

## **Henderson-Vance Downtown Development Commission, Inc.**

### **REVOLVING LOAN FUND**

#### **Revolving Loan Fund Program Objectives**

The Henderson-Vance Downtown Development Commission (**DDC**) is proactive in the revitalization and economic development of the Historic Downtown Business District (**the district**). It is the goal of the DDC to support all efforts to make the district a viable place to work, shop, eat and be entertained.

The majority of businesses and offices in the district are classified as small or rural businesses. Lack of funds to aid and assist these businesses with start-up or expansion is one of the main barriers to downtown economic development. The goal of the DDC Revolving Loan Fund (**RLF**) is to make small loans, as funds are available, to stimulate the creation of new jobs and/or maintain existing jobs for the betterment of the district.

#### **Policy Statement**

- \* The DDC will accept and consider completed applications by the 15<sup>th</sup> of each month for loans from the RLF for projects that will benefit the historic downtown area.
- \* The DDC Board of Directors is the sole authority for approval or denial of loans from the RLF and is responsible for all decisions and actions of the RLF.
- \* The RLF will be operated and maintained solely by the DDC.
- \* The RLF will help finance projects within the designated district and is not meant to be the sole provider of funds for all projects in the Downtown area. The RLF will coordinate with lenders to provide a financial package that will bring a project to completion and at the same time minimize the RLF participation in the project, where more money is required than what the RLF can supply.
- \* It is not the intent of the RLF to compete with area lenders, but rather to provide seed money to generate economic development.
- \* Information regarding RLF loan requests will at all times be kept confidential by all persons on the RLF Review Committee and the DDC Board Members.
- \* The DDC RLF is an equal opportunity lender and require loan recipients to adhere to all equal opportunity laws.
- \* The lending area for eligible borrowers is the area delineated and under the auspices of the DDC.

## **Revolving Loan Fund Management**

### Administration of the RLF

Management of the RLF will be done by the RLF Review Committee. This committee will be comprised of the DDC's Executive Committee, one to two additional Board members, with banking or finance experience to be selected by the Executive Committee and one member from the Kerr Tar Regional Council of Governments Revolving Loan Fund, Loan Review Committee (LRC) with banking experience.

Downtown Development Commission staff will review application for completeness and notify the applicant if additional information is needed. This RLF Review Committee will then review all applications within 30 days of submission to interview applicants, determine loan worthiness, and determine repayment ability. Upon thorough review, the LRC Review Committee will make a recommendation to the DDC Board of Directors.

If the loan is denied a letter from the Board President will be sent to the applicant.

If the loan is approved, the RLF Review Committee will set up the annual financial reporting schedule for the recipient. The Review Committee will be responsible for reviewing annual financial reports to ensure the loan is being used properly and being paid back in a timely manner. Any problems with the financial report will require a follow-up report at the request of the committee.

The RLF Review Committee will monitor the loan and make regular reports to the DDC Board.

### **Eligibility**

Individuals, Partnerships, LLCs, Sole Proprietorships, Cooperatives, Nonprofit Entities, the City of Henderson and Vance County governments are types of businesses eligible for the loan. The purpose of the loan is to stimulate the creation of new jobs and/or maintain existing jobs for the betterment of the Historic Downtown District.

### **Examples of Eligible Projects or Activities for RLF Loans**

- \* Industrial or Commercial Development
- \* Small Business Startup and /or Expansion
- \* Business Incubators
- \* Community Facilities
- \* Medical Facilities
- \* Training and/or Education Facilities

### **Examples of Ineligible Projects or Activities for RLF Loans**

- \* Refinancing of existing debt, or payment to business owners, partners or investors
- \* Projects without any supplemental financing

- \* No investment purposes (borrowing for a project that is not in the designated area of the DDC)
- \* Normal replacement, not related to business expansion or job creation.
- \* Vehicles used for general purposes or any personal use
- \* Construction projects of an individual residential nature
- \* Illegal activities or legal activities that in the opinion of the DDC Board of Directors, adversely affect RLF/DDC interests.
- \* Projects in which the director, officer, manager or employee of the DDC, or close relative has a financial interest or projects, which based on the judgement of the DDC Board of Directors, would create a conflict of interest, potential for conflict of interest, or any appearance of a conflict of interest
- \* Loans to applicants owing taxes in Vance County and/or Henderson City

### **Types of Financing Available**

- \* Fixed Asset Financing
  - Land, buildings, manufacturing equipment, office and work equipment
  - Infrastructure improvements
- \* Working Capital
  - Available only in a limited amount in conjunction with other RLF financing

### **Loan Terms and Conditions**

- \* **Amount** - The RLF will lend no more than 80% of the total amount needed for the project/projects and the maximum loan will not exceed \$25,000. The minimum loan is \$1000.
- \* **Supplemental Financing**- Evidence of 20% or more will be required with the loan application package.
- \* **Interest Rates** – The maximum interest rate for loans made from the RFL is the prime as published in the Wall Street Journal on the date of loan closing (currently 4.75%) and will be determined based on the ability to repay the loan and community's need for below-market financing.
- \* **Fees**- An annual loan servicing fee of up to 1% of the unpaid loan balance may be charged. The borrower will also pay the loan closing costs, as necessary to complete loan documentation.
- \* **Repayment Terms** - Repayment terms for any RLF loan will not exceed 10 years. The following terms will be used as a general guideline:
  - Building/ Real Estate – 10 years
  - Equipment- 7 year maximum or depreciable life

The RLF Review Committee will provide guidance on term options and loan repayment

schedules on a project-by-project basis.

**\* Security -**

The RLF review committee will work with the potential borrower to obtain security that is adequate for the term of the loan. The nature of the collateral pledged shall be determined by the loan committee on a project-by-project basis. Generally, security will consist of a first-lein position on real property. Other types of security may include:

- Letters of credit from acceptable financial institutions,
- Machinery and equipment which have a developed market,
- Securities issued by the US government or its agencies.
- Personal guarantees from owners, individuals, co-borrowers, partners or majority stockholders.

\* In some cases, credit life or key man insurance may be required with the RLF as payee.

**Application Procedures**

- \* Loan applications will be accepted as long as there are appropriate funds available in the RLF.
- \* Applications will be accepted at the DDC office, located at 207 Garnett St., Henderson, NC 27536 during scheduled working hours.
- \* The Executive Director of the DDC will review the application packet for completeness and present completed applications to the RLF Review Committee.
- \* The RLF Review Committee will review applications within 30 days of submission.
- \* The RLF Review Committee will contact and set up an interview with the applicant.
- \* The RLF Review Committee will analyze each project meeting the objectives of the RLF and make a written recommendation, with appropriate terms and conditions, to the DDC Board of Directors.
- \* The DDC Board of Directors will review RLF loan applications at their regularly-scheduled monthly meeting. If necessary at the Board's option, the Board may call a special meeting to review a loan application.
- \* The DDC Board of Directors shall have the final authority to approve or deny RLF Loan requests, and to determine appropriate terms and conditions.

**Approved Loans**

\* A note, loan and security agreements addressing all of the terms and conditions, including loan monitoring procedures, repayments, delinquencies, defaults and remedies for the loan will be prepared by the RLF Review Committee and other third parties where necessary.

**\* Loan Monitoring -**

The DDC RLF Review Committee shall monitor all RLF loans to ensure that:

- loan proceeds are spent as identified in the RLF Application
- all other sources of financing have been committed to the project
- the benefits of the project, such as job creation and/or retention are accomplished
- the collateral remains secure

At a minimum, financial statements will be requested and reviewed on an annual basis. The RLF review Committee may require additional financial statements from RLF borrowers as necessary to supervise the RLF loan. The DDC Board reserves the right to require submission of annual financial reports as audited by a Certified Public Accountant(CPA).

Company progress reports may also be required from the borrower. These could include Information concerning:

- the number of jobs created and/or retained
- list of accomplishments since the last report
- A summary of any problems, delays, or adverse conditions which will materially affect the attainment of planned project objectives
- A statement of action taken or contemplated to resolve the situation.

An annual review and report of the outstanding loans of the RLF will be compiled by the RLF Review Committee for presentation to the DDC Board of Directors.

### **Equal Opportunity Statement**

The RLF Loan Committee and the DDC does not discriminate against any applicant or customer on the basis of race, color, sex, sexual orientation, gender identity, religion, disability, age, veteran status, ancestry, or national or ethnic origin. Neither do they discriminate against any applicant or customer on the basis that all or part of the applicant's or customer's income derives from any public assistance program, or on the basis that the applicant or customer has in good-faith exercised any right under any applicable law whose purpose is the protection of consumers.

This loan program fully complies with all laws applicable to the conduct of its business, including those laws prohibiting discrimination such the Equal Credit Opportunity Act.

## REVOLVING LOAN FUND APPLICATION

The following application package must be completed and submitted to the Executive Director of the Henderson Vance Downtown Development Commission. Only completed applications will be considered by the Revolving Loan Fund (RLF) Review Committee for recommendation to the DDC Board of Directors.

\_\_\_\_\_ 1. Loan Application for Project (attach professional estimates of the project and related costs)

\_\_\_\_\_ 2. Authorizations to obtain a Consumer Credit report and release of information.

\_\_\_\_\_ 3. Personal Financial Statement - form attached

\_\_\_\_\_ 4. Description of the business and related questions - form attached

\_\_\_\_\_ 5. Two years minimum of most current personal tax forms

\_\_\_\_\_ 6a.. If a current business owner, two years minimum of the most current Business tax return plus a three-year business plan with forecasted cash flow, including repayment of loans.

**OR**

\_\_\_\_\_ 6b. If not a current business owner, a five-year business plan with forecasted cash flows and loan repayment.

An example of a one-year business plan is attached. If you need assistance with this, please call the Director of Small Business at Vance Granville Community College. Phone 252-738-3240.

\_\_\_\_\_ 7. Description of the project to be funded, plus cost estimates related to the project.

\_\_\_\_\_ 8. Proof of Vance County and City Taxes paid and up to date.

\_\_\_\_\_ 9. Proof of ownership or lease of property for business.

\_\_\_\_\_ 11. Proof of all county and city permits.