

Lending Policy – Bradford, Vermont Revolving Loan Fund Policy Statement and Lending Guidelines 2016

Mission

The mission of the Bradford Revolving Loan Fund (RLF) shall be to make loans to Bradford-based businesses that have the potential to increase employment within the Town, to grow Bradford-based businesses, and to improve the general welfare of the Town using generally accepted principals of sound banking.

The RLF shall also provide loans for façade improvement for businesses located in the central business district.

This is a *loan* fund; all loans must be repaid in full. This is not a grant program.

A. Loan Committee Structure

Applications to the RLF will be presented first to a Committee appointed by the Bradford Select Board (BSB). That Committee shall assess the credit worthiness of the applicant, provide technical assistance to the applicant if required, and then recommend either an approval or denial of the loan request. The recommendation of the Committee will then be presented to the BSB for review and a final decision.

1. Committee Membership

The RLF Committee shall be composed of at least three (3) members to be appointed by the BSB. Committee members shall serve in staggered, three year terms that are coincident with the annual reorganization of Town government. Such terms shall expire on May 1st or on the date of such reorganization, whichever comes first.

2. Chair and Other Officers

The Chair and other Officers of the RLF shall be appointed by the BSB.

3. Authority

The RLF Committee has the authority, within these policies, to review all applications for loans and make recommendations to the BSB.

4. Voting

Recommendations for approval of loan applications shall be made by a majority of members of the RLF attending a meeting where a quorum is present.

5. Quorum

A quorum shall consist of a majority of the appointed members of the RLF.

6. Reports

The RLF Committee shall provide the BSB with a monthly written report on all actions of the Committee during the month and on the status of all outstanding loans.

7. Review

The BSB shall review these reports monthly and make suggestions as needed to meet

the needs of the RLF.

B. Revolving Loan Fund

1. Eligibility

The Applicant must demonstrate to the Committee's satisfaction a commitment, intent, and reasonable ability to repay the loan. Borrowers must be businesses or owners of businesses having their principal place of business located within the geographical limits of the Town of Bradford, Vermont. A business shall mean a sole proprietorship, limited liability corporation, partnership, or corporation.

Applicant must continue to operate his or her business in Bradford. If the business moves out of Bradford the loan may be subject to immediate demand for repayment.

If a sole proprietorship, a borrower's spouse (if any) shall be a co-borrower. If a partnership or corporation, all partners or stockholders and their spouses shall be personal Guarantors.

Prospective borrowers must have been rejected for traditional bank financing by a Vermont or New Hampshire-based commercial bank; written evidence of such rejection must be presented as part of the loan request. In the case of a loan request of \$2,500 or less, or if the Loan Fund Committee deems the bank's conditions to be overly onerous, such a loan request may be submitted for evaluation.

If the business of a prospective borrower has multiple locations, the borrowed funds must be used for that portion(s) of the business located in Bradford.

2) Eligible Activities

Security/Documentation

- 1) All borrowers shall execute all loan documents required by the RLF. Any attorney's fees necessary for the closing of a loan shall be the responsibility of the borrower(s), however these costs may be paid by the proceeds of the loan.
- 2) Documents must be in accordance with all regulations issued by State and Federal regulatory agencies. The costs associated with assurance of such compliance shall be the responsibility of the borrower.
- 3) Security for all loans will be determined by the RLF Committee on a case-by-case basis. Personal guarantees, co-signers, and other specific security arrangements may be required as a condition of approval for a loan. In addition to a signed Loan Agreement and Promissory Note, loans may be secured by a UCC-1 filing with the Town and the State of Vermont, by a mortgage on real property, by possession of a motor vehicle title, or any other lien perfecting documents as required.

- 4) Types of Loans: The Bradford Revolving Loan Fund Committee shall consider, but not be limited to, fully amortized loans, set at a rate which is compatible with the applicant's ability to repay, but no less than 4.00% per annum. The rate is to be set at the date of the loan and is to be compatible with the size of the loan and the applicant's ability to repay.
- 5) Funding Limits/Additional Financing Requirements.
 - A. Loans will be limited to \$20,000 per loan, but this does not limit the RLF Committee, at their discretion, from funding subsequent application from an existing debtor, with a maximum of \$50,000 outstanding at any one time.
 - B. For requests over \$5,000 matching funds may be required.
- 6) Emergency Loans: In the event of an emergency situation (such as a broken furnace during cold weather, leaking roof, broken water pipes, etc) the Bradford Revolving Loan Fund Committee is empowered to advance up to \$500.00 for emergency repairs to a business located in the Town. Before an emergency situation can be declared, a qualified tradesperson chosen by the Committee Chair must conduct an on-site inspection of the problem and certify that emergency repairs are required.

The emergency loan shall be secured with a promissory note at the time of disbursement. A modified loan application may be used.

The Committee Chair is empowered to approve the loan. The Chair of the Select Board may approve the check for the loan, but the loan must then be reported to the Bradford Revolving Loan Fund Committee for approval at its next regular meeting.

C. Loan Application Procedure

1. Loan Application

All loan applications must be accompanied by an application for funds. Applications can be obtained from the office of the Bradford Town Clerk or on Town of Bradford website. The application shall include the following:

- a. Signed cover sheet that details the applicant's personal financial statement and include a statement giving the Town authority to have a credit check performed.
- b. Project Description: the purpose for which the loan will be used, total project costs, amount of the loan.
- c. Business Plan: Describe short and long-term goals, business environment (size

and character of the market, major competitors, major customers, uniqueness of product or service, special skills of the borrower), general marketing and production plan, key personnel, and management plan.

- d. Financial information that includes two year's financial projections.
- e. List of equipment, land, buildings, etc, to be purchased, if applicable.
- f. Number of jobs to be created or retained; statement of benefit to the town.
- g. Tax returns for the most recent three years.

The applicant will have an opportunity to make a presentation of his/her application to the Committee during a regularly scheduled meeting.

The Bradford Revolving Loan Fund committee may waive specific components of the written application for projects under \$2,500.00.

2. Loan Application Decisions

All applications will be reviewed by the Bradford Revolving Loan Fund Committee on a case-by-case basis and in a timely fashion.

The Committee will reach one of the three following decisions, after which they will pass the recommendation on to the Select Board for the final decision:

- a. Tabled: for more information, at which time the Chair will see that the applicant understands what additional information is required, and, if necessary, provide information to the applicant on how to secure the appropriate assistance in order to develop that information.
- b. Approved: at which time the Chair will forward the recommendation to the Select Board.
- c. Declined: at which time the Chair will forward the recommendation to the Select Board.

Any of these decisions requires that the recommendation be sent to the Select Board within two weeks of the Bradford Revolving Loan Fund Committee meeting at which the applicant's request is considered.

The Select Board or RLF committee representative, upon receipt of the recommendation, must, at its next scheduled meeting, advise the applicant of the decision.

Failure to hold meetings and/or render decisions pursuant to the time tables set forth in

these guidelines shall not constitute approval of the application or generate any liability on the part of the Municipality or the Committee.

3. Loan Closing

The Town may contract with a local financial institution or attorney to perform all closings for loans from the RLF. The Town shall inform the Closing Agent of the loan amount approved, required collateral, repayment terms, and any special conditions attached to the loan. The Agent shall contact the applicant and arrange for the closing. The Town shall ensure that the Agent contacts the Town prior to closing to secure a release of funds.

4. Loan Payment

Loan payments shall be made by automatic debit to the account of the borrower and credit to an account designated by the Town. Loans will be repaid in monthly installments of principal and interest according the loan contract and promissory note.

5. Closing Costs

All closing costs, including but not limited to prepaid interest, title search, appraisal, credit report, recording and other miscellaneous costs, will be paid by the Borrower, and may be included in the loan amount.

6. Insurance

The following types of insurance may be required from the Borrower, depending on individual circumstances:

- a. Prior to closing, proof of property hazard insurance sufficient to cover the amount all mortgages and debts, including the loan from the RLF.
- b. Flood hazard insurance will be required for all loans made for improvements of properties existing within the standard intermediate flood plain (100 year flood plain), at least in the amount of the loan made by the RLF plus any senior debt on the same property. The RLF Committee may, at its discretion, require flood insurance up to the maximum insurable value under the National Flood Insurance Program.
- c. Casualty insurance and credit life insurance may be required by the RLF Committee if deemed appropriate.
- d. Business liability insurance shall be carried by all Borrowers under the RLF.
- e. Workman's Compensation insurance shall be paid for and in force for all employees of any Borrower under the RLF.

For all insurance on secured property, the Town of Bradford shall be named as a Loss Payee; evidence of Loss Payee status shall be demonstrated prior to closing.

D. Loan Servicing

1. General Procedures

Loan payments shall normally be due every month by direct debit to the Borrower's checking account and credit to the account designated by the loan contract. A late payment penalty of 5% of the amount of the payment shall be charged to the Borrower for any debit that is rejected due to insufficient funds. Loans may be prepaid at any time without penalty.

2. Delinquent Accounts

The Borrower shall be in default if he or she fails to make timely payments on the loan. Collection efforts may be instituted at any time following a default by a Borrower.

3. Enforcement/Collection

Foreclosure may be considered for, but not limited to, the following circumstances:

- a. Abandonment of the business or the business property or any other collateral.
- b. Default on the Promissory Note or any other instrument securing the RLF debt.
- c. Sale of mortgaged property or collateral if loan assumption is not approved by the Town.
- d. Death of the Borrower if the Estate of the Borrower does not pay off the Note.
- e. Default on any note, mortgage, or security interest having priority over the obligation owing to the Town and/or any any instrument securing repayment of that obligation.

Foreclosure proceedings will be governed by applicable statutes of the State of Vermont.

The Town of Bradford may enforce its security interest in the collateral pledged to secure the debt by any legal means including, but not limited to, foreclosure, repossession, replevin, civil action, and debt collection, for any violation of the terms of the loan documents including, but not limited to, the following:

- a. through e. to remain the same

All enforcement and/or collection actions will be governed by the statutes of the State of Vermont and the terms of the loan documents. All costs associated with any enforcement and/or collection efforts will be added to the debt owed by the borrower.

4. Forbearance

Recasting of loans may be considered when the Borrower's financial situation has changed significantly since the closing of the loan. The decision to recast the terms of any loan must be approved by the RLF Committee and the Town Select board.

5. Bad Debts

Any loan which has a balance remaining unpaid after foreclosure and/or collection shall remain due and payable.

6. Non-Discrimination

In accordance with the provisions of the Equal Opportunity Act, the RLF Committee may not discriminate in its lending practices on the basis of race, color, religion, gender, national origin, marital status, or physical or mental handicap.

7. Confidentiality

All RLF meetings to consider loan requests shall be held in Executive Session. Disclosure of any information relating to the application to, transaction by, and decisions of the RLF Committee as to rate, term, and conditions of loans shall not be made to anyone except by written authorization of the Applicant(s). All reporting on loans to the Town of Bradford and funding sources shall be done using only the business name of the Applicant and the amount of the loan.

E. Appeals

1. When the Applicant disagrees, is denied or seeks reconsideration.

When an Applicant disagrees with a decision of the RLF committee, is denied or seeks reconsideration, the following procedures shall be followed:

- a) The Applicant shall contact the Chair of the RLF and request an opportunity to resubmit an application that responds to the reasons for rejection of the first application.
- b) Upon resubmittal, the RLF Committee will meet to review the resubmitted proposal as the first order of business at its next regularly scheduled meeting and will forthwith notify the BSB of their recommendation.

- c) The BSB must act upon this resubmitted application in a timely manner. Acceptance or rejection will be at the sole discretion of the BSB.

F. Conflict of Interest

Members of the RLF Committee shall be ineligible to apply for funds from the RLF as long as they are members of the Committee.

The conflict of interest policy that is adopted by the Selectboard annually will apply to all members of the revolving loan fund committee.

G. Amendments

Amendments may be proposed at any time by the Bradford Revolving Loan Fund Committee and recommended by a majority vote to the Bradford Select Board for approval. Amendments will be approved by a majority vote of the Select Board. The Revolving Loan Fund is subject to Federal and State Statutes and to the extent applicable the Federal Statute supersedes any specific guidelines as set forth herein.