

REVOLVING LOAN FUND PROGRAM DESIGN

REVOLVING LOAN FUND

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SECTION 1: PROGRAM ADMINISTRATION

PROGRAM OBJECTIVES

The Town of Floyd is committed to providing financial incentives for the economic revitalization of businesses and properties located in the Town of Floyd.

The Town believes that it is in the public's interest to remove impediments to economic growth and to stimulate investment in businesses. Floyd has established the Revolving Loan Fund (RLF) to facilitate economic revitalization in the community. The goals of this loan fund are to:

1. Promote an economically viable corridor that attracts and provides for the needs of businesses, institutions, residents, and shoppers.
2. Encourage economic development by making available adequate and affordable credit to existing businesses or new businesses that locate or expand commercial operations in the project area.
3. Provide financial assistance to reduce the turnover rate caused by the failure of businesses due to inadequate start-up or expansion capital.

PROGRAM DESCRIPTION

The Town of Floyd will maintain \$50,000 in Economic Development funding to create a revolving loan fund. The purpose of the Revolving Loan Fund program is to provide low interest, fixed asset financing to existing or new commercial businesses that locate to or expand in the Town of Floyd and which result in the stimulation of our local economy.

STAFFING + RESPONSIBILITIES

The matching Revolving Loan Fund program will be administered by the Revolving Loan Fund Advisory Board. At least one town council member will be on the advisory board or his designated representative. The loan fund will be available utilizing Economic Development funds. Loan servicing will be handled by the Town at the determination of the Town Council and upon the recommendation of the Revolving Loan Fund Advisory Board.

The Town will establish and appoint the Revolving Loan Fund Advisory Board, consisting of local citizens and public officials, to provide management and oversight including the review and recommendation of all loan applications, and the determination of interest rates.

SECTION 2: LOAN POLICIES

AREA OF OPERATION

The Revolving Loan Fund program will operate within the boundaries of the Town of Floyd, Virginia.

TYPE OF FINANCING & INTEREST RATE

The type of financing is fixed asset financing. The interest rate will be set by the Revolving Loan Fund Advisory Board at the time of closing. The interest rate can be set at any rate between 3% and six points below the prime rate with 3% being the lowest rate available. It is anticipated that most loans will be at the 3% rate.

TERMS

The term of the loan can not exceed ten (10) years. Scheduled amortization shall not exceed ten (10) years. The borrower must have an equity interest in the business or building in which the business is located and provide adequate marketable collateral to secure the loan. Collateral may include first or second lien positions or a deed of trust on assets financed. At the discretion of the

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Revolving Loan Fund Advisory Board, other forms of marketable collateral (including marketable stocks or bonds, US Government securities, letters of credit) may be considered if the value of the marketable collateral is sufficient to protect the interest of the Town throughout the term of the loan.

The loan must be repaid on a monthly basis over the ten year term. There is no prepayment penalty.

The borrower of program funds is required to execute a legally binding agreement with the Town of Floyd. The Revolving Loan Fund Advisory Board will require the borrower to provide appropriate assurances that the loan proceeds are expended as proposed.

AMOUNT

The minimum loan amount is \$5,000 and the maximum loan amount is \$50,000 per individual business. A building owner may apply for a loan for each business or projected business within their building. Each individual business may submit a total of 2 applications for funding. The second application must be submitted at least 5 years after the original application.

USES

Allowable uses of funds which are received from the revolving loan fund are for building and land acquisition, leasehold and site improvements, new construction and rehabilitation costs, purchase of fixtures, machinery, and equipment and associated installation costs.

ELIGIBILITY REQUIREMENTS

Any new commercial business or building owner that locates in the project area or an existing commercial business or building owner that is located in or expanding in the project area and which meets the following eligibility requirements may apply for a loan through the Revolving Loan Fund.

The Eligibility Requirements for the Revolving Loan Fund Include:

1. Provide proof that the business or building is located and has a permanent physical address in project area. Provide proof that it is not the borrower's place of residence.
2. Provide proof of collateral. Assets used as collateral may include cash, land, buildings, or equipment. Proof of hazard insurance in sufficient amount to protect the collateralized asset may also be required.
3. Provide proof of equity interest in business or building.
4. Provide a business plan.

COSTS & FEES

Application, credit report costs, origination fees, and closing costs will be charged to the borrower. Applicants are responsible for loan closing costs and settlement fees.

NON-DISCRIMINATION

In the Revolving Loan Fund Program there will be no discrimination on basis of race, color, religion, national origin, sex (including sexual orientation), marital status, disability, or age in any of its policies, procedures or practices.

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SECTION 3: APPLICATION PROCESS AND DOCUMENTATION

The Town of Floyd will accept applications from eligible businesses or building owners as funding is available. At the Town's discretion, submission of applications for assistance may be limited to certain windows of time (availability of funding). The Revolving Loan Fund Program will apply all procedures in a uniform manner. The program will be implemented to assure consistent and equitable assistance to all program participants.

Completed applications and required documentation will be reviewed by the Revolving Loan Fund Advisory Board. Following recommendation of approval of the loan application by the Revolving Loan Fund Advisory Board, the Board will make a recommendation for approval to the Town Council. The Town Attorney will prepare the necessary loan contract documents, after the Town Council approves the loan.

The Revolving Loan Fund may continue as program income generated through the recapture or repayment of loan funds becomes available or if new sources of funds become available to the Town of Floyd.

All applications must be submitted with complete documentation of eligibility. Applications must be made on the form provided by the Town and must be signed by all the business owners. The application submission must include the following items in order to be considered for financial assistance. The Revolving Loan Fund Advisory Board may waive or request additional information requirements at its discretion.

Information Required from Applicants:

1. Completed and signed application
 - a. Loan Request Worksheet
 - b. Personal Financial Statements
 - c. Credit Authorization Form
 - d. Tax Returns (two fiscal years)
 - e. Balance Sheet, Profit & Loss Statement, (AP & AR for current 90-day period)
 - f. Disclosure Statement(s)
 - g. Business Lease/deed
2. Current three-year business plan
3. Current eighteen-month financial projections (including P&L, cash flow, owner compensation)
4. Personal credit report
5. Three business references
6. Copy of collateral offered & current market value (title, deed, security paper, etc)
7. Statement indicating the specific purpose of the loan.

SECTION 4: PROGRAM TIME FRAME

At the Town's discretion, submission of applications for funding may be limited to certain windows of time (availability of funding). The Revolving Loan Fund may continue as program income generated through the recapture or repayment of loan funds becomes available or if new sources of funds become available to the Town of Floyd.

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SECTION 5: PROGRAM INCOME

Any Revolving Loan Funds repaid or recaptured during the program implementation will be used to recapitalize and extend the Revolving Loan Fund Program or Economic Development in the Town of Floyd. Repaid or recaptured loan funds will be returned to the Revolving Loan Fund pool for additional loans to stimulate investment in businesses in order to help revitalize the community.

SECTION 6: COMPLAINTS AND APPEALS PROCEDURE

Oral complaints of any nature and by any party shall be documented and resolved by the Town Manager as informally and quickly as possible.

Written complaints received by the Town Manager or the Town of Floyd will be resolved and documented in consultation with the Revolving Loan Fund Advisory Board. The person making the complaint will be notified in writing of the decision. All written complaints will be addressed within fifteen (15) days of receipt and resolved within thirty (30) days and documentation retained for review. Barring a resolution of the complaint by the Board, the complaint may be taken to the Town Council where a resolution is final.

The Revolving Loan Fund Program will apply all procedures in a uniform manner. The program will be implemented to assure consistent and equitable assistance to all program participants.

SECTION 7: RECORDKEEPING

The Revolving Loan Fund Advisory Board Secretary will be responsible for keeping the minutes of meetings. The minutes will be archived in the Town of Floyd office. The Board will also be responsible for tracking the information as required to ensure compliance with program requirements including data on the businesses submitting applications, businesses approved for financing, loan servicing and accounting records.

Documentation that loan proceeds are expended as proposed may be provided either through source documentation (such as invoices, construction contracts, etc.) or through an affidavit will be made by the applicant and submitted to the Town.

All documentation will be kept on file at a secure location as required to ensure confidentiality of applicant information. All information required to ensure compliance with program requirements will be kept at the Town office.

SECTION 8: PROGRAM DESIGN AMENDMENTS

During implementation of the Revolving Loan Fund Program the Town may find it necessary to make minor changes and refinements as the program proceeds. If a major alteration to this design is deemed necessary to better achieve the intent of the program, the Revolving Loan Fund Advisory Board will adopt the changes upon approval of the proposed changes by the Town Council.

SECTION 9: DELINQUENCY AND/OR DEFAULT ADDENDUM

It is the intention of the Revolving Loan Fund Program to work with and assist borrowers to avoid delinquencies and defaults on loans that are issued. The Town Staff and the Loan Pool Board is committed to seeing that loans are paid in a timely manner, without delinquency or default. Should a problem with a loan arise; the Loan Pool Board is to be advised immediately.

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DELINQUENT OR PROBLEMATIC LOANS: If at any time during the loan period of a Revolving Loan Fund Loan, a Revolving Loan Fund loan becomes delinquent or problematic, the following procedures are to be followed:

1. **When the payment is 30 days late.** Town Staff is to contact the borrower by phone or in person to remind them of their payment and the due date of the payment. (Document in file).
2. **10 days after first notice (when delinquency continues). Certified Mail.** Town Staff is to issue the written Delinquency Notice to the borrower and to schedule an appointment with the borrower to ascertain the needs and problems the borrower is experiencing. At this meeting, Town Staff is to discuss options, requirements, procedures including but not limited to: new financing, business classes, financial counseling or any assistance available to the borrower to avoid default of the loan. (Document in file).
3. **30 days after the meeting if no payments have been made,** the Town Staff will schedule another meeting and will negotiate and execute the Loan Workout Agreement. Loan Workout Agreement becomes an addendum to the original Loan Agreement and Promissory Note and is to be recorded with the Clerk's Office. (Document in file). At the end of the extension period, the borrower is to resume payments per the Revolving Loan Fund loan agreement and the amortization schedule is to be adjusted to reflect the deferment of payments to the end of the loan.
4. **60 days after execution of Loan Workout Agreement,** if the delinquencies are not remedied Town Council is to be notified and the Loan is sent to the Town Attorney for collection and legal action. (Document in file).

Steps are to continue until the problem is resolved and the loan is brought into compliance.

Interest and penalty will still be due each month on the regular date of payment for the month, when regular monthly payments are not being made.

REQUEST FOR ASSISTANCE BY THE BORROWER: If at any time during the loan period of a Revolving Loan Fund Loan, or the Borrower requests assistance or an extension on a Revolving Loan Fund loan, the following procedures are to be followed and documented in the file:

1. The borrower, in writing, is to state the reason for the request, amount of payment to be made, and the amount of time requested before full payments are to resume. Interest and penalty will still be due each month on the normal due date of the month, when regular monthly payments are not being made.
2. Town Staff is to negotiate and execute the Loan Workout Agreement. Loan Workout Agreement becomes an addendum to the original Loan Agreement and Promissory Note and is to be recorded with the Clerk's Office.
3. At the end of the extension period, the borrower is to resume payments per the Revolving Loan Fund loan agreement and the amortization schedule is to be adjusted to reflect the deferment of payments to the end of the loan.

APPROVED:

Will Griffin, Mayor Town of Floyd

Date

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BYLAWS of the TOWN OF FLOYD REVOLVING LOAN FUND ADVISORY BOARD

ARTICLE I – THE BOARD

Section 1. Name of the Board. The name of the Board shall be the “Town of Floyd Revolving Loan Fund Advisory Board.”

Section 2. Purpose of the Board. The purpose of the Board shall be to set policies and procedures that govern the Town of Floyd Revolving Loan Fund Program. The Board shall approve businesses and building owners who are qualified to participate in the program. The Board shall review, qualify and approve applications for financial loans available through the program, the terms of said loans, monitoring of the loan process and ensure that all requirements of the program have been met. The Board shall take other action as necessary as it relates to the Revolving Loan Fund Advisory Board.

Section 3. Office of the Board. The offices of the Board shall be in the Town Office of Floyd, Virginia, but the Board may hold its meetings at such place and times as it may designate by resolution.

Section 4. Board Members. The Board shall consist of a minimum of five and a maximum of nine members, who shall be appointed by the Floyd Town Council. The Board shall include the Town Manager and a member of the Town Council. All Board members shall serve a term of two years and may be reappointed.

Section 5. Authority. All power to execute the terms of this program will be vested to the Revolving Loan Fund Advisory Board by the Town of Floyd Town Council.

ARTICLE II – OFFICERS

Section 1. Officers. The Officers of the Revolving Loan Fund Advisory Board shall be a Chairman, Vice-Chairman, and Secretary.

Section 2. Chairman. The Chairman shall preside at all meetings of the Board.

Section 3. Vice-Chairman. The Vice-Chairman shall perform the duties of the Chairman in the absence or incapacity of the Chairman; and in case of the resignation or death of the Chairman, the Vice-Chairman shall perform such duties as are imposed on the Chairman until such time as the Board shall elect a new chairman.

Section 4. Secretary. The Secretary of the Revolving Loan Fund Advisory Board will be chosen from among the advisory board members. The Secretary may delegate to a clerical assistant the responsibility for keeping the minutes of the meetings and record all votes, and shall keep a record of the proceedings of the Board in the town office. The Secretary shall also be responsible for having the minutes approved by the Board.

Section 5. Administration. The Town of Floyd Council, through the town council member on the advisory board, shall have general supervision over the administration of the business and affairs of the Board and shall be charged with the management of the Town of Floyd Revolving Loan Fund Program.

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Section 6. Election. The Chairman and Vice-Chairman and Secretary shall be elected from among the members of the Board and shall hold office for one year, or until their successors are elected and qualified. Consecutive terms of office are allowed.

Section 7. Vacancies. Should any of the offices become vacant, the Board shall elect a successor from its members at the next regular meeting and such election shall be for the unexpired term of said office.

ARTICLE III – MEETINGS

Section 1. Regular Meetings. Regular meetings of the Revolving Loan Fund Advisory Board shall be held on the _____ day of each month at _____ p.m. at the Town of Floyd Office or at such place as may be designated by the Town. The Secretary shall deliver the meeting information packages to each member of the Board at least three (3) working days prior to such meeting. The Secretary may at his discretion cancel the regular meeting if there is no business to conduct.

Section 2. Special Meetings. The Chairman of the Revolving Loan Fund Advisory Board may, when deemed expedient, shall, upon the written request of two members of the Board, call a special meeting for the purpose of transacting any business designated in the call. The call for a special meeting may be delivered to each member of the Board or may be mailed to the business or home address of each member of the Board at least two (2) days prior to the date of such a special meeting. At such special meeting, no business shall be considered other than that as designated in the call, but if all of the members of the Board are present at a special meeting, any and all business may be transacted at such special meeting.

Section 3. Quorum. A majority of the Board shall constitute a quorum for the purpose of conducting its business and exercising its powers and for all other purposes, but a smaller number may adjourn until a quorum is obtained. When a quorum is in attendance, the Board may take action upon a vote of a majority of the entire Board present. Upon vote, each Board member including the Chairman shall have one (1) vote. In the event of a quorum and a tie vote, the business at hand will be tabled until an odd majority of the board is present and a new vote can be cast.

Section 4. Attendance. Board members are expected to attend all meetings and should notify the Secretary in advance of any absence. A member unable to attend may cast a vote on each item before the Board by providing a written proxy statement to the Secretary in advance of the meeting.

Section 5. Manner of Voting. The voting on all questions coming before the Board shall be by majority, with the “Ayes” and “Nays” recorded in the minutes of the meetings.

ARTICLE IV – AMENDMENTS

Amendments to the Bylaws. The Bylaws of the Revolving Loan Fund Advisory Board shall be amended only with approval of at least a majority of the Board at a regular or special meeting, but no such amendment shall be adopted unless at least three (3) days written notice thereof has been previously given to all Board members. All Bylaw changes must also be approved by the Town of Floyd Town Council before they are adopted.

ARTICLE V – PARLIAMENTARY PROCEDURE

Parliamentary Procedure. Robert’s Rules of Order shall govern the conduct and procedures at all meetings of the Revolving Loan Fund Advisory Board.

AS OF _____, 2006