

# **CAPITOL AREA REGION REVOLVING LOAN FUND**

Capitol Area Region Revolving Loan  
Fund Manual for the  
Capitol Area Region (CAR)

(Columbia, Dane, Dodge,  
Jefferson, Rock, and Sauk  
Counties)

Approved by the CAR Board  
\_\_\_\_\_, 2016



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## FOREWORD

The Wisconsin Community Development Block Grant (CDBG) Program, administered by the Wisconsin Department of Administration (DOA) or its designee, has provided local governments with funds to use for economic development, more specifically, for business start-ups and expansion. These funds, originally received from the U.S. Department of Housing and Urban Development, have been used to provide grants to local units of government that use the funds to loan to a business. The business, in return for use of the public funds, provides private investment towards the assisted activity and most importantly creates job opportunities. When a business repays the community the loan (principal and interest payments), these funds have been used to capitalize a local revolving loan fund (RLF).

The Capitol Area Region consists of the counties of Columbia, Dane, Dodge, Jefferson, Rock, and Sauk as well as participating communities within those counties. The Capitol Area Region (CAR) Revolving Loan Fund was formed to consolidate the funds from the local Revolving Loan Funds (RLF) within the Capitol Area Region. In 2015, there were 25 local revolving loan funds within the Capitol Area Region, many of which were underutilized. The Capitol Area Region Revolving Loan Fund is designed to combine all of the assets from the participating communities within the region to streamline management of the RLF's and improve local capacity for economic development. The CAR fund will provide an alternate source of financing and investment for eligible businesses wishing to improve the economic well-being of the Capitol Area Region.

As a result of the creation of the regional partnership, more revolving loan dollars will be made available to each community. In addition, the funds may eventually become defederalized as a result of the formation of the CAR Revolving Loan Fund.

The CAR Fund is meant to serve the common good of the entire region. Participant communities are encouraged to consider what is good for the economic well-being of the entire region. As the region succeeds, the communities within the region will succeed as well. It is anticipated that creation of the CAR fund will also help to further develop relationships between communities in the region on other economic development related projects.



## **SECTION 1. GENERAL PROVISIONS.**

### **1.1 PURPOSE**

The purpose of the policies and procedures contained within this manual, hereafter referred to as the Capitol Area Region Revolving Loan Fund Manual, is to present the criteria which govern the economic development activities assisted with funds made available through the consolidation of Community Development Block Grant (CDBG) Revolving Loan Funds (RLF) within the Capitol Area Region. The Capitol Area Region (CAR) shall include the following participants who have chosen to participate: **(To be determined)**

### **1.2 OBJECTIVES**

The Capitol Area Region (CAR) Revolving Loan Fund shall help serve as an economic stimulus throughout the Capitol Area Region.

Economic development activities, which are not listed in priority order, assisted with funds made available through the loan fund are intended to meet the following objectives:

- 1) To encourage the creation and retention of permanent jobs that provides quality wages and benefits.
- 2) To encourage the leveraging of new private and public investment into the Capitol Area Region in the form of fixed asset investment, particularly in land and buildings.
- 3) To increase tax base for communities in the Capitol Area Region.
- 4) To perpetuate a positive and proactive business climate, which encourages the retention and expansion of existing businesses, encourage entrepreneurship activities, and to facilitate new business investment.
- 5) To implement the economic goals and objectives of the Capitol Area Region communities and regional economic development strategies.
- 6) To maintain and promote a diverse mix of employment opportunities.
- 7) To promote agricultural, commercial and industrial development in the Capitol Area Region.
- 8) To encourage the development and use of modern technology and create safe and healthy work environments.
- 9) To encourage an environmentally sensitive and sustainable business community.

### **1.3 AMENDMENTS AND MODIFICATIONS**

The Capitol Area Region Board may amend the provisions in this manual subject to the participating communities and the Department of Administration (DOA) or its designee.

## **SECTION 2. ADMINISTRATION**

### **2.1 CAPITOL AREA REGION REVOLVING LOAN FUND BOARD**

The Capitol Area Region Revolving Loan Fund Board (CAR Board) shall manage the CAR Loan Fund. It will accept the CDBG funded RLF funds, assume the RLF loans and legal responsibilities from the participating communities in Capitol Area Region and act as the oversight board. It will adopt and implement the Capitol Area Region Loan Fund and this manual. The Board may delegate authority to modify, extend, and restructure loans.

The CAR Board shall have final lending authority for the loan funds and may delegate to the **Region's** Loan Review Committee the authority to approve all loans which comply with the policies and procedures set forth for each loan program.

The CAR Board shall review and adjust policies to meet the needs of the CAR Loan Fund. The CAR Board shall review loan performance and provide reports in an agreed upon format and schedule.

The CAR Board shall develop and approve an annual operating budget.

The CAR Board shall enter into an administrative agreement with the Department of Administration (DOA) or its designee for administration of the CAR Loan Fund.

The CAR Board shall select and enter into an agreement with **Personnel/Staff** to manage the CAR Loan Fund.

The CAR Board shall approve all litigation costs and deficiency judgments. The CAR Board shall approve all collection actions including collateral foreclosure, repossession and legal actions.

The CAR Board shall approve all investment policies. **Personnel/Staff** shall be responsible for the investment of funds per approved Board policies and oversee investment of funds.

An independent auditor selected by the CAR Board shall audit the fund annually. Audit report findings shall be made available to all RLF participants.

The CAR Board shall have equal representation from each county. Participants from each county shall appoint one representative to serve on the Board. Each county representative shall be appointed by a majority vote of the participants located within said county.

The CAR Board will establish its Articles of incorporation and By-laws.

The CAR Board may set limits on the number of loans and amount of funds loaned through the Loan Review Committee. Each county will have access to at least 60 percent of the original managed assets contribution from all of the participants in that county for the first 24 months from creation of the Region.



## 2.2 PERSONNEL/STAFF

The CAR Board may hire personnel/staff (hereinafter referenced as Staff) directly and/or contract for the administration and management of the loan portfolios on a day to day basis and take actions to underwrite, recommend, fulfill reporting requirements, close and collect loans consistent with the lending policies and approvals of the Loan Review Committee, the CAR Board and the loan program.

CAR Board Staff shall be responsible for accepting and reviewing all loan applications made to the Loan Review Committee. Staff will also ensure that each application is complete and provide a report and recommendation on each loan application.

Staff will also be responsible for maintaining separate accounting records and prepare reports on the use of program funds and shall advise the Board on default matters. Staff shall maintain contact with local participating communities on all business loan requests; attend Loan Review Committee meetings as necessary or at the request of the Committee; and will also be responsible for marketing the Capitol Area Region Revolving Loan Fund.

## 2.3 THE WISCONSIN DEPARTMENT OF ADMINISTRATION (DOA) OR ITS DESIGNEE

The Wisconsin Department of Administration (DOA) or its designee shall provide oversight and technical assistance to the CAR Revolving Loan Fund. The DOA or its designee may award CDBG funds to participant communities to loan to eligible businesses and the repayments shall be directed to the CAR Loan Fund. The DOA or its designee must be notified of all RLF requests over \$200,000.

## 2.4 PARTICIPANTS

Participants include those communities who have chosen to participate in the CAR Loan Fund and include participating counties. Participants shall market the funds, assist local businesses with applications and communicate with Staff about economic development projects and priorities in their communities.

Participant communities shall identify a person to represent the local government as the Local RLF Administrator who will assist Staff with the processing of the loan application.

## 2.5 LOAN REVIEW COMMITTEE

The CAR Region Loan Review Committee shall have representation from each county. Participants from each county shall appoint one member to serve on the Committee on a full-time basis. Full-time members of the committee shall serve a two year term.

Each County may also appoint an additional two temporary Committee members to

serve on the Loan Review Committee only when the subject loan application originates from a community in that County. These temporary members can only vote on the loan application from their own County.

All Committee members should have applicable subject matter expertise. Participants in each county will appoint Committee members pursuant to their own appointment policies. However, the CAR Board and participant communities shall attempt to maintain at least 51% of the Loan Review Committee membership for low and moderate income residents of its geographic area of operation, owners or senior officers of private establishments and other institutions located in and serving its geographic area of operation, or representatives of low and moderate income neighborhood organizations located in its geographic area of operation.

The Loan Review Committee shall act on all loan requests. The Committee shall also act on all amendments to loan terms and conditions after loans are closed. The Loan Review Committee may delegate authority to modify, extend, and restructure loans to Staff.

The Loan Review Committee working with Staff, shall review, select and approve or deny loan applications based on the lending authority approved by the Capitol Area Region Board. The Loan Review Committee shall be responsible for the review and approval or denial of loan applications. Committee members shall adhere to the requirements established by the CAR Board. A majority of the Committee, as defined by the bylaws, must approve any action.

Notices and meetings shall be held in accordance with open meeting and records law of the State of Wisconsin.

## 2.6 RECORDS

Written records of all program activities, including program meetings, loan applications, and related documents, shall be maintained in appropriate files by Staff. Authorized personnel shall maintain all project files in a secure, fireproof place with limited access. Records shall be available where and when appropriate and consistent with approved policies and procedures.

A documentation file should be established and maintained by Staff for each loan recipient and contain the following:

- 1) Loan Application. All applications, business financial statements, personal financial statements, credit reports, resumes, business plan documents, and other supporting loan information submitted, including all applicable correspondence, shall be placed in a permanent file.
- 2) Loan Approval. This file must contain action taken on the loan and will include recommendations and evidence of loan approval.

- 3) Loan Closing. All legal documents, including but not limited to debt and security instruments, loan agreements, and other applicable documents made in accordance with loan disbursement procedures. On a case-by-case basis, Counsel shall be retained to ensure file compliance and proper documentation.
- 4) Tickler System. Notices shall be generated systematically to serve as a reminder on time-sensitive items. Tracking such information is vital in protecting security interests, ensuring lien perfection, and monitoring loan performance. The following is a non-exhaustive list of items to be indexed in tickler format, when applicable:
  - a) Expiration dates pertaining to property, commercial liability, business loss interruption, and key-man life insurance policies;
  - b) Due dates and requests for financial statements and reports as stipulated in the loan agreement;
  - c) Periodic site visits and/or management conference calls;
  - d) Lapse dates relating to UCC financing statements should be generated no later than 45 days prior, but not more than 180 days before UCC filing expiration;
  - e) Scheduled dates to perform annual reviews and monitor covenant compliance;
  - f) Due dates for any current or outstanding tax obligations (i.e. property, payroll, etc);
  - g) Dates for any imminent changes in loan repayments or reminders regarding non-compliance deadlines or default "drop-dead" dates.
  - h) Job creation and retention documentations shall be maintained for all applicable time periods.
- 5) General Information. Standard loan recipient reporting and contact should be made to properly assess credit risk and any deficiencies that may exist. In all cases, one or more of the following should occur on an annual basis:
  - a) Financial statements prepared by a qualified accountant and submitted in a form acceptable to the Committee;
  - b) Correspondence and progress reports;
  - c) Site visit and/or management conference calls. A summary of any visits or calls shall be logged for future reference;
  - d) Amortization reconciliation and repayment monitoring to target unwanted credit behaviors and to assist in uncovering larger issues;

e) Loan reviews shall be performed through a culmination of collecting and analyzing the above mentioned. A report summary should be completed to address the following credit topics: punctuality of payments, collateral considerations, sales growth, financial health of the business, presence of material liens or lawsuits, violations of loan covenants, and suggested corrective actions. In the event a business is experiencing difficulty complying with the terms and conditions of the loan agreement, note or other legal contract, Staff shall attempt to work with the borrower to correct identified deficiencies through mutually agreeable actions, including restructuring the loan to protect the fund's interest while meeting the business' needs. In the event the findings of the loan review uncover serious deficiencies, particularly the imminent threat or occurrence of default, Staff shall consult with Counsel to discuss and act on legal matters connected with the transaction at hand.

## *2.7 ADMINISTRATION FUNDING*

Funds may be withdrawn from the loan fund to cover reasonable administrative expenses. Up to three percent of managed Capital may be used for administration. Managed Capital is defined as the total cash on hand and all outstanding loan balances. Other funds may be used in situations when funds are insufficient to cover administrative costs.

To cover administrative costs, the CAR Board may also establish loan origination fees, closing fees, servicing fees, and other fees to cover charges directly related either to processing an application or to servicing a loan.

## **SECTION 3. GENERAL ELIGIBILITY CONSIDERATIONS**

### **3.1 ELIGIBLE AREA**

The area served by the Capitol Area Region Revolving Loan Fund programs shall be defined as the area inclusive of those participants listed in Section 1.1 of this Manual. Specific areas of eligibility shall be identified as RLF communities that contribute funds to the Capitol Area Region CAR Loan Fund. Communities with CDBG funded RLFs that do not participate in the CAR Loan Fund shall not be eligible.

### **3.2 ELIGIBLE APPLICANTS**

Applications may be submitted by any authorized representative with executive level decision making authority of an existing, emerging or prospective business within the CAR region.

Applicants must demonstrate that the proposed project is viable and that the business will have the economic ability to repay the funds.

Applicants shall comply with all applicable local, state, and federal laws and regulations.

Applicants must agree to remain physically located in the community in which the loan is originated during the term of the loan.

To qualify for funding, eligible businesses must complete an application and submit all relevant supporting documentation. Only when all the necessary documentation has been submitted will the application be processed and presented to a loan committee for formal action.

All Applicants must be current in all tax payments at all levels, including any fees to be assessed by the municipality, or be current in an approved plan to pay taxes or fees.

No member of the Capitol Area Region Board or any other official, employee, or agent of the Capitol Area Region Revolving Loan Fund or of the Loan Review Committee, or anyone, who exercises decision-making functions or responsibilities in connection with the implementation of this program, is eligible for financial assistance under this program.

The borrower must certify that it does not have immediate plans to relocate jobs in violation of CDBG Anti-Piracy regulations. The following language will be included in all agreements with the borrower. "The Borrower certifies it is and will maintain compliance with CDBG Anti-Piracy regulations as stated in 24 CFR 570.482(h). Violation of this regulation will constitute an Event of Default."

### 3.3 ELIGIBLE ACTIVITIES

The majority of loan funds shall primarily be utilized for business loans at or below market interest rates that provide an economic benefit to local communities. Projects proposed for funding must address one or more of the objectives. **The following is a list of eligible activities:**

- 1) Acquisition of land, buildings, fixed equipment and lease hold improvements;
- 2) Site preparation and construction & reconstruction for projects;
- 3) Installation of fixed equipment;
- 4) Clearance, demolition, removal, rehabilitation or construction of buildings and improvements;
- 5) Payment of assessments for sewer, water, street, and other public utilities if the provisions of the facilities help a business expand;
- 6) Working Capital may include short-term financing, training and relocation costs;
- 7) Capital investments for dairy producers that will result in significant long-term increase in capacity to produce milk;
- 8) Other Special Projects as determined by the CAR Board.

### 3.4 INELIGIBLE ACTIVITIES

- 1) Bridge financing, refinancing or consolidation of existing debt;
- 2) Reimbursement for expenditures prior to loan approval without prior approval;
- 3) Specialized equipment that is not essential to the business operation;
- 4) Residential building construction or reconstruction (unless such reconstruction is intended to convert the building to a business or industrial operation);
- 5) Non-business expenses, including soft costs;
- 6) Routine maintenance;
- 7) Relocation of a business from one community within the region to another community within the region without extenuating circumstances;

- 8) Compensation for a fundamental business weakness or a poor credit history;
- 9) Other activities the CAR Board or the Loan Review Committee may identify during the administration of the program.

### 3.5 *INELIGIBLE BUSINESSES*

- 1) Gambling related operations;
- 2) Sexually orientated businesses;
- 3) Lending institutions;
- 4) Rent to own businesses;
- 5) Speculative real estate investment;
- 6) Non-public recreational facilities;
- 7) Businesses not serving the interests of the Capitol Area Region.

### 3.6 *LOW AND MODERATE INCOME (LMI) BENEFITS*

Each project that uses program income dollars (not defederalized) must demonstrate that it meets the CDBG-ED national objective of benefiting low to moderate income persons as defined by CDBG regulations.

- 1) The project shall create jobs, at least 51% of the jobs will be held by or Made Available to LMI Persons.
- 2) "LMI Persons" means persons with household income less than eighty (80) percent of the median household income by family size in the County where the Project is located.
- 3) "Made Available to LMI Persons" means the Borrower will document that at least 51% LMI Persons were hired or Received First Consideration by interviewing at least 51% LMI Persons for created positions that do not require special skills or education beyond high school.
- 4) "Received First Consideration" means the Borrower must document and use a hiring practice that results in at least 51% LMI Persons interviewed for created positions and demonstrate that under usual circumstances this hiring practice will result in at least 51% LMI persons being hired. Part of the Borrower's hiring practice must include the posting of available positions with the local Job Service Office or Workforce Development Boards.

- 5) The following documentation evidencing compliance must be collected:  
A listing of all job titles which were planned to be held by or made available to low to moderate income persons, a commitment to hire or make at least 51% of jobs available to low to moderate income persons, a written plan for how such persons were given first consideration for jobs including what hiring process was used, a list of the low to moderate income persons interviewed for particular positions, including the size and annual income of the person's family prior to interviewing for the position.



## **SECTION 4. BUSINESS LOAN PROGRAMS**

A procedures manual will outline in more detail the application process including applications and checklists for loan committees. As loans are officially approved by the Loan Review Committee and meet the criteria, Staff will close and service the loans. A separate procedure manual will define standard for the following:

### **4.1 REVOLVING LOAN FUND (RLF)**

Purpose: The purpose of the Revolving Loan Fund (RLF) is to promote economic growth in Capitol Area Region through recruitment, expansion, and retention of business and industry. The RLF shall provide financing to fill gaps in the local markets and to stimulate private sector Capitol investments. The RLF should not be the primary source of financing for projects and should work in partnership with lending institutions.

The RLF shall provide direct loans and may participate in loans with other lenders. It will not issue guarantees, letters of credit or other contingent financing arrangements. RLF funds that are not defederalized shall meet federal requirements of the Community Development Block Grant program.

Eligibility: The Revolving Loan Fund (RLF) shall look at projects that provide a public economic benefit to a community. Determining public benefit varies within the region. There are both direct and indirect benefits that can be considered by the Committee. The Committee shall evaluate proposed loans weighing the economic impacts. Examples follow:

#### **Examples - Direct Benefits**

- 1) Job creation and retention, especially jobs that pay good wages and provide benefits.
- 2) Increased tax base and private investment.
- 3) Creation of services not currently available in a community.

#### **Examples - Indirect Benefits**

- 1) Spin-off effects that strengthen the economic base.
- 2) Creation of a visible symbol of positive economic change in a community or the region.
- 3) Long term economic and employment growth potential.
- 4) Adds value to and expands the market for area resources.
- 5) Diversifies the local economy.

- 6) Invests in new technology.
- 7) Helps reverse the brain drain.

RLF Terms and Conditions: Loan terms and conditions shall be based on need and ability to repay. It is the intent of the RLF to be as flexible as possible while operating in accordance with prudent lending policies. The procedure manual will define standards for loan size, owner equity, interest rate, loan terms, repayment, prepayment, collateral, personal and business guarantees, job creation and compliance monitoring.

RLF Loan Application Process: Applications shall be completed and submitted to Staff. Once Staff determines that an application is complete, the appropriate local representative and the applicant shall be notified.

RLF Loan Review/Approval: Staff shall compile the application and supporting documents required to underwrite the loan and verify that the loan request meets program criteria and follows prescribed standards. Staff shall schedule a loan committee meeting if the application is complete and meets program qualifications. The applicant shall be notified as to the date and time of the loan meeting. The applicant or applicant's representative is strongly encouraged to attend the loan review meeting. Staff shall send the complete application with all attachments and documentation to the local RLF Administrator and/or Loan Review Committee.

The Loan Review Committee and Staff Director shall conduct basic financial underwriting prior to approving loans. As an example, the objectives are to ensure that:

- 1) The recipient can repay the proposed assistance;
- 2) Project costs are reasonable;
- 3) All sources of project financing are committed;
- 4) Private Capitol and/or owner equity is invested;
- 5) The project is financially feasible;
- 6) To the extent practicable, the return on the owner's equity investment will not be unreasonably high;
- 7) The loan does not create an unfair competitive advantage to the recipient.

Staff shall issue commitment letters for approved loans only after review and approval by the Loan Review Committee. If the commitment is accepted by the business, Staff shall notify the local RLF administrator. Staff shall close, disburse and service the loan.

RLF Loan Review/Denial: If the Loan Review Committee denies a loan application, Staff shall issue a denial letter to the applicant stating reasons for denial.

## **SECTION 5. DISTRIBUTION OF FUNDS**

### **5.1 LOAN PROCEDURES**

Prior to releasing funds, the following documentation must be in place or provided at the appropriate time during the term of the loan.

- 1) Notice of Loan Commitment and Acceptance. The Loan Review Committee must have reviewed and approved a complete application for an eligible applicant. Staff shall notify the applicant of the decision and advise applicant of next step.
- 2) Evidence of permits, etc. Documentation must be provided by the applicant that all necessary permits, licenses and any other registrations have been obtained prior to the release of loan funds.
- 3) Loan Agreement. Staff shall prepare a loan agreement that shall be executed by the authorized CAR person(s), and an authorized party of the business.
- 4) Promissory Note. A promissory note shall be prepared by Staff and must be dated and specify the amount and terms of the loan.
- 5) Security. Mortgage or lien instruments and personal guarantees shall be provided as security for all loans. The documents will be executed at the time of the loan closing. Staff shall record the instrument(s). Documentation will be placed in loan files and may include:
  - a) Mortgage and security agreements;
  - b) UCC searches and filing;
  - c) Guarantee agreement;
  - d) Title insurance or abstract, if applicable;
  - e) Assignment of life insurance, if applicable;
  - f) Casualty insurance binder;
  - g) Personal and/or other guarantee;
  - h) Other documentation as may be appropriate.
- 6) Repayment Schedule. Staff shall prepare an amortization schedule.
- 7) Evidence of Program Expenditures. Documentation acceptable to Staff must be provided by the business to evidence program expenditures.

- 8) Other Documentation. As appropriate or necessary, the loan recipient may be asked to provide the following to Staff:
- a) The Articles of Incorporation and by-laws or Articles of Organization and operating agreements;
  - b) A resolution or agreement to borrow funds;
  - c) Evidence of having secured other funds necessary for the project;
  - d) Current financial statements;
  - e) An Environmental Assessment for real estate loans. The assessment may be a Phase I, II, or III analysis, depending on the environmental condition of the site.

With the above documentation in place, Staff will schedule a loan closing. All documents shall be executed before funds are disbursed, and mortgages and UCC statements shall be recorded with the appropriate Register of Deeds and the Wisconsin Department of Financial Institutions.

## 5.2 *DEFAULT*

If the business defaults on any of the terms and conditions of the loan agreement, note, participation agreement, mortgage, security agreement, or other agreement issued in connection with a loan, all sums due and owing, including penalties, shall become immediately due and payable. The CAR Board may commence action to recover the unpaid balance of the note and account. To exercise this option, Staff shall prepare a written notice to the business and provide a copy to the DOA or its designee. The notice shall specify the following:

- 1) The default;
- 2) The action required to cure the default;
- 3) A date, not less than thirty (30) days from the date of the notice, by which the default must be cured to avoid foreclosure or other corrective action;
- 4) Any penalties incurred as a result of the default.
- 5) The Borrower certifies it is and will maintain compliance with CDBG Anti-Piracy regulations as stated in 24 CFR 570.482(h). Violation of this regulation will constitute an Event of Default.

### 5.3 USE OF LOAN REPAYMENTS AND REPORTING

Repaid loans shall be re-deposited into the CAR Loan Fund account and used in a manner consistent with the policies/procedures manual and agreements with the DOA or its designee. A separate accounting record for each loan shall be kept to account for all funds lent. The fund account shall be reviewed annually by a qualified third party. The CAR Board shall determine the frequency of additional financial reviews. Staff shall prepare the reports.

### 5.4 LOAN SERVICING

Staff shall be responsible for the day-to-day administration of the portfolio, including establishment and maintenance of recordkeeping and tickler file systems, preparing and submitting progress reports, collecting and analyzing financial statements, conducting field visits, monitoring repayments and working with problem loans. Staff may engage third party assistance for any type of fund or project expertise.

Staff shall monitor each loan to ensure compliance with the loan terms and conditions and to monitor the financial health of the business. The monitoring will also ensure that all recordkeeping requirements are met.

For loans utilizing CDBG program income funds, the borrower must meet the LMI requirement. To ensure compliance with the LMI requirements, employers must collect the Interviewee/Employee Self-Certification Form (See Appendix D) from every applicant for each job created by CDBG program income funds and forward copies of the completed self-certification forms to Staff.

A loan servicing file shall be established and maintained for each loan. The file shall include all written correspondence; a record of important telephone conversations; a list of applicable loan covenants; certificates of insurance for builder's risk, property-casualty, and life insurance, as applicable.

All new loans shall normally have loan payments due on a systematic basis.

The objective of the CAR Loan Fund is to contribute a positive economic benefit to the area economy rather than maximizing return on investment. Thus the CAR Board has more latitude in dealing with a problem loan than a traditional lender does. If the business could benefit from a loan workout and the private lenders are also willing to work with the business, the CAR Board may utilize various alternatives to assist the troubled business including restructuring the loan.

Collections actions including collateral foreclosure, repossession and legal actions taken to preserve the CAR Loan Fund's interest in collateral shall be taken on behalf of the CAR Loan Fund shall be approved by the CAR Board unless the Board delegates certain authorities to the Loan Review Committee or Staff. There shall be no loan loss reserve established. All loans in distress should be noted in the monthly financial records.

## 5.5 RECORDKEEPING

In addition to all other requirements, the financial management records must be comprehensive and designed to provide the following information, which may be provided through an internal accounting system maintained by the Executive Director:

- 1) Accounts that record all deposits and disbursements to and from the loan fund, including funds used for administration, federal funds, CDBG funds to be returned to the DOA or its designee, funds available for set-aside programs and the RLF, and contributions from each RLF local government;
- 2) Loan Repayment registers that record repayments made by each business receiving a loan from the CAR Loan Fund. This register also tracks the balance of repayments from all loans from the fund;
- 3) Collection Register for every loan made. Each register contains the business name, loan date, loan number, loan amount, terms, and date repayment begins. Payments are divided into principal and interest payments, with a declining principal balance;
- 4) Staff shall prepare periodic status reports for the CAR Board and the Loan Review Committee, and the DOA or its designee.

## **SECTION 6. POST APPROVAL REQUIREMENTS**

### **6.1 OBLIGATION OF LOAN RECIPIENT**

In addition to the terms and conditions of the loan, all borrowers shall agree to comply with the following:

- (1) The creation or retention of the agreed upon number of jobs up to three (3) years from the date of the execution of the loan agreement. Jobs must be retained for two (2) years. Extensions may be granted by the Loan Review Committee if business conditions warrant.
- (2) Not to discriminate on the basis of age, race, religion, color, handicap, sex, physical condition, development disability as defined in s. 51.01 (5), sexual orientation or national origin in any employment or construction activity related to the use of the business loan funds.
- (3) To use the loan money only to pay the cost of services and materials necessary to complete the project or activity for which the loan funds were awarded.
- (4) To permit inspections by authorized persons of all projects and properties assisted with loan funds. Related project materials shall also be open to inspections which include, but may not be limited to, contracts, materials, equipment, payrolls, and conditions of employment. Requests for inspection shall be complied with by the borrower.
- (5) To maintain records on the project as may be requested. These files shall be maintained as long as the loan is active or for at least three (3) years after completion of the work for which the loan has been obtained, whichever is longer.
- (6) To submit periodic progress reports to Staff in accordance with the schedule in the loan agreement. These reports shall report on project progress including number of jobs created or retained during the loan agreement.
- (7) To maintain fire and extended coverage insurance on the project property required during the term of the loan. The Region shall be listed as Loss Payee, Mortgagee, or "additional" insured on the policy. Term life insurance may be required of the applicant to cover the loan balance through the life of the loan.

- (8) To abide by all federal laws, when applicable. These include, but may not be limited to: The Civil Rights Act of 1964; the Age Discrimination Act of 1975; the Davis-Bacon Act, as amended; the Contract Work Hours and Safety Standards Act; the Copeland "Anti-Kickback" Act; and all regulations pursuant to these Acts. The Borrower certifies it is and will maintain compliance with CDBG Anti-Piracy regulations as stated in 24 CFR 570.482(h). Violation of this regulation will constitute an Event of Default.
- (9) To collect the Interviewee/Employee Self-Certification Form from every applicant for each job created by CDGB funds.

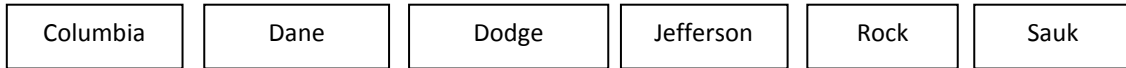


# APPENDIX

# APPENDIX A

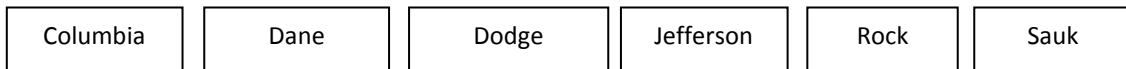
## CAPTITOL AREA REGION GOVERNANCE STRUCTURE

### CAPITOL AREA REGION (CAR) BOARD



- Meetings:** Determined by CAR Board, monthly or as needed.
- Role:** Regional policy making / direction, responsible for adoption of manual, and development of fund management and investment strategies. Determines limitations, if any on funds dispersed to participant communities. Hires Program Administrator.
- Composition:** One member appointed by each of the member counties.
- Term:** Determined by the CAR Board By-laws.
- Appointment:** Determined by participants in each county.

### REGION LOAN REVIEW COMMITTEE



- Meetings:** As needed.
- Role:** Acts on all loan requests. Acts on all amendments to loan terms and conditions after loans are closed. May delegate authority to modify, extend, and restructure loans.
- Composition:** Participants from each county shall appoint members. Members will have applicable subject matter expertise.
- Term:** Two year term (Full-time).
- Appointment:** Determined by participants in each county.

**APPENDIX C  
CAPITOL AREA REGION FUND**

**Region Revolving Loan Fund (RLF)**

Loan Size	Loan amounts are subject to fund availability and the scope and type of project being undertaken. Generally, loans should represent no more than 50% of a project's total cost, except under special circumstances at the discretion of the Loan Review Committee. Loan amount shall not exceed amount of funds provided by the senior lender. All requests in excess of \$200,000 must be approved by DOA or its designee.
Owner Equity	10% minimum equity injection of total project cost required.
Interest Rate	To be determined by CAR Board.
Loan Terms	<ul style="list-style-type: none"> <li>• Working Capital loans shall not exceed a term of 7 years</li> <li>• Loans for machinery, equipment, and fixtures shall not exceed a term of 10 years, or the life of the pledged assets, the lesser thereof.</li> <li>• Real estate loans shall not exceed a term of 20 years.</li> </ul>
Repayment	<ul style="list-style-type: none"> <li>• Monthly payments</li> <li>• Under special circumstances, for an initial period of time, payment of interest and/or principal may be deferred.</li> </ul>
Prepayment	No prepayment penalties
Collateral	The best collateral position possible including personal assets
Guarantees	Unlimited personal guarantees are required from any person with a 20% or greater ownership interest in the business. Corporate guarantees are required if applicable.
Job Creation	At a minimum, one full-time job or equivalent is created for each \$35,000 loaned.
Compliance Monitoring	<ul style="list-style-type: none"> <li>• Must maintain business within the region for term of loan</li> <li>• Provide employment documentation</li> <li>• Other documentation (i.e. financials) as required by CAR Board, Committee or Staff</li> </ul>
Loan Disbursement	Terms of disbursement are negotiable

# APPENDIX D

## Interviewee/Employee Self Certification Form

**Employer:** \_\_\_\_\_  
**Project Site:** \_\_\_\_\_ **County:** \_\_\_\_\_  
**Contract ID:** \_\_\_\_\_

[Employer Name] is collecting the following information as a result of participating in the U.S. Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program. CDBG is a federally-funded program administered jointly by the State and Columbia County.

To meet federal regulations, [Employer Name] is required to collect statistical data on your family income, race/ethnicity, and employment status. This information is reported to HUD and eventually used by the U.S. Congress to measure the effectiveness of the CDBG program. Your name and personal information will be kept private, and your income, race and unemployment status information only shared with the federal government anonymously. **It is only through your cooperation that your community can benefit from this federal program.**

**INSTRUCTIONS:**

Please complete all information below. If you are applying for a job, please use your current information. If you are completing this form after accepting a position, please complete the form based on your family size and annual income directly before accepting your position. Note that "Family" means all related persons in your household.

**Family Size:** \_\_\_\_\_  
**Annual Gross Family Income:** \_\_\_\_\_  
**Please indicate your race:**

**Please indicate your ethnicity:**

- White
- Black/African American
- Asian
- American Indian/Alaskan Native
- Native Hawaiian/Other Pacific Islander
- Other/Multi

- Hispanic or Latino
- Non Hispanic or Latino

**Are you currently unemployed?**

- Yes
- No

I certify that the information provided above is correct to the best of my knowledge.

\_\_\_\_\_ / \_\_\_\_ / \_\_\_\_  
**Printed Name** **Signature** **Date**

EMPLOYER/LOCAL GOVERNMENT USE ONLY (ALL SECTIONS ARE MANDATORY)		
<b>Position Details</b>		
<input type="checkbox"/> Full Time <input type="checkbox"/> Part Time (FTE: _____) <input type="checkbox"/> Employer-Sponsored Healthcare Plan Offered		
<b>Position Class</b>		
<input type="checkbox"/> Official/Manager <input type="checkbox"/> Sales <input type="checkbox"/> Operative/Semiskilled	<input type="checkbox"/> Professional <input type="checkbox"/> Technician <input type="checkbox"/> Laborer/Unskilled	<input type="checkbox"/> Office/Clerical <input type="checkbox"/> Craft Worker/Skilled <input type="checkbox"/> Service Worker
<b>Applicant Income Categorization:</b>		
Please indicate a hire decision, as well as the median family income group the applicant falls into based on Housing and Urban Development Section 8 incomes in your county, using the year in which the applicant was interviewed. Incomes for your area can be found at <a href="http://www.huduser.org/portal/datasets/il.html">http://www.huduser.org/portal/datasets/il.html</a> .		
<b>Hire Decision</b> <input type="checkbox"/> No Offer of Employment Made <input type="checkbox"/> Position Offered to Applicant	<b>Applicant Income</b> <input type="checkbox"/> Non-Low/Moderate (>80% County Median Family Income) <input type="checkbox"/> Moderate Income (<=80% County Median Family Income) <input type="checkbox"/> Low Income (<=50% County Median Family Income) <input type="checkbox"/> Very Low Income (<-30% County Median Family Income)	

# Appendix B

## Internal Organizational Structure

