

# LAKE CITY REVOLVING LOAN FUND PROGRAM GUIDELINES

---

## INTRODUCTION

Thank you for your interest in the Lake City Revolving Loan Fund (RLF). The RLF is a public source of money from which loans are made for business development projects. The RLF is a low-interest, deferred payment loan program that can be used to leverage additional private sources of funding. When interest and principal payments are made to the RLF from outstanding loans, the money revolves and can be made available to other borrowers.

The RLF may not be used as the primary source of financing for a project (unless there are extenuating circumstances reviewed and approved by the RLF Committee). The RLF is typically used to fill a financing gap in a business development project if a business owner lacks the funds to meet the equity requirements of traditional bank financing. By combining public and private financing, the risk for the primary lender is reduced which yields an overall lower cost of money for the borrower.

## ELIGIBILITY REQUIREMENTS

Businesses must be located, or be willing to relocate within the corporate boundaries of the City of Lake City to be considered for a loan.

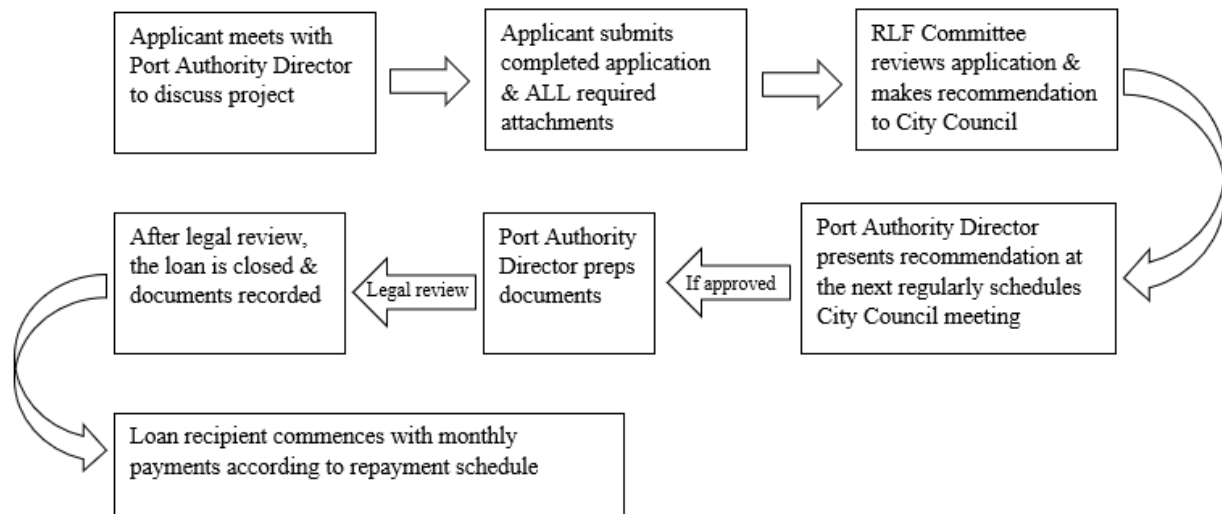
<b>ELIGIBLE USES OF RLF</b>	<b>INELIGIBLE USES OF RLF</b>
<ul style="list-style-type: none"><li>• Land &amp; Building Acquisition</li><li>• Land Improvements</li><li>• New Building Construction</li><li>• Building Renovation</li><li>• Machinery, Furniture, Fixtures, Equipment</li></ul>	<ul style="list-style-type: none"><li>• Debt Refinancing</li><li>• Working Capital</li><li>• Equipment Relocation</li><li>• Routine maintenance that does not extend the life of the structure</li></ul>

## TERMS AND CONDITIONS

1. The term is determined by the RLF Committee and fixed at 10 years or less.
2. Minimum loan fixed interest rate shall equal prime rate listed on Wall Street Journal at the time of application submission minus one half (.5) percent.
3. Minimum loan amount is \$5,000.
4. Maximum loan amount shall not exceed \$50,000.
5. RLF loan shall not exceed 50% of the total project cost. Or, under certain circumstances reviewed by the RLF Committee, if the applicant is ineligible for a bank loan for an eligible RLF project, they can apply for a RLF loan.
6. Automatic withdrawal from selected account.
7. Applicant will pay a \$750 fee to cover legal, recording, and other miscellaneous fees affiliated with and directly attributable to the processing and closing of the loan.
8. Immediate repayment of the entire outstanding balance of the loan will be made if the business relocates outside the corporate limits of the City of Lake City.
9. All construction and renovations must comply with City Codes and policies.
10. Security requirements will be determined by the RLF Committee and will be consistent with financial industry standards.
11. Life insurance, key man policy, and business interruption policies may be required.
12. Applicant must be willing to sign a personal guaranty.

13. A project may commence after the City Council of Lake City has approved the loan. Any costs incurred prior to loan approval are not eligible unless deemed otherwise by the RLF Committee.
14. No building construction may commence until the required City permits have been secured.
15. A loan recipient may apply for an extension of the RLF Loan at a higher interest rate. Extensions must include repayment of principal and interest and be reviewed by the RLF Committee and approved by the City Council.
16. Applicant is required to submit a business plan with the application.

## **PROCEDURE**



*Applicant should allow approximately 30 days **once the completed application and all required documentation is submitted**. The Port Authority Director is available to assist with all stages of the application process. The RLF Committee will review the loan request utilizing financial industry standards including but not limited to:*

1. Applicant is credit worthy
2. Applicant can show lender commitments
3. Applicant is willing to sign a personal guaranty
4. Applicant can pledge adequate collateral
5. Applicant can inject adequate equity
6. Applicant may be required to provide proof they are up-to-date on current payments with creditors/utilities/taxes
7. Applicant must be located in areas zoned commercial to apply
8. Applicant does not receive loan funds in lump sum(s). Applicant receives disbursement of funds after submitting receipts/invoice to Port Authority Director and City Finance Director or the port pays vendor directly

## **REVOLVING LOAN COMMITTEE MEMBERSHIP**

- |  |  |
|--|--|
| 1. City Council Members (May include Mayor)      | 2 (one member for one year, one for two)   |
| 2. Port Authority Members                        | 2 (one member for one year, one for two)   |
| 3. City of Lake City Finance Director (Advisory) | 1  |
| 4. Port Authority Executive Director (Advisory)  | 1  |
| 5. <u>Community Representative</u>               | 1 (three-year term, with option to extend) |
| Total RLF Committee Members                      | 7 (5 Voting Members + 2 Advisory)          |

## **LOAN MONITORING**

The City Finance Director/Treasurer will prepare a monthly management report which describes loans as either current, past due or in default and any actions taken to date. This information will be made available to the Port Authority Executive Director who will report this information in writing to the City Council on a quarterly basis.

Company financial documents will be available for inspection upon request of the Lake City Revolving Loan Committee during the active term of the loan.

## **DELINQUENCY AND DEFAULT**

### **Past Due Balances:**

A loan payment is considered *past due* fifteen (15) days after the payment due date.

The loan will be considered in *default* thirty (30) days after failure to make a scheduled payment.

### **Process:**

After fifteen (15) days - The borrower will receive written notification that their loan payment is past due, that a late payment fee has been assessed and the amount due to return the loan to a current status.

After thirty (30) days – The borrower will receive 2<sup>nd</sup> notice of default including: late fees that have been assessed, the amount due to return the loan to a current status and notification that collection procedures will commence in thirty (30) days if no action is taken to resolve this matter.

After sixty (60) days – The borrower will receive a final notice of default stating that all other attempts to collect on this debt have been unsuccessful, therefore, if the borrower does not contact the City within ten (10) business days to resolve this matter collections procedures will commence.

### **Remedies in the event of default:**

If a borrower knows that they will be late making a scheduled loan payment, or have fallen behind on regular monthly payments they are encouraged to contact the City Finance Director/Treasurer at 651-345-5383 to schedule a payment plan.

### **Fees and Penalties:**

- Insufficient Funds Fee – \$25.00 for insufficient funds in.

### **Collections:**

Collections are the last source of repayment and will begin seventy (70) days after the payment due date if no actions are taken by the borrower to resolve the default. The City will make every reasonable effort to resolve this issue with the borrower prior to commencing with collections actions. If, after seventy (70) days, the City is unable to negotiate an alternative with the borrower, collections will be pursued in accordance with approved policy guidelines and

applicable laws. All costs associated with collection proceedings will be the responsibility of the borrower.

- The Port Authority Director will work with the proper legal authority to recover collateral from the borrower that was used to secure the loan and arrange for its sale.
- Judgments are filed against the borrower for any remaining balance on the loan owed after the sale of collateral.
- The borrower will be ineligible for future revolving loans with the City.