UCC filing, closing statement, and other agreements or disclosures as applicable
7. Include language in the closing docs or on a separate form to the borrower to provide annually (or upon request) updated financials and taxes, and language they will provide job and business information DCDC needs for its USDA reports on the RLF program.

### **RLF MANAGEMENT PLAN**

1. Payments will be monitored and tracked either by a DCDC member, staff, or its accountant.
2. Records of payment amounts, dates, and balances will be maintained throughout the life of the loan and at least the time required by law after the loan payoff.
3. RLF loan balances will be reported to the board monthly. The balances are included in the treasurer's report and financial statements.
4. A member or staff of DCDC, or an appointed representative, will gather and report to USDA the information they require. They are the original grantors of the funds. Currently this includes annual reports on the status of the RLF and information gathered from the participants regarding job creation and/or retention.
5. Delinquencies will be reported to the board and contact will be made with the borrower by a DCDC member, staff or representative assigned to work with the borrower to bring it current. Progress will be reported at the board meetings.
  - a. If the loan payment is less than 30 days past due a phone call, notice or letter is sufficient.
  - b. If it is in the 30-45 day range a formal letter requesting payment will be sent.
  - c. At 60 days past due the loan will be turned over to an attorney to send a collection letter and proceed with enforcing legal collection rights. Legal counsel will be consulted during foreclosure and liquidation proceedings if events warrant.
6. When the board can reasonably foresee a collection action is unlikely to provide a net return after expenses a decision can be made to stop pursuing collection recovery. Reasons for such a decision will be documented in the board minutes.
7. When the borrower is cooperating and has a reasonable catch-up plan acceptable to DCDC the action of turning it over to an attorney can be delayed. If the loan requires a change in terms or work-out plan that will last more than 60 days the borrower is to acknowledge it in writing.

### **GRANT ASSURANCES**

1. The Original grant funds, and the accompanying RLF loan repayments, will be kept in separate account than DCDC operating funds.
2. DCDC may annually withdraw funds to cover general administrative costs equating to no more than 2% of the total outstanding loan balances, but not to exceed the actual administrative costs of managing the program. These funds cannot be taken out of the original grant funds, only out of the interest received.
3. DCDC will gather and report the information USDA requires about the RLF program.
4. DCDC will have in place collection procedures that include pursuing collateral repossession and/or legal action when it is reasonable to expect a net return after expenses.

This program description was last updated and approved by the DCDC board June 19, 2018

**DeWitt County Development Council  
Revolving Loan Fund Program  
Application Details**

**APPLICATION INFORMATION**

Potential participants in the Revolving Loan Fund Program (RLF) must contact the Executive Director, or board-assigned representative, for the DeWitt County Development Council (DCDC) to determine program eligibility. Once eligibility has been determined the participant must submit the application information and financials to the Executive Director for the RLF Review Committee for a financial review.

*Participants first need to seek out lender financing.*

Provide documentation or demonstrate the amount requested will require funding for a gap between what can be obtained from a lending institution and what is needed, or that it was denied. When GAP financing is involved, the participant will submit to DCDC a **Preapproval Commitment Letter** from the other lender that contains this information:

- Statement of Loan Approval signed by the bank officer or authorized person
- Specify the dollar amount of the proposed loan, its terms, and the repayment schedule
- Specify the collateral or security requirements
- Any special conditions or contingencies of the loan
- The participant must also provide a letter that authorizes the lender to discuss your financials with the DCDC RLF Review Committee and authorizes the Committee to discuss the details of the RLF application with the lender.

Once eligibility has been determined the participant must provide the following:

- Signed RLF Application - available from the Executive Director or on the DCDC website
- Identify the borrower, owners, guarantor(s), amount requested, and how the funds will be used
- Details of the project, its cost and its projected timeframe
- Documented source of participant's equity in the project (minimum 10% of total project cost)
- Number and types of jobs to be created / retained, or details how the project will result in a measurable, positive economic impact in DeWitt County
- Provide the documentation of pending preapproved or denied lender financing (see above)
- Information about the goals of the business and the experience of key persons
- A recent Personal Financial Statement and 3 year's tax returns from the guarantor(s)
- Schedule of existing and projected loan payments for the business and guarantor(s), include the estimated amount available from the business to apply to the new loans
- Statement the project implementation will begin immediately upon receiving RLF loan proceeds
- *If the project is a start-up business:*  
*Detailed Profit & Loss projections for 3 years with a break-down of the first 12 months.*  
*A business plan (SBA SCORE chapters can help)*
- *If the project is for an existing business:*  
*Year-end Profit & Loss statements, last 2 years*  
*Year-end Balance Sheet, last 2 years*  
*Business tax returns & schedules, last 3 years*

Ongoing requirements:

- Provide annual updates for financials and tax returns (or other supporting docs requested)
- Provide information DCDC needs for USDA reporting (update on jobs and business progress)
- The applicant agrees general information regarding the RLF loan and its positive effect on the business and economy can be made public to promote DCDC or its RLF function.