

LLOYD COMMUNITY DEVELOPMENT CORPORATION USDA

Guidelines

Objectives

The Lloyd Revolving Loan Fund's (LRLF) primary goal is to enhance job retention and creation efforts in the Town of Lloyd. This will be accomplished by assisting smaller businesses fill the gap in the existing financial markets; by encouraging new and imaginative uses of underutilized or deteriorated properties in certain areas; provide expansion equity to support economic growth and retention efforts underway; and to participate with other public and private programs to enhance the public benefits involved with job creation and tax base enhancement.

The LRLF was established to fill a need which was seen by the Town of Lloyd and the Ulster County Development Corporation. The LRLF Committee will administer the program for the Town of Lloyd and will provide loans to small businesses at low rates of interest for all or part of their financing needs.

Loan Project Selection Criteria

1. Eligible Applicants

- a. The applicant may be a sole proprietorship, partnership or corporation.
- b. An applicant must possess good character and reputation. An investigation of character shall be made from the best available sources: past and present creditors, employers and any other individuals who may have knowledge of the applicant.
- c. An applicant must possess a satisfactory credit score, a score less than 670 will be subject to review and discussion by the LRLF Committee.

2. Eligible Projects

- a. Acquisition and assembly of land for commercial, industrial or related uses.
- b. Acquisition of abandoned properties for redevelopment for commercial, industrial or related uses.
- c. Development of real estate including redevelopment and rehabilitation of historical buildings for industrial or commercial use.
- d. Other investments, which will directly accelerate the recycling of land and facilities for, job creating activity, such as assistance to firms to locate or expand in such facilities.
- e. Other projects and activities deemed by the LRLF Committee to be within the general intent and purpose of this program (ie equipment).

3. Ineligible projects

- a. Speculative building or renovations and speculative real estate. Site improvement without job creation or demonstrated retention is also ineligible.
- b. Payoff of existing loans to financial institutions.

4. *Eligible Costs*

- a. Land costs, including real estate, legal, engineering, grading, site testing, mapping, and related costs associated with the preparation of land.
- b. Building costs, including real estate, engineering, architectural, legal and related costs associated with construction and rehabilitation of buildings.
- c. Machinery and equipment costs including delivery, installation, engineering, and other costs directly related to the acquisition and installation of machinery and equipment.
- d. Working and start-up capital, where the LRLF Committee determines these costs to be eligible and advisable.
- e. Infrastructure costs.
- f. Relocation costs where the LRLF Committee determines these costs to be eligible and advisable.
- g. Other costs contributing directly to the value of the project as determined by the LRLF Committee.

5. *Application Review Factors*

The following factors will be considered in the review process of all LRLF applications:

- a. The number and/or type of jobs created and/or retained will be a contributing factor in determining an applicant's eligibility for a loan.
- b. The LRLF Committee will determine if loans will be made on a joint participation basis with conventional lending sources with the amount of equity participation to be determined by the LRLF.
- c. Loans supporting the strengthening of minority business enterprises will be encouraged.
- d. Applicants who express an affirmative policy of employing Town of Lloyd residents where possible shall be encouraged.
- e. Projects where the employer has expressed a policy of working with existing job training programs and placement programs where possible shall be encouraged.
- f. Projects utilizing local source suppliers shall be encouraged.

6. *Loan Fund Limitations*

- a. The LRLF will participate in projects encouraging new jobs, or which demonstrate job retention. Projects to increase efficiency, sales or revenues without new jobs or job retention shall be ineligible.
- b. The LRLFF will not participate in projects outside of the Town of Lloyd.

7. *Other Limitations*

- a. The LRLFF will issue funds either through an arrangement with a conventional lending institution or directly to the applicant upon approval, depending on the financing structure.
- b. The applicant will make full and honest disclosure and waive all rights about a financial evaluation, which would include all creditor and debtor relationships.
- c. The LRLF will, depending on the arrangements with the lending institution, either receive payment directly from the borrower, or receive payment from the

- institution if the borrower pays the whole project financing in one payment. The LRLF will also arrange for provisions, which will cover, but not be limited to, default, late payments, collateral and security and other items related to the borrowing.
- d. The LRLF shall have great latitude and leeway in the determination of project eligibility as well as levels of assistance to be afforded.
 - e. The LRLF will require personal guarantees for the security of its loans.
 - f. The maximum length Loan terms for building projects, machinery, equipment and working capital will be determined by the LRLF Committee.
 - g. Funds will not be available for work done on a project prior to LRLF approval.

Marketing

The LRLF will be marketed through community presentations, the Ulster County website, networking with other service organizations and banks, and periodic press releases.

Application Process

All applicants must first visit the Mid-Hudson Small Business Development Center for guidance and review or creation of a business plan and assistance with the LRLF application.

Application

To apply for the LRLF, the applicant must submit the following.

1. COVER LETTER to the Loan Fund Committee describing the applicant's commitment to the project and stating the need for public funding and the ability of the project to create or retain jobs for low to moderate income persons, as defined by the USDA.
2. COMMITMENT LETTER if applicable from the lending institution(s) providing the other project funds, indicating the amount, terms and conditions of their loan to the applicant. And/or a DECLINATION LETTER from a lending institution for the project.
3. BUSINESS PLAN and statements explaining and describing the project in detail.
4. BUSINESS FINANCIAL STATEMENTS to include Balance Sheet, Net Worth Reconciliation and Profit and Loss Statements for the last 3 years. Interim YTD as previous and current aging of Accounts Receivable and Accounts Payable. Earnings Projections/Pro Forma Financial Statements for the next 3 years. Label the list Exhibit C.
5. APPLICATION FEE of \$125.00, payable to the Lloyd Community Development Corporation.
6. An application
7. The Company must demonstrate that ownership is at least 51% United States citizens or legal permanent residents of the United States.

8. **SUMMARY OF COLLATERAL:** If collateral consists of: (a) Land and Buildings, a recent bone fide appraisal of the real estate supporting the value. and if applicable a letter from the current mortgage holder stating the remaining principal balance. (b) machinery and equipment or furniture and fixtures or other,; an appraisal of the existing equipment by an appraiser qualified to offer a "liquidation value" of the equipment. Provide an itemized list of model, serial and identification numbers for all articles that had an original value of greater than \$500.
9. **SOURCES AND USES OF FUNDS FOR PROJECT:** *complete the chart to show all funding sources and all uses of the project funds. If selecting working capital or contingencies submit a list describing the uses. For capital equipment or furniture and fixtures or fixed asset purchases provide an itemized list of model, serial and identification numbers for all articles. Include purchase contracts for land and building acquisitions and contractor estimates for improvements,, construction and/or renovations and lease agreements for rented space.*
10. **PERSONAL FINANCIAL STATEMENTS** are required for all persons having ownership in the project

Closing

Upon approval applicant will be responsible for a 1% administration fee, for real estate only, payable to the Lloyd Community Development Corporation and any and all costs associated with the closing and attorney fees for preparation of the closing documents.

Delinquency/Liquidation procedures

All payments are due on the 1st of the month. Late fees of 5% of the total monthly payment are automatically assessed if payment is not received by the 15th of the month. Collection letters are sent to Loan Projects within a week after the 15th of the month.

The Aging and Collections Report is generated during the first week after the close of the month and included in any reports made to the LRLF Committee.

At 60 days past due, if the Loan Project has not responded to the initial collection letter, they will get a collection phone call from the Servicing Agency and a certified letter from the Servicing Agency wherein the Loan Project will be asked to come in for a meeting with LRLF Committee.

At 90 days past due, if the Loan Project has not responded to the 60 day actions, they will be referred to LRLF Committee to have an attorney letter mailed to them within 5 business days. The attorney's letter will include notification that LRLF Committee will be conducting a site visit to perform an inventory of the collateral. LRLF Committee will make this site visit within 15 days after the attorney letter has been mailed.

At 120 days past due, if the Loan Project has not responded to the attorney letter, the Committee will instruct the LRLF Committee attorney to begin legal proceedings to secure our collateral within 10 business days.

Any Loan Project can request a revised payment plan and work with LRLF Committee to formulate a revision. All revisions will be presented to the appropriate loan fund committee for review and approval/disapproval. Once a revised plan is approved, a

meeting will be held by LRLF Committee with the Loan Project. The LRLF Committee and the Loan Project's owner will sign an agreement to the new plan. No new late fees will be assessed if the revised plan payments are met by the Loan Project. If the Loan Project misses a payment on their new plan, the LRLF Committee attorney to begin legal proceedings and will follow the procedure for 120 days past due.

Servicing policy (must visit each borrower at least once/year)

All recipients will be required to present quarterly cash flow statements, and yearly balance and income statements. LRLF Committee will visit each recipient at least once a year and benchmark the project against the application.

Technical assistance

All loan applicants must first visit the Mid-Hudson Small Business Development Center, work with a business counselor and create a business plan. Applicants will be encouraged to visit the SBDC periodically to review progress against the plan.

Reporting and other requirements

Complete records of the operation of the facility must be established and maintained and accounts audited annually. The USDA IRP fund within the audit must have a supplemental section breaking the USDA IRP fund out of LRLF's overall financial umbrella within the audit. It is not necessary for a separate audit; LRLF must supply a supplemental balance sheet/revenue-expense statement for the USDA IRP loan. Copies of the annual audit and management reports are required to be sent to USDA.

LRLF will maintain a separate ledger and segregated account for the USDA IRP revolving loan.

LRLF agreed to use a reasonable amount of the revolved funds to fund a reserve for bad debts. The fund will be accumulated over a period of three (3) years and will reach a total 6% of outstanding loans unless the intermediary provides data on its previous lending activities which justifies a higher or lower amount.

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, age, disability, religion, sex, and familial status. (Not all prohibited bases apply to all programs).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD)."

Adopted as amended 4/3/2018