Long Prairie Economic Development Authority Revolving Loan Fund (LPEDA-RLF)

General

RLF: The "Long Prairie Economic Development Authority Revolving Loan Fund" will be referred hereafter as the "RLF".
LPEDA: "Long Prairie Economic Development Authority" will be hereafter referred to as "LPEDA".
RLF Coordinator: The revolving fund coordinator will be appointed by an appointee by the LPEDA
RLF Committee: The RLF committee will consist of three (3) members who vote by majority rule to recommend funding to a loan recipient. Recommendation to adjust the interest rate, term, fee structure, equity requirements, co-signor requirements and/or loan amounts may be forwarded by the RLF committee to the LPEDA for final approval on a case by case basis.
LPEDA: The LPEDA will be responsible for all final decisions regarding the RLF.

The RLF is designed to achieve the following objectives:

1. To create or retain permanent full-time quality jobs in Long Prairie;

2. To provide capital for new and emerging small business development in Long Prairie;

3. To leverage other public and private capital in order to achieve the maximum jobs per loan without relieving the entrepreneur from making the maximum possible equity commitment.

RLF Policy and Procedures

1) Use of RLF Funds:

The RLF will be used to provide financial assistance to businesses within the guidelines of this revolving loan fund plan. Funds will be used to assist new and emerging small businesses in Long Prairie, Minnesota.

Applicants of the RLF will be required to meet their financial needs from their own resources from commercial financial institutions whenever possible. The RLF will be used to finance applicant needs that cannot be met fully from traditional resources. The RLF may finance 100% of an applicant's needs on a case by case basis if other resources are not available.

2) Technical assistance:

The RLF Coordinator will provide or identify technical assistance resources to provide the assistance needed by the applicant such as the Small Business Development Center (SBDC).

3) Limitations of the RLF: The business to be assisted by the RLF program must be physically located within Long Prairie, Minnesota.

a) Planned projects to be financed may include but not limited to:

I. Acquisition and development of land, easements, and rights-of-way.

II. Construction, conversion, enlargement, repairs or modernization of buildings (including façade repairs), plants, machinery, equipment, access streets and roads, parking areas, utilities, and pollution control and abatement facilities.

III. Loans for startup operating cost and working capital.

IV. Technical assistance for private business enterprises.

b) Limitations on loans from the RLF:

I. RLF funds will not be used to fund a part of a project which is dependent on other funding unless there is a firm commitment of the other funding to ensure completion of the project.

II. At least 51 percent of the outstanding interest in the applicant 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.

III. Applications by members of the LPEDA and RLF Committee and their immediate family members shall be ineligible for funding.

c) Other lending criteria:

I. Loans from the RLF will not exceed the level of available funding in the RLF account. Loans made from the RLF typically will not be less than Ten Thousand Dollars ($10,000.00). The RLF Committee may recommend loans smaller than the above values on a case by case basis.

II. Loans will be for non-retail type businesses. Strong consideration given to new and emerging value added agriculture manufacturing, technology and product manufacturing businesses.

III. Loans can be amortized over the lesser of five (5) years or the life of the security, although the RLF Committee may recommend an appropriate term on a case by case basis.

IV. The interest rate will be typically 2% above prime rate. The RLF Committee may recommend adjusting this rate dependent on the strength of the application and economic impact on the City of Long Prairie.

V. 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 RLF Committee may recommend the requirement of personal guarantees and/or co-signors as a condition of financing.

VI. There must be evidence presented by the applicant that indicates the RLF loan is necessary to make the proposed project feasible.

VII. RLF loan funds will not be used to pay off any previous debt. *Refinancing of construction financing is an exception to this rule.*

VIII. If the business relocates outside of Long Prairie, Minnesota, the LPEDA may require immediate pay off of the loan.

IX. The proposed project must be presented to the RLF Committee coordinator by the prospective business owner or her/his representative.

X. The RLF Committee may require written feasibility studies, business plans, market studies, etc. as appropriate for the business type as a condition of financing. A new business may be required to seek technical assistance through the Small Business Development Center (SBDC) or similar qualified assistance.

XI. The RLF Committee may require that the loan recipient provide to the RLF Coordinator, documentation such as tax statements, income statements, balance sheets and other financial records on a periodic basis as a condition of the loan.

XII. A $150.00 non-refundable application fee shall be submitted with each application and is considered as closing costs. 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. If a RLF loan request fails to be approved, the application fee will be used to cover administration costs. The LPEDA, by recommendation from the RLF Committee, may recommend waiving or amending this fee structure.

4) Number of jobs to be created/saved with each project:
The RLF has a goal of creating or retaining at least one full time job for each $10,000 loaned

5) RLF loan recipient Equity:
A minimum requirement of 10% owner equity for established businesses and 20% for new businesses is required from the RLF loan recipient for each RLF loan. The RLF Committee may recommend adjusting this requirement on a case by case basis,

depending on the strength of the application and economic benefit to the City of Long Prairie.

6) RLF Loan Payments:

Loan recipients will make electronic payments through an "automated clearing house" (ACH) whenever feasible. All payments will be processed through the City of Long Prairie unless a mutual agreement through participating funders is negotiated.

7) Denial Process:

A. Application acceptance/ non-acceptance:

Prior to any RLF application being accepted, the RLF coordinator will meet with the business to discuss their project and make a determination on qualification. Once a determination by the RLF coordinator has been made, one of the two following actions will take place:

1. **Accepted application:** The RLF application is accepted and a $ 150.00 application fee is paid to the LPEDA at the time the RLF application is accepted. This $ 150.00 RLF application fee will be considered as "closing costs" for loans which are closed and considered non-refundable if the RLF loan applied for does not close to offset administrative expenses.

2. **Application is refused by the RLF coordinator:** If the RLF coordinator determines that the business does not qualify for an RLF loan, a RLF application will not be accepted and no application fee will be collected. At that time, the RLF coordinator will assist the applicant in exploring other funding options.
   If the business does not agree with the determination by the RLF coordinator, the RLF Committee Chair will be contacted to review the determination for reconsideration. The RLF Committee Chair will review the determination individually or include the RLF committee. If the RLF Committee Chair and/or RLF Committee determine the business qualifies, an RLF application will be accepted along with the $ 150.00 RLF application fee and the process begins.

Note: Page two, section "C", number II of this document states "Loans will be for non-retail type businesses". A business is considered as "retail" if 51% or more of sales are to the general public as walk up counter, phone or internet sales. A business is considered commercial if 51% or more of their sales are to other businesses. Business records may be required as proof of the percentage of commercial business.

Examples of retail businesses include: grocery stores, convenience stores, bakeries, restaurants, motels, hotels, hardware stores, dentists, clinics, beauty shops, auto repair shops, recreational dealerships, car/truck washes, car dealer, etc. Some service type businesses may qualify as retail or commercial depending on the percentage of sales to either the general public or other businesses.

B. Denial of a loan by the RLF Committee:
An RLF applicant who is denied funding will be notified by the RLF Coordinator in person, email or by phone and sent a letter outlining the reason/reasons for denial of funding. This letter will be held on file by the LPEDA for seven (7) years.

8) Non-payment notification and collection:

Overdue payments on RLF loans will be handled in the following manner and order by the RLF Coordinator.

- **Up to 10 days overdue** – A courtesy call to the RLF loan recipient as a reminder of the non-payment. A $25.00 late fee will be charged to the RLF loan recipients account
- **30 days overdue** – A visit to the RLF loan recipient is made to request payment and determine why the issue of non-payment exists and see what can be done to assist the RLF loan recipient. A $25.00 late fee will be charged to the RLF loan recipient's account every 30 days the account is delinquent. This $25.00 fee may be waived by the RLF Committee if circumstances require.
- **60 days overdue** – A second visit to the RLF loan recipient is made. The RLF loan recipient may be required to work out an agreeable solution if payment is not collected. If an agreeable solution is not attainable, options and/or legal proceedings are discussed with the RLF loan recipient, including contacting loan co-signors and guarantors of the loan.
- **90 days overdue** – Legal proceedings begin including collection proceedings on the unpaid portion of the loan which include costs involved in the process of collection or bringing the loan up to current status. This will include continuous follow-up to ensure collections proceed promptly and seeking legal counsel as needed.

9) Loan management and servicing

RLF loans will be managed and serviced through the City of Long Prairie, assisted by the RLF Coordinator as needed.

10) RLF Information Flow and Confidentiality

The RLF Coordinator has a goal provide the RLF Committee all information necessary to make a lending decision, including the application and related documentation five (5) business days before a scheduled RLF Committee meeting.

The LPEDA will receive documentation recommending approval of funding from the RLF Committee no less than three (3) business days before a scheduled LPEDA meeting.

All information will be sent by the RLF Coordinator to the RLF Committee and LPEDA through email. However, as needed, documents may be faxed or sent by USPS mail to the RLF Committee and LPEDA members.

Applicant information received by the RLF Coordinator and/or Committee will be considered confidential and not public information unless prior approval is granted by the RLF applicant or the RLF applicant has released the information publicly. Additionally, information provided to the LPEDA by the RLF Coordinator and/or RLF Committee is not public information.

*Policy and procedures of this document, may be amended, modified, added or deleted by the Long Prairie Economic Development Authority as needed.*_________________