

Revolving Loan Fund Guidelines & Procedures

1. INTRODUCTION

The County of Franklin Industrial Development Agency (IDA) established the Franklin County Local Development Corporation (LDC) and its' revolving loan fund (the "Fund"), to stimulate the growth of private sector employment in Franklin County, New York.

As such, the Fund provides financial assistance to:

- A. Industries wishing to expand or build new facilities;
- B. Industries needing to modernize their physical plant or equipment and machinery to maintain their competitive position;
- C. Developers wishing to provide state-of-the-art facilities, or renovated commercial properties that are a blight in a designated area of need for growth;
- D. Industrial firms seeking to locate new plants or facilities in the County; and D. Retail / market-driven facilities under the following categories:
 - 1. A tourism destination (location or facility) that is likely to attract a significant number of visitors from outside the economic development region in which the business is located; or
 - 2. A project that would locate related jobs outside of the County if the Agency did not provide assistance; or
 - 3. A project which primary purpose is to provide needed goods or services not currently or easily accessible to the residents of the municipality within which the proposed project would be located.

The Fund will make low interest subordinated loans for acquisition of real estate, building construction and rehabilitation, or machinery and equipment acquisition and rehabilitation. ***The Fund guidelines are to lend up to forty percent (40%) of a project's cost, or up to \$250,000, whichever is less.*** The Fund will consider working capital and inventory loans to eligible companies that can demonstrate the necessity and unavailability of such funding from other sources, and which can provide adequate security for the loan.

The Fund guidelines are to lend up to \$15,000 for each FTE job created or retained.

3. EQUITY PARTNERSHIP

A minimum of ten percent (10%) equity in a given project is used as a guideline when reviewing sources of funds. The minimum ten percent (10%) is based off the projects LDC funding amount, not off the total project's projected costs.

4. ELIGIBILITY OF ASSISTANCE

The Fund exists to facilitate growth and support new and expanding businesses, developers of blighted buildings in designated areas in need of growth, and to provide assistance for any

business in Franklin County meeting the underwriting guidelines and other considerations established by the Fund.

5. PROGRAM CONSIDERATIONS

Each loan application will be reviewed and acted upon within the framework of the following program considerations. These considerations reflect the guidelines of the Fund's administrator, the Franklin County Industrial Development Agency.

Priority will be given to projects that:

- A. Covenant to hire at least 51% percent of low/moderate income persons for new jobs created or can demonstrate that more than 51% of the existing employees are from low/moderate income households.
- B. Demonstrate a favorable jobs-created-to-capital ratio.
- C. Demonstrate the increased employment of an underutilized local resource (e.g., forest products, dairy products, minerals, etc.)
- D. Contribute to the revitalization of distressed localities.
- E. Involve personally owned or family owned industries.

6. OTHER CONSIDERATIONS

The factors listed below will be considered by the Fund when determining whether to process and approve a loan application.

Limitation of Loan Amount – Loan guidelines limit funding to forty percent (40%) of a project's cost or \$250,000, whichever is less. The Fund reserves the right to contribute less than the project maximum as circumstances dictate.

Commitments for Other Components of the Financing Package – The Fund will approve applications only when the required commitments from the primary lender and other necessary financing parties have been secured. Applications that do not provide evidence of such commitments will be reviewed with any approval contingent upon such commitments being forthcoming.

Ability to Repay – Loans will be approved by the Fund only after a determination has been made of the feasibility of the project, the attainability of the financial projections, and the acceptability of the supporting documentation and financial statements. The Fund uses a minimum of a ten percent (10%) equity contribution for a given project. In-kind labor, materials, and/or services (but not real property) may satisfy this private equity contribution.

Number of Jobs Created and Cost Per Job – The Fund will consider the number of persons presently employed, the projected increase both directly or indirectly through development, and the amount of the Fund investment per job. Experience of federal, state, and local job creation assistance programs indicates the cost per job created can be held below \$15,000.

Collateral Security – The Fund shall seek reasonable and sufficient security for loans it makes and may for any reason deny access to funds based on its sole determination of the risks involved and the sufficiency of the security available. Normally, the security required will take the form of a mortgage on property (often a second position), a lien on equipment and machinery, an assignment of accounts receivable, raw material and finished goods inventories, and personal guarantees and assets.

Terms/Repayment Schedules – Working capital loans will be extended for no more than five (5) years; machinery and equipment loans for up to seven (7) years, and loans with real estate as collateral for no more than ten (10) years. Extended terms for loan years based on real estate as collateral may be approved, with specific contingencies. They are:

- 1.) If, the owner/primary borrower(s) are local and/or residing in the building;*
- 2.) If, proof of extensive renovation of property will take place;*
- 3.) If, at least one letter of commitment for lease of space is presented to LDC.*

Project Monitoring – The Fund’s staff will conduct annual project inspections to monitor project progress toward meeting job creation commitments. Inspections and requests for information (e.g. reports) may be made more frequently as the Funds deems necessary. Applicants may be required to file annual reports detailing project expenditures, employment levels, repayment progress, etc., in a form designated by the Fund. In the event of an irremediable default, the Fund may assign the delinquent account to a collection entity. The borrower will be responsible for any costs associated with such an assignment.

Loan Servicing – The Fund or its’ fiscal agent will receive all monies due from applicants under the Fund on a monthly schedule.

Interest Rate – The interest rate on all Fund loans will be fixed at the Prime Rate as published in the Wall Street Journal plus two percent (2%), but in no event will the interest rate be less than five percent (5%). The interest rate shall be fixed at the time of loan approval and shall not vary during the term of the loan.

Late Fees – A late fee of five percent (5%) of the payment amount will be charged if the payment is received more than fifteen (15) days past the due date.

Credit Check- *The Primary loan applicant(s) must have adequate credit worthiness of 620 or higher. Noted delinquencies and charge-off’s may contribute to the LDC’s Loan Committee recommendations, per their discretion. Note a personal FICO Score or Vantage 2.0 Score may be different then DANC’s credit report algorithm. A copy of your credit report will be supplied to the primary loan applicant if requested in writing within 30 days of the LDC Loan Committee’s recommendation to the IDA Board.*

Other Charges-

(a) Each application submitted must be accompanied by a non-refundable processing fee, the amount of which is determined by the LDC Board of Directors. The current amount is \$250.

(b) The applicant will pay all direct, out-of-pocket fees (i.e., legal, appraisal, survey, and insurance fees related to an individual project), in addition to loan closing costs and any

associated fees payable to the LDC's counsel. Such fees are eligible project costs when developing a Sources and Uses of Funds statement.

7. APPLICATION PROCEDURE

Subject to the limitations described above and observing rules and guidelines established by the Franklin County Local Development Corporation, application procedures are as follows:

1. Prospective applicants should contact the Industrial Development Agency staff and discuss the project design prior to submitting an application. *The Industrial Development Agency will then designate one coordinator from the Loan Committee to discuss project and obtain any additional information the Loan Committee will need to move forward on approval or disapproval.*
2. Each applicant must submit a completed application and the \$250 processing fee. The application must include documentation supporting the unavailability of funds from other grant and loan sources, in addition to all exhibits listed in the application.
3. Following completion of the application, *in consultation with the Industrial Development Agency's CEO, the CEO then reviews the DANC underwriting to ensure it meets LDC guidelines. The staff at the Industrial Development Agency will then send the DANC underwriting report and CEO comments to the LDC Loan Committee to review for recommendation.*
4. If approved, you will first receive a letter of commitment from the LDC, then the Agency's attorney will coordinate document preparation and closing with the borrower or borrower's attorney. All fees and closing costs are paid by the borrower (see Other Charges (b), above).