

Meeker County Revolving Loan Fund (RLF) Program Plan

Mission

The mission of Meeker County EDA is to promote retention, expansion and attraction of businesses within Meeker County.

Purpose of RLF Plan

The purpose of this plan is to establish certain policies, guidelines, application forms and application review and approval procedures for the proper dispensation of program income from a county revolving loan fund.

Meeker County EDA, through its staff and Loan Review Committee, shall accept and process applications for the purpose of providing loans to borrowers, which will be utilized in the development of business facilities and Community Development within Meeker County.

General Restrictions

No loans will be extended to an applicant unless:

1. There is adequate assurance of repayment of the loan based on the fiscal and managerial capabilities of the applicant.
2. Applicant provides evidence that there is participation by a financial institution and those funds to be provided are insufficient to cover the total project costs and there is a "gap" in financing.
3. The amount of the loan, together with other funds available, is adequate to assure project completion or achieve the purpose for which the loan is made.
4. At least 51% of the interest in any business concern making application for financing assistance must be owned by those who are either citizens of the United States or reside in the United States after being legally admitted for permanent residence.
5. Generally, equity participation will be anywhere from 15% - 25% of total project costs.

Eligible RLF Uses

Eligible uses of the RLF loan program shall include, but necessarily be limited to, the following:

1. Business acquisitions, construction, conversion, enlargement, repair, modernization or development cost.
2. Purchasing and development of land, easements, rights-of-way, buildings, facilities, leases, leasehold improvements, or materials.
3. Purchasing of machinery and equipment.

4. Start-up operating costs and working capital.
5. Interest (interim financing) during the period before the facility becomes income producing.
6. Pollution Control and Abatement.
7. Transportation services.
8. Feasibility studies.
9. Aquaculture, including conservation, development and utilization of water for aquaculture. Examples of aquaculture would include, but not necessarily be limited to, the culture of husbandry of aquatic animals or plants by private industry for commercial purposes including the culture and growing of fish by private industry for the purpose of granting or augmenting publicly-owned or regulated stocks of fish.
10. Authorized, reasonable fees and charges including loan packaging, environmental reports, licensed professional service fees such as engineers, architects, lawyers, accountants, and appraisers. These fees must be reasonable and fully documented within the application.
11. Hotels, motels, tourist homes, bed and breakfast establishments, convention centers and other tourist and recreational facilities except as prohibited by section 4274.319.

Ineligible RLF Uses/Administrative Agency

Ineligible uses of the RLF financing program income will include, but not necessarily be limited to, the following:

1. To purchase goods or services or render assistance in excess of what is needed to accomplish the purpose of the borrower's project.
2. For distribution or payment to the owners, partners, share holders, or beneficiaries of the borrower or members of their families when such persons will retain any portion of their equity in the loan recipient.
3. For charitable and education institutions, churches, organizations affiliated with or sponsored by churches and fraternal organizations.
4. For assistance to government employees, military personnel or principals or employees of EDA and who are also directors, officers or have major ownership (20% or more) in the borrower.
5. For projects located in a city with population of 25,000 or more as determined by the latest decennial census.
6. For any line of credit.
7. To finance more than 50% of the total cost of a project by the borrower. The totaling outstanding balance of any existing loans from the RLF program to any one company may not exceed \$150,000.

Ineligible RLF Uses/Borrowers

Ineligible uses of the RLF program financing for borrowers will include, but not necessarily be limited to, the following:

1. Agricultural production, which means the cultivation, production (growing), harvesting, either directly or through integrated operations, of agricultural products (crops, animals, birds and marine life, either for fiber or food for human consumption, and disposal or marketing thereof, the raising, housing, feeding, breeding, hatching, control and/or management of farm or domestic animals). Exception to this definition include:
 - a. Aquaculture as identified under eligible uses.
 - b. Commercial nurseries primarily engaged in the production of ornamental plants and trees and other nursery products such as bulbs, florists' greens, flowers, shrubbery, flower and vegetable seeds, sod, the growing of vegetables from seed to the transplant stage.
 - c. Forestry, which includes establishments primarily engaged in the operation of timber tracts, tree farms, forest nurseries, and related activities such as reforestation.
 - d. Financial assistance for livestock and poultry processing as identified under eligible purposes.
 - e. The growing of mushrooms or hydroponics.
 - f. Dairy Modernization as identified under MN State Statute 116J.407
2. For the transfer of ownership unless the loan will keep the business from closing or prevent the loss of employment opportunities in the area of provide expanded job opportunities.
3. For community antenna television services or facilities.
4. Golf courses, racetracks, or gambling facilities.
5. For an illegal activity.
6. For any otherwise eligible project that is in violation of either a Federal, State or Local environment protection law or regulation or an enforceable land use restriction unless the financial assistance required will result in curing or removing the violation.
7. For relocation of a business firm from one political subdivision to another unless the relocation is based upon a sound business purpose.

Loan Terms and Method of Repayment

1. No loan shall be extended for a period exceeding fifteen (15) years. This rule may be waived by a recommendation by the EDA Loan Review Committee and approved by the County Commissioners on a project basis following negotiation with the applicant.
2. Unless otherwise allowed by the recommendation of the EDA Loan Review Committee and approval of the County Commissioners, no deferral of principal or interest payment will be permitted.

3. When volume allows, all borrowers will be encouraged to participate in an automatic preauthorized payment system, which the County will establish.

Interest Rates

The interest rate shall be the prime rate minus 2.5 points as reported in the Wall Street Journal, but not less than 5%, unless otherwise approved by the Meeker County Board of Commissioners.

Security

All loans to borrowers must be adequately secured with the adequacy of collateral being determined on a case-by-case basis. Security pledged may include, but not necessarily limited to, the following:

1. Real property, chattels and tangible assets capable of being mortgaged, pledged or otherwise assignable by a borrower in favor of EDA.
2. EDA will routinely require key person life insurance on principals of the application seeking finance.
3. Financial eligibility for borrower(s) shall be determined through credit checks and credit analysis. Cash flow will be expected to exceed debt service.
4. Personal guarantees of the borrowers' principals and corporate guarantees of affiliated businesses will be required unless otherwise waived by EDA's Loan Review Committee and approved by the EDA Board.
5. EDA will require each borrower to provide hazard insurance with standard mortgage clause naming EDA as beneficiary in an amount that is at least the lesser of the depreciated replacement value of the property being insured or the amount of the loan. Hazard insurance may include fire, windstorm, lightening, hail, business interruption, explosion, riot, civil commotion, aircraft, vehicle, marine, smoke, builder's risk, public liability, property damage, flood or mudslide, worker's compensation, or any other hazard insurance that may be required to protect the security. Flood insurance is necessary where applicable.

NOTE: Real property serving as security will be appraised by a qualified appraiser. For all other types of property, a valuation shall be established using a recognized, standard technique for the type of property involved (including standard reference manuals), and this valuation shall become part of the loan file.

Fees and Charges

1. Late Payment Charges: Late payment charges on unpaid principal or interest on a loan to a borrower will be specified in the executed Note. A late payment charges will be charged if payment is not received within 15 calendar days following the due date. Late payment charges will equal to 5% of the late amount, plus accrued interest from the due date through the date of receipt. The late charge shall be considered unpaid if not received within 30 calendar days of the missed due date for which it was imposed. Acceptance of a late charge payment by EDA does not constitute a waiver of default.
2. Origination Fees: Origination fees will be allowed to EDA or any other independent packager, which are operating under a Loan Processing Agreement as approved by EDA. Such fees may be paid directly by the borrower to the independent packager or ½% of the approved EDA RLF portion of the total loan. Fees for packaging will be incorporated in to the total RLF financing requested by the borrower and approved in the final loan documents.
3. Deposit Fee: In order to assist EDA and the cooperating entity with recovering their administrative expenses, a deposit fee may be required of all applicants at the time that it is determined that a pre-application for financial assistance will be pursued. The fee, which may be established at the lesser of 1 ½% of the total RLF financing requested for \$1,000 may become due and payable to EDA upon execution of and RLF Assistance Agreement. The deposit fee will be refundable, in whole or part, to the applicant for RLF financing under the following conditions:
 - a. Providing that a full application is approved and loan documents are executed with the Packaging Fee incorporated as a part of the same, the total deposit fee will be reimbursed to the borrower or applied towards the closing costs.
 - b. Providing that the pre- or full-application is rejected by the EDA Loan Review Committee, the full amount of the deposit shall become due and payable to the applicant.
 - c. Should the applicant elect to withdraw the application for financing from the RLF at any time following execution of the RLF Loan Agreement, for whatever reason, EDA and any cooperating packager will be reimbursed for documented expenses incurred against the applicants pre- or full-application to the date EDA receives written notification of intent to withdraw the application. Any deposit fee made by the applicant in excess of expenses documented by EDA shall be reimbursed to the applicant.

4. Loan Servicing Fee: A loan servicing fee may be paid to EDA or its agent from the interest paid by the borrower.
5. Cooperating Packager: It is further understood that a cooperating packager may enter into separate agreements with an applicant for the purpose of receiving compensation for expenses incurred in conjunction with arranging private sector or other public financial sources outside of the RLF financing.
6. Application of Payments: Loans will be amortized based on the rate and term of each loan. Payments will be due on the first day of each month in accordance with the amortization schedule. Payments will be applied first to late payment fees, then to interest, and finally to the principal.
7. Accounting Procedures: Separate accounting records will be maintained for the RLF program.

Application Process and Forms

1. EDA will only accept pre- or full-applications which are submitted through its office or an independent packager.
2. Applications determined to be incomplete or that is not signed by the applicant will be not accepted by the EDA office. An incomplete application, along with an explanation of deficiencies, will be returned to the applicant without further consideration. An application may be resubmitted after the deficiencies of the first submittal have been addressed, however, it will be considered as a new application.
3. Applications will be considered for financing in the order of receipt. However, due to incomplete applications, the need for negotiations or other related factors, applications fled at a later date may be recommended and approved.
4. In the event EDA receives multiple applications whose total funding requests exceed that available in the Revolving Loan Fund program at that time, selection of the proposal or proposals to be financed from the available funds will favor those projects which successfully demonstrate that (a) the greater number of jobs created will be available to lower income persons; (b) the use of farm labor and products; and/or (c) provides needed services to the farming community.
5. All applications must be prepared and submitted on the approved Meeker County RLF application form.

Attachments

1. RLF Application Form
2. RLF Application Requirements