

Village of Kekoskee

Economic Development

Revolving Loan Fund Plan **And** **Lending Guidelines**

The Village of Kekoskee (grantee) Revolving Loan Fund (RLF) shall be operated under the guidance of the following Revolving Loan Fund Plan. Amendments to this Revolving Loan Fund (RLF) Plan will require the approval of the Village of Kekoskee Board. However, no action will be taken to amend this plan without the prior written approval from Rural Development (grantor), an Agency of the USDA.

POLICY STATEMENTS:

- Grant funds to be received by the grantee through the Rural Business Development Grant program will be used to establish a revolving loan fund (RLF). The RLF will be used to provide financial assistance to third parties within the guidelines of this revolving loan fund plan. The grant funds will remain in the RLF until the RLF is terminated. Termination will not take place without prior concurrence of the grantor.
- The RLF will fund projects that result in new business opportunities and/or create and save jobs.
- Applicants to the RLF will be required to meet their needs with a cash injection from their own resources and/or financial institutions.
- The Village of Kekoskee Board 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 Village of Kekoskee.
- To avoid potential conflicts of interest, or the appearance of a conflict of interest, an RLF loan will not be made to any Village of Kekoskee Board member, Village of Kekoskee Board officer or members of the Village of Kekoskee Loan Review Committee or the immediate family members (as defined in s. 19.42(7) Wis. stats.) of the aforementioned persons or to any Village of Kekoskee subsidiary or affiliated organization in which the Village of Kekoskee has a financial interest.
- All proprietary and financial information regarding RLF loan requests will, at all times, be kept confidential by the members of the Village of Kekoskee Board, the Loan Review Committee, the RLF Administrator, and the Village of Kekoskee staff. If necessary, the RLF may seek the advice and counsel of outside consultants and sources in order to adequately perform due diligence regarding the project. Confidentiality agreements will be used as needed.
- The Village of Kekoskee RLF is an equal opportunity lender and requires borrowers to adhere to all equal opportunity laws.

REVOLVING LOAN FUND ADMINISTRATION SUMMARY:

The **Village of Kekoskee Board** has sole responsibility for approval/denial of all loans made from this fund. The Village intends to have the RLF managed by a contracted RLF Administrator (see Addendum A) and an RLF Loan Review Committee (see Addendum A) who together will review all requested loan documentation and provide the Village Board with Loan Request summaries and recommendations for action.

The **RLF Administrator** shall explain the Program to prospective applicants, provide written information, assist applicants in completing applications, and process requests for financing. The RLF Administrator may counsel or guide loan applicants to other more appropriate technical and financial resources when the loan applicant has needs beyond those available from the RLF program. A change in the contracted RLF Administrator or their duties does not reflect an amendment to the RLF Plan and therefore the change does not have to be approved by the USDA.

The **Village of Kekoskee Clerk and Treasurer** along with the RLF Administrator will segregate and maintain the Revolving Loan Fund and the accounting records of the Revolving Loan Fund from other Kekoskee accounts. The Village of Kekoskee Clerk and Treasurer along with the RLF Administrator will provide the USDA with all required grant reporting.

Loan Review Committee

The Village of Kekoskee Board has appointed a Loan Review Committee (LRC) to review all **completed** RLF loan applications submitted to them by the RLF Administrator. The LRC will perform necessary credit analysis and due diligence in order to make a written recommendation to the Village of Kekoskee Board, which has final authority regarding all actions of the RLF. The LRC will meet on an as-needed basis under the terms of the application procedures listed below. Pursuant to Section 19.84, Wisconsin Statutes, all Committee members and the general public shall be given prior notice of each meeting.

The Loan Review Committee serves on a volunteer basis. The Committee shall be comprised of three voting members plus the RLF Administrator. The RLF Administrator shall not have voting privileges. Two persons of the Committee shall constitute a quorum necessary for approving or rejecting an application for funding from the RLF. The Loan Review Committee shall choose a Chairperson to call the vote. The RLF Administrator will serve as Secretary for the Loan Review Committee

The Loan Review Committee shall make written recommendation to the Village of Kekoskee Board.

Members of the LRC will serve indefinite terms. However, the Village of Kekoskee Board has the right to replace members of the LRC in the event of resignation or other necessary circumstances. The Loan Review Committee members were chosen, in part, because of their experience with lending and/or economic and community development projects. A current and up to date roster of the members of the LRC will be attached to this Revolving Loan Fund Plan as new members are appointed (see addendum A).

These committee appointments and/or duties do not reflect an amendment to the RLF Plan and therefore do not have to be approved by the USDA.

REVOLVING LOAN FUND GOALS and GUIDELINES:

Goals:

- Loan funds will be used to finance and/or develop small and emerging private business enterprises in the Village of Kekoskee. Small and emerging business is defined as any private and/or nonprofit business which will employ 50 or fewer new employees and has less than \$1 million in gross revenue; for retail operations, total sales minus cost of goods sold minus returns; or, for a service organization, gross revenue minus cost of providing service; or, for a manufacturing operation it will be total sales minus cost of raw materials minus the cost of production. If the grantor changes its definition of small and emerging business as defined by the Rural Business Development Grant regulations, the grantee reserves the right to utilize the amended definition without further approval from the grantor.
- The project must have a reasonable prospect that it will result in the economic development of the Village of Kekoskee by one or more of the following:
 - Encouraging the creation and/or retention of permanent jobs.
 - Encouraging new private sector business investment into Kekoskee.
 - Perpetuating a positive and proactive business climate.
 - Encouraging the retention and expansion of existing businesses and attracting desirable new businesses.
 - Encouraging the development and use of modern technologies that increase productivity and efficiency.

Qualifying Borrowers

- Have not been involved in any lawsuits in the last five years or have any lawsuits pending.
- Have not been involved in any bankruptcy or insolvency proceedings or have any proceedings pending.
- Have not had any civil or criminal charges in the last five years.
- Do not have any outstanding delinquent Federal, State or Local tax liens/liability.
- Have not been convicted of a felony.

Qualifying Projects:

- Applicant must be named as an owner, sole proprietor, Chief Executive Officer or other officer authorized by the business to enter into contract with the Village of Kekoskee on behalf of the business seeking assistance and must be a representative of a legitimate for-profit business or proposed for-profit business.
- Project/business to be assisted by the RLF program must be physically located, and with business conducted, within the Village of Kekoskee. If the business relocates outside of the Village of Kekoskee, any outstanding loan amounts must be immediately paid off.
- Acquisition and development of land, easements, and rights-of-way.
- Construction/rehabilitation efforts that are tied to enhanced productivity or necessary to secure new business or necessary to attract/retain employees.
- Startup operating cost.
- Working capital.
- Proposed use compliant with local ordinances, regulations and policies.
- Meets all mandated Federal and State regulations/guidelines.

Ineligible Projects:

- RLF funds will not be used to produce agriculture products through growing, cultivation, and harvesting either directly or through horizontally integrated livestock operations except for commercial nurseries, timber operations, or limited agricultural production related to technical assistance projects.
- RLF funds will not be used to finance comprehensive area-wide type planning. This does not preclude the use of grant funds for planning for a given project.
- RLF loan funds will not be used to pay off any previous debt. Refinancing construction financing is an exception to this guideline.
- Loans will not be made unless there is a reasonable prospect that the applicant meets the definition of small and emerging private business enterprises as noted in the GOALS of this Plan.
- Any other project determined ineligible by the grantor or as referenced in the Rural Business Development Grant regulation, RD Instruction 4280-E.

Terms:

- The Loan Review Committee (LRC) will set the loan amount, payment frequency, interest rate, and length of loan.
 - **Cash Injection:**

The cash injection can be from the borrower's own resources and/or a financial institution. After review of all documents associated with the project, cash injections will be determined by the LRC.
 - **Minimum / Maximum Loan Amounts:**

Loans to be made from the RLF will not exceed the level of available funding in the RLF bank account. Loans made from the RLF typically will not be less than \$10,000. The Loan Review Committee may recommend loans smaller than the above value on a case by case basis.
 - **Interest Rate:**

The interest rate will typically not be lower than 1% and typically will not exceed Federal Reserve prime rate by more than 1% at the time of application. The Loan Review Committee will determine the rate based on the evaluation of the applicant's ability to repay and the necessity of below market financing to advance the project. Interest earned on any RLF loan must stay in the fund for use in paying RLF expenses and in making additional RLF loans.
 - **Fees/Closing Costs:**
 - Applicants must submit a **non-refundable check for \$250** payable to the **"Village of Kekoskee USDA Rural Development Grant"**, along with a **completed application and all required attachments. An additional amount of 1% of the loan amount will be due at closing for administrative and legal fees.** If the project requires an environmental review, applicant will be responsible for all costs associated with the environmental review process.
 - Costs associated with processing the application (e.g. credit report fees, UCC and lien search fees, filing security documents, filing legal documents fees, etc.) shall be the responsibility of the applicant.
 - The Loan Review Committee may waive or amend this fee structure without further approval from the grantor.
 - **Length of Loan:**

Loans can be amortized for a time period of up to five years on working capital and up to seven years on equipment, machinery, land, buildings and real estate. The Loan Review Committee shall determine the term.
 - **Repayment/Prepayment**
 - An ACH transaction shall be set up for payments.
 - There shall be no prepayment penalties.

- **Security / Collateral:**
 - Security shall consist of the best lien available on real estate, equipment, inventory, etc. The discounted value of the security (using typical lender discount rates) shall equal or exceed the value of the loan. The Loan Review Committee may require personal guarantees and/or co-signors.
 - The RLF Administrator will work with the 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 Review Committee on a project-by-project basis. If the same collateral is used in joint financing, the RLF will seek a parity position with other lenders. Types of security may include:
 - Mortgage Lien on Real Property
 - Machinery and equipment which have a developed market;
 - Letter(s) of credit from acceptable financial institution(s);
 - Securities issued by the Federal government or its agencies.
 - Accounts receivable and inventory for short-term loans; and
 - The borrower will be required to maintain fire insurance, and flood insurance if necessary, on secured assets. In some cases, credit life or key man insurance will be required with the Rural Development Grant RLF as loss payee.

APPLICATION PROCEDURES:

Prospective **applicants** may contact the Revolving Loan Fund (RLF) Administrator at any time to discuss availability of funds and the feasibility of the proposed project. Contact information for the RLF Administrator can be found on the Kekoskee.com website or by contacting the Village Clerk at KekoskeeClerk@gmail.com

- The RLF Administrator will advise applicants on the amount of money that is available and, if less than needed, will review whether it might endanger the project.
- The RLF Administrator can explain the Program to prospective applicants and assist applicants in completing applications.
- The RLF Administrator may also counsel or guide loan applicants to other more appropriate technical and financial resources when the loan applicant has needs beyond those available from the RLF program.

Applications for RLF funds will be accepted on a continual basis. All **applicants** for RLF funding will be required to complete an application form and provide a corresponding business plan with verifiable data which demonstrates that their proposed projects are economically feasible, sustainable, and will provide benefits to the Village of Kekoskee, either through job creation or infrastructure improvements. A copy of the application which includes a list of supporting information is attached to this plan (see Addendum B).

- The **completed** application form, including required additional forms and information, and a **non-refundable check** for \$250 payable to the “Village of Kekoskee USDA Rural Development Grant”, will be accepted by mail at Rural Development Grant RLF, W3275 County Road TW,

Mayville, WI 53050 or in person at the same address. An application is not considered complete until all required information has been submitted to the RLF Administrator as listed on the application; along with a **non-refundable** check for \$250.

- There must be evidence presented by the applicant that indicates the RLF loan is necessary to make the proposed project feasible. The RLF Administrator may require additional financial statements, projections, written feasibility studies, business plans, market studies, etc. as appropriate for the business type before the application will be considered complete.

The **RLF Administrator** will evaluate all loan requests and assess, with the assistance of the USDA Rural Development engineer, whether an environmental review is necessary. The RLF Administrator will provide guidance and counseling to applicants on all costs associated with applying for RLF funds, including the environmental review process, timeline and costs. The RLF Administrator, with the assistance of an attorney, shall prepare all loan agreements, review all promissory notes and mortgage or lien instruments, record RLF security instruments in accordance with loan documents and counsel Kekoskee on default matters. The RLF Administrator shall request and review borrower financial statements to ensure compliant use of loan proceeds.

- The RLF Administrator will provide quarterly status reporting to the Loan Review Committee as noted below under “LOAN MONITORING” including information on those applicants counseled toward other resources.
- For each completed application submitted, the RLF Administrator will review the information included in and with the application, make credit checks, request further documentation, conduct site visits as necessary and, with that information, compile a summary showing the highlights of the loan analysis and the RLF Administrator’s recommendation for the LRC. Recommendations will always detail the legitimate business reasons.
- When the RLF Administrator has determined that the application is complete and ready for review by the Loan Review Committee, the RLF Administrator will make arrangements for the Committee members to pick up the summary and application packet or the RLF Administrator will hand-deliver the packet to the members.
- The RLF Administrator will work with the LRC and the applicant to choose a meeting date and time. The RLF Administrator will post notice of the meeting.

The **Loan Review Committee (LRC)** will review the application, the supporting documentation and the RLF Administrator’s recommendation, then analyze each project and make a written recommendation to the Village of Kekoskee Board.

- The LRC may also require additional financial statements, projections, written feasibility studies, business plans, market studies, etc. as appropriate for making their recommendation to the Village Board. The LRC may request that further meetings be set up as necessary to complete the review and make a recommendation. The LRC may include post-loan borrower reporting requirements in their recommendation. See also “REVOLVING LOAN FUND GOALS and GUIDELINES” above and “Review Criteria” below.
- The LRC written recommendation shall include the date and time the Committee met, persons attending the meeting, the name of the loan applicant, summary of the application, summary of

the Committee analysis showing the highlights of the loan analysis and the LRC's recommendation for the Village Board. Recommendations will always detail the legitimate business reasons. Votes should be documented as roll call. This written recommendation will constitute the minutes of the meeting.

- When the LRC has completed their written recommendation, the RLF Administrator will add an agenda item to the Village of Kekoskee regular or special meeting agenda.

The **Village of Kekoskee Board** shall have final authority to approve or deny all RLF loan requests.

- The Village of Kekoskee Board will normally act on the LRC summary and recommendation at their scheduled monthly Board Meeting. However, if needed and at the Board's option, the Board may call a special meeting to act on the recommendation.
- The RLF Administrator will notify the applicant of the approval or denial of the application. If approved, the notification will list the requirements including the amount of the loan, the terms and the amount of the 1% fee payable at closing. If denied, the notification will list the legitimate business reasons.
- The RLF Administrator will request funding from the USDA if the Grant is still open.

Closing for approved loans will require the following:

- The RLF Administrator, with the assistance of an attorney as needed, will prepare a loan agreement addressing all of the terms and conditions, including monitoring procedures, ACH repayments, delinquencies, defaults and remedies for that project.
- The RLF attorney with the assistance of the RLF Administrator shall prepare all notes, mortgages, security agreements, UCC filings and other legal documents necessary to close the loan. The RLF attorney with the assistance of the RLF Administrator will use the appropriate note, mortgage, and other forms which are approved by the State Bar Association.
- Before RLF funds can be disbursed to the borrower, all requirements and terms of the loan agreement must be met and supplemental financing must already be contributed or verified ready to contribute to the project.

Review Criteria:

The basis for determining the eligibility/approvability, loan amount, interest rate, and terms and conditions of a revolving loan fund request, and general RLF operational procedures, are as follows:

- The Loan Review Committee will consider the financial need of the project, the probability of success, the security offered, and the overall benefits of the project to the Village of Kekoskee, including the number of jobs to be created or retained, diversification of the economy, the extent of the upgrading of the skills of the Village workforce, the quality of the jobs in terms of pay scale and benefit package.

- Applicants who choose to apply in times when inadequate funds exist for extending a loan will be informed of the lack of funds. Applications will be reviewed and funded (if eligible) based on the following criteria:
 - Applications with the greatest anticipated economic impact for the community shall receive greatest priority. Criteria to be considered in determining economic impact include number of jobs created or saved, wage scale of employees, benefits paid to employees.
 - Applications of equal economic impact will be funded in date order of application.
- In accordance with Federal law and U.S. Department of Agriculture policy, the Loan Review Committee and the Village of Kekoskee Board will not discriminate on the basis of race, color, national origin, sex, religion, age, disability, or marital or family status.

LOAN MONITORING

The RLF Administrator shall be responsible for the administrative requirements of the RLF. With the approval of the Loan Review Committee, the RLF Administrator may delegate these responsibilities to other persons.

All RLF loans will be monitored to ensure that ACH payments continue, that loan proceeds are spent as identified in the RLF application, that all other sources of financing have been committed to the project, and that the benefits of the project, such as job creation, are accomplished as stated in the RLF application. The RLF Administrator shall ensure that RLF lien positions and loan collateral are secure.

Loan monitoring will require regular reporting by the borrower.

- The RLF Administrator will collect income statements and balance sheets, at a minimum, quarterly, from the borrower. Depending on the nature of the project and security arrangements, the Loan Review Committee or the RLF Administrator reserve the right to require the submission of financial reports as audited by a certified public accountant.
- The RLF Administrator will also conduct site visits to meet with the borrower, verify collateral and collect any information as required.
- The Loan Review Committee and/or the RLF Administrator reserve the right to ask for any additional information at any time that may be required to properly manage the loan including but not limited to:
 - information on the number of jobs created or retained during the reporting period;
 - a comparison of accomplishments during the reporting period to the objectives established for the project;
 - a description of any problems, delays, or adverse conditions which will materially affect the attainment of planned project objectives and a statement of action taken or contemplated to resolve the situation.

The RLF Administrator will provide quarterly reports of loan status and issues to the Loan Review Committee. The RLF Administrator and/or loan committee reserve the right to require reports on a more frequent basis if it is determined to be in the best interest of the RLF for proper management for the loan.

The RLF Administrator will compile an annual year-end review and report of the outstanding loans of the RLF, including job creation/retention totals and community benefits. This report will be presented to the Loan Review Committee for approval to present to the Village of Kekoskee Board.

DEFAULT PROCEDURES:

The RLF Administrator is charged with the management of 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.

When a default situation arises, the RLF Administrator will advise the Loan Review Committee and the attorney as to what caused it. The RLF Administrator will notify the Village of Kekoskee Board when a default moves to foreclosure.

In the event the borrower is in default on any of the terms and conditions of the loan agreement, all sums due and owing, including penalties, shall, at the Village of Kekoskee Loan Review Committee's option, become immediately due and payable. To exercise this option, the RLF Administrator shall prepare a written Notice to Cure to the business. The notice will be sent to the borrower via certified, first class mail with a return receipt requested. The notice shall specify the following:

- The default.
- The action required to cure the default.
- A date, not less than five (5) days from the date of the delivery, by which the default must be cured to avoid foreclosure or other collective action.
- Any costs incurred as a result of the default.
- A \$250 penalty.

The following situations will cause a default and have specific cures:

- An ACH payment is missed.
 - The RLF Administrator will contact the borrower to obtain proof that they did not terminate the ACH.
 - If the ACH was terminated, the RLF Administrator will start default collection actions with the assistance of an attorney.
 - If the ACH was not terminated, the RLF Administrator will issue a written Notice to Cure the default by re-instating the ACH payment within five (5) business days upon receipt of Notice and paying delinquent loan payments as agreed to in loan terms and agreement documentation.
 - If the Notice to Cure is not responded to, the RLF Administrator will start default collection actions with the assistance of an attorney.
- Non-payment.
 - The RLF Administrator will issue a written Notice to Cure the default by making any delinquent payments within five (5) business days upon receipt of Notice and remain current with the next three (3) payments or immediate default collection action will begin.
 - If the Notice to Cure is not responded to, the RLF Administrator will start default collection actions with the assistance of an attorney.
- Misuse of funds/illegal use of funds not included within the loan agreement.

- The RLF Administrator will begin immediate default collection action by reversing any outstanding funds within 30 calendar days and collecting all remaining loan balances including penalties as noted above.
- Sale of collateral that secures the loan as identified in security agreement and loan agreement.
 - The RLF Administrator will issue a written Notice to Cure the default within 30 calendar days upon receipt of Notice.
 - If the Notice to Cure is not responded to, the RLF Administrator will start default collection actions with the assistance of an attorney.

As a prudent lender and at the Loan Review Committee's recommendation, the Village of Kekoskee Board may approve a one-time corrective action/workout of a delinquent account. As part of the workout, loan terms may be modified by deferral, reamortization and/or balloon payments.

FILE RETENTION:

All RLF files will be retained for a period of not less than 3 full years after the loan has been paid in full or 3 years following a denied loan application. After 3 years, the files will be destroyed by shredding or incineration. Files will be handled according to good accounting procedures and retained per current IRS procedures should they change.

Only paperwork generated by the Revolving Loan Fund process will be kept per the schedule above.

Files will be secured in a locked, safe place at the Village Hall and access will be limited to the RLF Administrator, the Loan Review Committee, the Village of Kekoskee Clerk and the Village of Kekoskee Treasurer. Other security measures will be initiated as needed to protect confidentiality of loan documents including the signing of Confidentiality Agreements.

This Revolving Loan Fund Plan is submitted by the grantee. Upon approval by the grantor, the grantee agrees that no changes will be made to the Revolving Loan Fund Plan without prior written approval by the grantor.

Village of Kekoskee (GRANTEE)

By: _____, President _____
(Signature) (Title) (Date)

This Revolving Loan Fund Plan is hereby approved by USDA - Rural Development.

USDA - RURAL DEVELOPMENT

By: _____, _____
(Signature) (Title) (Date)

Addendum A – Kekoskee Loan Review Committee Members as of November 19, 2019

Gary Goebel – Business Owner Representative
Gib Hietpas – CPA
Megan Schuett – Commercial Loan Officer

TBD – Loan Administrator
