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# KOSSUTH COUNTY ECONOMIC DEVELOPMENT CORPORATION

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## REVOLVING LOAN FUND

## PROGRAM GUIDELINES

# **REVOLVING LOAN FUND PROGRAM GUIDELINES**

In an effort to promote and encourage economic development, along with enhancing community cooperation within Kossuth County and the surrounding area, the Kossuth County Economic Development Corporation (KCEDC) has established a Revolving Loan Fund to provide financial assistance to new and expanding businesses. The revolving loan fund is governed by the guidelines specified in this document.

## **PURPOSE**

The Revolving Loan Fund Program is designed to provide supplemental financing in support of new and expanding businesses located within Kossuth County and the surrounding area. The revolving loan fund will be used by the Kossuth County Economic Development Corporation to make direct loans or loan guarantees for the following purposes:

1. To increase employment opportunities by increasing the number and type of businesses in the Kossuth County area.
2. To offer financial assistance that will promote the retention and expansion of existing businesses.
3. To increase the property tax base.
4. To diversify the economic composition of the area by encouraging unique or essential business concerns.

The Revolving Loan Fund cannot be used for refinancing existing debt unless prior approval has been received by the Revolving Loan Fund Committee. Each loan is project based and will be individually evaluated and require approval from the Committee for refinancing existing debt.

## **GENERAL GUIDELINES**

**Type of Assistance:** The Loan Fund will provide loans and loan guarantees to new and expanding businesses within the Kossuth County area. In the case of loans, the interest rate charged and length of the loan will be determined for each project individually based on demonstrated need and ability to repay. Generally, interest rates will be fixed at 2 percent below prime at the time of the loan closing with a floor of 3%. The term of the loan will not exceed ten (10) years and the loaned funds shall provide no more than 35% of the financing for any project up to a maximum of \$50,000. The borrower will pay all costs associated with closing the loan, including but not limited to, the appraisal, title opinion, filing and all closing fees incurred to complete the loan.

**Eligibility:** Applications will be considered from various sectors of the local economy. These include, but are not limited to, businesses involved in agriculture, manufacturing, service, or retail activities. Bars and Restaurants are not eligible sectors.

**Application Procedure:** Applications for the Revolving Loan Fund will be accepted by KCEDC at any time during the year and considered on a continuous basis contingent on the availability of loan funds. Applications may be obtained from and returned to KCEDC. Then KCEDC will take action on complete applications within 60 days of receipt. Action may include funding the application for all or part of the requested amount, denial of the application, or requesting that additional information be supplied prior to making a final decision. Once the application has been approved by the Revolving Loan Fund Committee, an attorney must prepare all required closing documents for the Kossuth County Revolving Loan Fund before the approved loan amount can be disbursed to the Applicant. These documents include, but are not limited to: Loan Agreement, Personal Guaranty, Mortgage, Security Agreement, Promissory

Note, Amortization Schedule and UCC Financing Statement. The legal costs associated with the preparation of these documents will be paid by the applicant directly to the attorney at the time of the loan closing.

Approved loaned funds must be disbursed six months from the date of approval; otherwise, the application is null and void and the Applicant must reapply.

**Threshold Criteria:** Normally, applicants for the Revolving Loan Fund must satisfy the following minimum requirements to be eligible for assistance:

- A. Generally, a ratio of one full-time job or combination equaling one full-time job created or retained for every \$10,000 of loan funds received;
- B. Generally, job creation projections will be realized within a two year period;
- C. Generally, loan funds shall provide no more than 35% of the financing for any project up to a maximum of \$50,000;
- D. There must be evidence of a new private equity injected into the project;
- E. There must be evidence that the project is feasible and that the business requesting assistance can continue as a “going concern in the foreseeable future without additional or ongoing assistance;
- F. There must be evidence that the overall impact of this project will have a positive impact on the Kossuth County area;
- G. There must be evidence that no significant negative land use or environmental impacts will occur as a result of the project.

All applicants will be required to certify to the City, County, and/or the State of Iowa that they will comply with the following requirements, if applicable:

- A. The Civil Rights Act of 1964 (PL 88-353) and Title VIII of the Civil Rights Act of 1969 (PL 90-284);
- B. Title I of the Housing and Community Development Act of 1974, as amended;
- C. Age Discrimination Act of 1975;
- D. Section 504 of the Rehabilitation Act of 1973;

- E. Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5) where applicable under Section 110 of the Housing and Community Development Act of 1974, as amended;
- F. 24 Code of Federal Regulations Part 58;
- G. National Environmental Policy Act of 1969;
- H. Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1979, Title II & Title III;
- I. Hatch Act (5 U.S.C. Chapter 15).

**Eligible Area:** The location of each Revolving Loan Fund project should be within the Kossuth County area. Any Revolving Loan Fund loan must be immediately repaid including outstanding principal and interest, if the project activity is moved outside the area specified in the loan documents.

**Evaluation Procedure:** KCEDC will review the application for completeness and either return the application to the applicant with deficiencies noted or forward the proposal to the Loan Review Committee. The Loan Review Committee will have 30 days to meet and review the application.

The Loan Review Committee may:

- A. Submit the application to the KCEDC Board of Directors with a recommendation for approval and suggested terms;
- B. Submit the application to the KCEDC Board of Directors with a recommendation not to approve a project; or
- C. Return the proposal to the applicant for further information or clarification.

Upon receipt of the application form the Loan Review Committee, the KCEDC Board of Directors will meet as soon as possible to review the proposal. The Board, with a simple majority vote, may approve the loan and terms of the agreement, disapprove the application, or defer action until additional information is available. The Board is solely responsible for all decisions made and actions taken in regard to the revolving loan fund.

**Loan Review Committee:** The Loan Review Committee will be comprised of at least five members. This committee will be represented by one member from the Kossuth County Bankers Association, one member from the Kossuth County Board of Supervisors, one member from the Kossuth County Economic Development Corporation Board of Directors, and two at large members appointed by KCEDC. Members of the Loan Review Committee shall elect one of its members as Chairperson. At least three out of the five committee members must be present in order to vote on a recommendation. An email vote is also permitted. A written recommendation, which includes the vote tally, shall be forwarded to the KCEDC Board of Directors.

**Rating Criteria:** The following criteria will be used to rank applications for the Revolving Loan Fund:

- A. Number of jobs created or retained per funds requested; jobs to be created must be within a two-year period. Generally speaking, loans exceeding \$10,000 per job created or retained will not be awarded. However, consideration will be given to the wage level and fringe benefit package of the jobs, as well as other extenuating circumstances, which may require special consideration.
- B. Percent of funds other than Revolving Loan Funds in the project.
- C. Need for an impact of the project; consideration will include resultant new economic activity, quality of jobs, project schedule, property tax enhancement and other effects on the local tax base.

The overall reliability and feasibility of the application material will be considered.

Priority will be given to projects that create manufacturing jobs, diversify the areas economic composition, are unique or essential business concerns. Restructuring of existing loans will be considered low priorities.

**Application Information:** The applicant must agree to allow the Loan Review Committee to research the company's history, make credit checks, contact the company's financial institution, and perform other related activities necessary for the reasonable evaluation of the application. In the event inaccuracies, omissions, or errors are found, the Review Committee will have the discretion of rejecting the application or re-rating it based on corrected information.

**Loans:**

If a proposal for a loan is approved for funding by the KCEDC Board of Directors, the applicant will sign a loan agreement with KCEDC. This agreement, at a minimum will establish the following:

- A. The interest rate of the loan, whether it is fixed or variable, and the terms of its variability;
- B. The term of the loan;
- C. The frequency of loan payments;
- D. Penalties for late payment;
- E. Job creation and/or retention schedule, as provided in the application;
- F. Penalties for failure to meet job creation or retention goals.

Interest rates may differ between projects. Rates charged depend upon the needs of each project and the degree to which the proposal is in conformance with the goals and priorities of the Revolving Loan Fund Program.

Loans may be long or short term, not to exceed 10 years, depending upon the particular situation. The term may vary from project to project.

**Collateral:**

Revolving Loan Funds shall be secured by mortgages and/or liens against fixed assets. Such mortgages and/or liens may be subordinated to conventional bank financing. Other security, including personal guarantees, may be required.

### **Costs:**

To apply, applicants will need to submit a non-refundable **application fee** in the sum of \$250.00 for members and \$500.00 for non-members. A **member** is a community within Kossuth County that is a paid community commitment member. An applicant locating his/her business in a community, which paid their annual commitment, will submit a fee of \$250.00.

A **non-member** is a community within Kossuth County that has not paid its annual community commitment. An applicant locating his/her business in a community, which has not paid their annual commitment, will submit a fee of \$500.00. The application fee is due at the time of submitting an application.

### **Annual Contribution:**

Kossuth County Economic Development Corporation requires that all approved loans make annual **contributions to the KCEDC business investment campaign**. The investment amount will be determined from the Annual Investment Schedule which categorizes donations by type of business and total number of employees. The applicant will be made aware of this requirement during the application process. It will be computed for the life of the granted loan amount based on equivalent full time employment the borrower has projected in the loan application.

### **Legal Costs:**

All legal costs incurred will be paid by the applicant directly to the attorney who prepared the documents. All legal costs are due and owing at the time of the loan closing. The borrower will pay all costs associated with closing the loan, including but not limited to, the appraisal, title opinion, filing and all closing fees incurred to complete the loan.



### **Repayment of Loans:**

Loans may be renegotiated. Re-negotiation proceedings, however, are not the borrower's inherent right. In general, repayment of loans will be made via equal payments over the term of the loan. Payments will be due and payable monthly, quarterly, semi-annually, or annually.

Alternative schedules may be arranged if deemed appropriate.

The date of the first loan payment will be arranged on a project-by-project basis. Usually, the date of first payment will not exceed six months from the date of the loan.

Loans made from the Revolving Loan Fund are not assumable. Loans shall become due and payable if the business is sold or if the original applicant significantly changes the nature of the business.

In the event that the borrower does not achieve the job creation levels specified, or in the event that the total project cost is less than the amount specified in the application, then loan funds received from KCEDC will be subject to disallowance and immediate repayment. The maximum percentage of loan funds, which may be disallowed due to failure to achieve performance targets within two years, will be equal to the percentage of the performance targets not achieved.

Submission of semi-annual statements and job creation reports shall be required of all borrowers. Copies of such reports will be given to the Chairperson of the Revolving Loan Fund Committee.

**Administration of the Fund:** KCEDC will be responsible for maintaining the appropriate accounting records relating to the operation of the Revolving Loan Fund. Administration of specific loan agreements and monitoring of funded projects may be the responsibility of KCEDC or may be subcontracted to a qualified individual or firm. Costs for the administration of the Revolving Loan Fund may be derived from interest payments on loans made from the fund and from the application fees paid by the applicants. KCEDC will be reimbursed for costs expended.

**Collection Procedures:** The Economic Development Executive Director is charged with the responsibility for loan collections and related workouts, collection of charged-off loans, management and disposal of other real estate owned and any other activities related to delinquent accounts.

As part of this responsibility, the Economic Development Executive Director shall have authority to initiate foreclosures, and collection suits after consultation with an attorney for KCEDC. The Economic Development Executive Director will advise the board of such action at their next regular meeting.

- Past due notices will be generated and sent to the loan recipient according to the following schedule:
  - First notice sent on the 10<sup>th</sup> day after a note or payment is due.
  - Second notice sent on the 20<sup>th</sup> day after a note or payment is due.
- If the delinquent account becomes 30 days delinquent, the Economic Development Executive Director will make phone contact with the loan recipient to inquire about the situation and arrange appropriate corrective action.
  - As a prudent lender and at the KCEDC Board's sole discretion, a one-time corrective action/workout of a delinquent account is permitted. As part of the workout, loan terms may be modified by deferral, reamortization and/or balloon payments.
- If the delinquent account is not taking steps to cure default and the account becomes 60 days delinquent, a written 30 day Notice to Cure will be issued and sent to the loan recipient via certified, first class mail with a return receipt requested.
- If the delinquent account does not respond to the Notice to Cure by paying the amount stated in the cure notice, the file will be forwarded to PACEDC's legal counsel to start foreclosure actions.

## **OTHER CONSIDERATIONS**

**Retention of Records:** All RLF files will be retained for a period of not less than 3 full years after the loan has been paid in full. After 3 years, the files will be destroyed by shredding or incineration. Files will be secured in a locked, safe place and access will be limited to Intermediary staff with RLF responsibilities. Other security measures will be initiated as needed to protect confidentiality of loan documents.

**Plan Amendments:** The KCEDC Board of Directors may amend this plan by majority vote of its members with prior approval from USDA Rural Development.

**Termination:** The Revolving Loan Fund may be dissolved by a vote of two-thirds of the KCEDC Board of Directors. Upon dissolution of the fund, real and personal property shall be distributed to the individuals and entities who have made contributions. Original USDA awarded grant funds in the sum of \$99,000 must be returned to USDA Rural Development at the time of termination.

**Confidentiality:** All information obtained in the course of processing an application shall be held in strict confidence by the members of the Loan Review Committee and the KCEDC Board of Directors. At no time shall an applicant's information be disclosed to anyone outside of the Loan Review Committee and the KCEDC Board of Directors without the consent of the applicant. Any member of the Loan Review Committee and the KCEDC Board of Directors who determined to have disclosed information to an outside party without the applicant's consent, shall be considered for immediate dismissal by the KCEDC Board of Directors.

***This institution is an equal opportunity provider and employer.***

In accordance with Federal law and U.S. Department of Agriculture policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, religion, age, disability, or marital or family status. (Not all prohibited bases apply to all programs.)

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form found on line at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html) or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue S.W., Washington, D.C. 20250-9410, by fax at (202) 690-7442 or email at [program.intake@usda.gov](mailto:program.intake@usda.gov).”