

# **IOWA NORTHLAND REGIONAL ECONOMIC DEVELOPMENT COMMISSION (INREDC)**



## **REVOLVING LOAN FUND Five-Year Administrative and Operational Plan**

**INREDC Board Adoption Date: November 16<sup>th</sup>, 2017**

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## I. REVOLVING LOAN FUND STRATEGY

### Description of Region

The Iowa Northland Regional Economic Development Region (INREDC) consists of the Iowa counties of Black Hawk, Bremer, Buchanan, Butler, Chickasaw and Grundy. The Revolving Loan Fund (RLF) will assist businesses in all of those counties except Black Hawk, which is covered by another EDA-funded revolving loan fund. The five (5) counties covered by the RLF, namely Bremer, Buchanan, Butler, Chickasaw and Grundy counties, will hereafter be collectively referred to as the “RLF Region”.

### Purpose of RLF

The originally-targeted businesses for this RLF were those businesses affected by the tornado and floods of 2008, to the extent appropriate under the rules and regulations governing this RLF, and prudent lending practices. However, nearly a decade has elapsed and the purpose of this RLF has shifted to assisting businesses, or proposed businesses, with their further development and job creation within the RLF Region. Further, the grant programs associated with the funding sources, EDA and the Iowa Economic Development Authority (IEDA), have closed and we are now in the revolving phase of the program. And, as a result, loans are being repaid, the repayments are being advanced within the RLF Region to promote the development of businesses and job creation consistent with the INREDC Comprehensive Economic Development Strategy (CEDS), which can be found in its entirety at [www.inrcog.org/publications](http://www.inrcog.org/publications). Incidentally, the CEDS was updated and approved in mid-2017 and it places emphasis on the following industry clusters: advanced manufacturing sector jobs, the transportation assets of the region and the attendant advantages for logistics and distribution companies; alternative energy, biofuels, and biomass-related companies; food processing; information technology; and increasing opportunities for entrepreneurship. In depth, the new CEDS includes the following Mission Statement and Goals, which shall now be considered the metrics for this RLF program. As a result, the intent of this Plan is to be consistent and align with the region’s CEDS.

CEDS Mission Statement:

The vision of the Iowa Northland Regional Economic Development District is to strengthen and diversify our regional economy by collaborating to provide infrastructure, workforce, and amenities necessary to retain an expand existing businesses, attract new, and support local entrepreneurs.

The CEDS goals include:

1. Maintain and improve the economic vitality of the region
2. Address regional workforce needs
3. Provide adequate housing options
4. Provide utility and public infrastructure to support economic growth
5. Foster an effective and efficient transportation network
6. Build disaster and economic resiliency
7. Protect and enhance our natural resources and environment
8. Maintain INREDC’s Economic Development District status

Within these goals, the RLF governed by this Administrative Plan helps the region implement goals #1, #6, and #7 and their defined objectives. By offering and promoting assistance to existing and new businesses with their attraction, retainage, and expansion endeavors, we are seeking to support entrepreneurs, diversify the economic base, and facilitate sustainable growth in our region. Likewise, where we choose to invest RLF funds, as a policy, will positively affect existing infrastructure, buildings, and structures, specifically those that may be under, or unused. Our region, and specifically, the bodies that manage this Plan have expresses strong support for adaptive reuse of existing assets that utilize green or energy efficient improvements. This includes planned infill development that occurs on serviced vacant lots in communities. Further, with the natural disasters that seem to

occur with regularity in our region, we have been re-doubling our efforts to promote resilient and disaster-aware development. Our member local governments and parent agency have long been leaders in hazard mitigation planning, as sponsored by the Federal Emergency Management Agency (FEMA) and the Iowa Homeland Security and Emergency Management Division. Thus, as a result, we will factor-in resiliency into our decision-making processes.

### **Need for RLF Financing Tool**

As noted above, the initial purpose of this RLF was to respond to the 2008 disasters, which were significant statewide. Considerable time, effort and dollars has been spent returning the RLF Region to its pre-disaster state. However, much has been accomplished with regard to recovery, but the need for the RLF remains, albeit with a changed focus. To that end, maintaining this RLF provides an alternate financing option for the RLF Region as it continues moving forward economically. RLFs have traditionally been an effective tool to create jobs and stimulate the economy, and our RLF, although small and young, does get considered by local economic developers and financial institutions as they work with prospective businesses.

Statistics taken from our CEDS research indicate that our region has a very low unemployment rate, currently at 3.2 percent. Lenders continue to state that there is a continued need for additional capital, particularly for new or fledgling businesses with little or no credit history. And although, the reporting requirements and terms may seem intimidating, we do receive regular inquiries about the funds we manage. In addition, the loans we close are for gap financing, where our dollars are the final piece of the financial package, spelling whether or not the business has an opportunity to grow. We anticipate that we will continue to be considered a gap financing mechanism that may be a partner in deals much larger than our clients could afford alone.

With that said, the local capital market in our region is extremely competitive, with interest rates at financial institutions being considered low. Currently, our financial institutions state that they have funds to loan to local businesses expanding in our region that have a solid track record, experience, and sound financial measures in-place. Conversely, some of our very small and start-up businesses are unable to obtain conventional financing for various reasons, including lack of credit history or less-than-perfect credit, and this is the niche or opportunity for our RLF to be a complementary funding source that will allow a business to develop and expand that otherwise could not. This need gap, or niche, has been reinforced by the membership of our RLF Loan Committee, which is comprised of persons employed by financial institutions or by entities involved in, or familiar with, revolving loans. Moreover, our RLF Committee members have decades of business lending experience that they bring to our process, of which a significant amount of their experience involves knowledge of current and future lending markets.

### **Business Development and Financing Strategy**

As a strategy, this RLF, during the life of this Plan, will continue to provide loans in the following areas of need:

- a) Fixed assets: including but not necessarily limited to land acquisition; building construction, remodeling, and renovation; purchase of machinery and equipment; purchase of furniture, fixtures, and computers
- b) Inventory and working capital;

Focusing on these types of loans has proven to be where the needs of our client businesses exist. The objectives of this strategy are to foster a number of things to occur. First, we have small industries that produce a unique product that either fits into a supply chain or is a locally-generated, product that may be used by larger industry. In our region, we envision these industries may make ag-based products or utilize ag-based commodities in their manufacturing processes. The second strategy, providing working and inventory capital, will be used to provide funds for either industries or for commercial businesses that may be start-ups in rural communities, and that fulfill either the needs of another larger industry or commercial business, or that offer products directly to local consumers.

RLF loans will be provided after applicants have exhausted their ability to secure other existing federal, state, local and commercial funds available. Also, it is hoped that the RLF will provide the gap financing needed to encourage the traditional lenders to participate with financing projects. The other technical assistance and financial resources expected to be used by our clients include:

- a) University of Northern Iowa Small Business Development Center;
- b) Iowa State University - Center for Industrial Research and Service (CIRAS);
- c) Iowa State University Extension Service;
- d) USDA programs;
- e) Utility Company funds and other lending programs;
- f) Iowa Economic Development Authority programs, including CDBG, EDSA, PFSA, CEBA, High Quality Jobs, State of Iowa Values Fund, and State of Iowa Energy Fund;
- g) Community or Local Government Resources, including Enterprise Zones, TIF programs, General Obligation and Revenue Bond financing, and business grant programs;
- h) Local Economic Development group RLFs or funding mechanisms.

### **Financing Policy**

The following policies are adopted to facilitate the operation of the RLF, within EDA guidelines:

- a) The RLF loan committee expects that 10 loans will be processed during the five-year life of this plan.
- b) An average loan will be approximately \$50,000 to \$75,000, however, a loan limit of \$125,000 or 25 percent of capital base, whichever is less, can be extended to a single RLF participant. Loan terms may extend from four (4) years to fifteen (15) years for fixed asset loans and three (3) years to seven (7) years for working capital loans, including inventory. It is anticipated that working capital loans will normally be amortized within three (3) to five (5) years and fixed asset loans will normally be amortized within five (5) to ten (10) years. The Board may set a minimum loan level to maximize efficiencies of the approval process and RLF resources.
- c) Up to 100 percent of the RLF capital base may be used for fixed asset financing; notwithstanding the foregoing, an amount not exceeding 50 percent of the capital base may be used for working capital or inventory loans.
- d) All loans will carry fixed, simple interest rates for the term of the loan. Deviation from these standards may be allowed if conditions would not permit completion and/or successful operation or accomplishment of a project at typical RLF rates.
- e) The minimum interest rate that the RLF will charge is four (4) percentage points below the current money center prime rate quoted in the Wall Street Journal, but not less than 4 percent, or the maximum interest rate allowed under state law. The RLF may adopt a dual interest rate floor of 75 percent of the prime rate quoted in the Wall Street Journal, as permitted by EDA.
- f) Loan extensions will be considered only in extreme circumstances.
- g) Amortization of the loan will generally provide for equal monthly installments.

- h) The RLF program is designed to assist private industrial/commercial borrowers that intend to start or expand a business, but because of one reason or another have been excluded from conventional financing techniques. The RLF may assist credit worthy applicants in "creative" financing techniques to assist them in their effort to bring their respective projects to fruition by utilizing a moratorium on principal repayments not to exceed one (1) year.
- i) A loan processing fees of 1.5 percent of the approved loan amount may be charged to borrowers participating in the RLF, particularly those loans that include construction and real estate. In addition, a non-refundable application fee, not to exceed \$100, will be charged, and RLF income may be used to pay reasonable administrative fees. In addition to these fees, borrowers will be billed for the necessary costs of securing an RLF loan, such as title opinion fees, abstract updating, filing fees, credit checks, and recording expenses.
- j) Borrowers will be required to provide evidence verifying their inability to obtain credit from conventional lending sources. This verification can be in the form of credit rejection letters or letter indicating that a bank can only finance a portion of the money the borrower needs, conditional credit approval letters, and/or other documentation, as appropriate.
- k) Borrowers will normally be required to have or contribute a minimum of between 10 and 25 percent personal or business equity to any funded project, based upon the length of loan and borrower's experience in the business.
- l) In order to preserve limited loan funds, other economic development avenues will be explored in conjunction with an RLF request. These sources will include: USDA-RD Business and Industrial Loan funds, SBA and 7a loan program, industrial revenue bonds, CDBG, EDSA, PFSA and CEBA and High Quality Job funds. Because the RLF financing policies have been drafted to be compatible to these other programs, there will be minimal, if any, effect on the policies when using RLF funds in conjunction with other programs.
- m) To be eligible, a project must be in RLF Region including: Bremer, Buchanan, Butler, Chickasaw, and Grundy Counties. However, other eligible lending areas may be added in the future with EDA's prior written approval.
- n) A borrower is not eligible for RLF Financing if credit is otherwise available on terms and conditions, which would permit completion and/or successful operations for a prospective business.
- o) Exception to Credit Test: RLF financing may also be used as an incentive, through favorable loan terms, to foster new business or a business expansion in the RLF Region.
- p) No loans shall be approved for purposes not consistent with this RLF Plan and the INREDC CEDS. The purpose of each RLF loan shall be clearly disclosed in writing in the loan application and agreement.
- q) Loans may not be made to enable a borrower to acquire an equity position in a business, to subsidize interest payments on existing loans, to provide equity contributions required under other Federal Loan Programs, enable borrowers to acquire an interest in a business either by the purchase of stock or through the acquisition of assets, or refinance existing debt, unless there is sound economic justification that the loan will result in saving jobs.
- r) RLF-funded loan portions of the total project will be allowed to restructure debt on an individual case-by-case basis, provided a detailed restructuring plan is presented and is found acceptable by the Board. When restructuring debt, if it is determined that refinancing would only prolong inevitable foreclosure or weaken the position of the original RLF portion, refunding of debt will be declined. Refinancing will only be allowed if there is sound economic justification to do so.

- s) Moratoria on principal payments for an approved temporary loan may be considered where interest-only loans are sought by a business. In no case shall the moratorium last more than twelve (12) months.

The above policies and restrictions will be reviewed regularly, at least annually, and will be updated as needed in connection any required plan review and amendment processes.

### **Portfolio Standards**

In order to achieve the economic objectives of the RLF, the following standards are adopted:

- a) Maintain a portfolio average of between \$7,000 and \$15,000 in RLF investment for each job created or saved.
- b) Create or retain approximately 100 jobs during the life of this five-year plan.
- c) Direct funds to businesses creating long term growth.
- d) Up to 100 percent of the RLF capital base may be used for fixed asset financing; notwithstanding the foregoing, an amount not exceeding 50 percent of the capital base may be used for working capital or inventory loans.
- e) EDA requires a minimum ratio of \$2 in private financing for every \$1 in RLF financing, for the portfolio overall.
- f) Direct funds to businesses creating positions with higher paying wages.
- g) Encourage RLF funding of businesses owned by minorities, women or other economically disadvantaged groups.
- h) Prohibit lending of RLF funds for use in purely speculative activities like land banking, speculative building, and construction.
- i) Maintain RLF flexibility to ensure its viability as an economic development tool.

### **RLF Loan Selection Criteria**

Prospective loans will be evaluated using the following measures, as is possible. These criteria will be listed on each loan write-up sheet, which is utilized by the RLF Loan Committee and INRCOG Executive Committee, and considered part of the decision-making process and loan award justification.

- a) Is the proposed loan consistent with the RLF Plan and INREDC CEDS?
- b) Does the proposed loan application capitalize on regional assets?
- c) Will the proposed loan support and advance innovation and increase productivity in a particular industry or sector of the economy?
- d) Is the potential borrower part of an existing or emerging industry cluster identified in the CEDS, including advanced manufacturing; biofuels, biomass, and alternate energy production; food processing; information technology; and logistics and distribution sectors of the regional economy?
- e) To what extent will the potential borrower maximum private investment that would not otherwise come to fruition without the RLF's investment?

- f) Will the proposed loan result in the creation or retention of higher-skill and higher-wage jobs, as measured against current levels for the County in which the proposed project is located?

### **Performance Assessment**

The INREDC RLF Program will be evaluated at least semiannually by INRCOG staff, the results of which will be shared with both the INRCOG Executive Committee and RLF Loan Committee. INREDC will strive to remain compliant with all of the standards attached to each of the contributing funding sources and this Plan. Finally, EDA will be able to evaluate progress through mandatory semiannual reporting processes. Regarding this Plan, the following requirements shall be adhered to:

- a) The RLF Plan will be updated as necessary in accordance with changing economic conditions in our lending region. At a minimum, INREDC will submit an updated Plan to EDA every five (5) years.
- b) This RLF Plan, by reference, shall be integrated into any approved loan agreements.
- c) This RLF Plan shall be implemented in accordance with the current INREDC CEDS and shall address the needs contained therein. As a result, loans shall track the following statistics: the number of jobs created and retained; and public and private dollars invested in each loan.
- d) Using the statistics gathered from loans in our portfolio, we hope to positively contribute to helping the region to achieve the Economic Growth Indicators being used as benchmarks in the 2017 CEDS. Specifically, the loans we make should contribute toward increasing personal and business incomes, growing and diversifying the regional labor force, and attracting persons of prime working age to the region.
- e) As spelled out in each loan agreement, each business with an open loan will have its file reviewed semiannually, be visited by INREDC staff, have financial and employment reports gathered, and be corresponded with regarding needs the business may have.
- f) Regarding awareness, we will meet with commercial lenders in our region annually to determine if they have basic information regarding our funds and program.

## **II. OPERATIONAL PROCEDURES**

### **Organizational Structure**

The INREDC RLF will be managed by the following existing groups or bodies: our INRCOG Executive Committee; our Revolving Loan Fund Committee; and INRCOG staff.

### **INRCOG Executive Committee of the Board of Directors (Executive Committee)**

The INRCOG Executive Committee of the Board of Directors consists of nine (9) members of the full INRCOG Board of Directors, which has 61 members. The Executive Committee, which is comprised of county and city elected officials, meets monthly and they are responsible for making all binding decisions for the RLF. While the Committee may have limited lending experience, they have many years of public service and will rely on the recommendations afforded them by the RLF Loan Committee. A simple majority of the membership constitutes a quorum of the body.



### **RLF Loan Committee**

The RLF Loan Committee, which will make loan application recommendations to the Executive Committee, will consist of up to ten (10) members drawn from the five (5) participating counties, with at least one (1) member from each county. At least one-half ( $1/2$ ) of the loan committee will be employed, or have prior experience in the financial lending/banking community. It is anticipated that the administrative services needed by the RLF will be provided by the Iowa Northland Regional Council of Governments (INRCOG) staff. All appointments to the RLF Loan Committee shall be for a period of three (3) years, which may be staggered initially to provide for a continuity of leadership. Appointments shall be made by the INREDC Board, or its designee, subject to Board approval. A quorum of the Committee will be calculated as a majority of the current membership.

### **INRCOG Staff Capacity and RLF Administration**

INRCOG will perform staff services for the RLF and Loan Committee. These functions will include reviewing the loan applications, preparing the loan write-up or profile for the RLF Loan Committee and INRCOG Executive Board, loan packaging, loan monitoring and reporting, bookkeeping, program and policy recommendations, using program criteria to analyze loans, determining potential economic benefits, RLF marketing, required project reports to EDA, as well conducting any INREDC Board-directed research.

The staff and the RLF Loan Committee represent combined skills in business; finance; marketing; credit analysis; loan packaging, processing, and servicing; and local government. The RLF will contract for legal services, if needed.

### **Conflict of Interest**

Conflicts of interest will be avoided in the RLF process through disclosure of interests and abstention (recusal) from any actions involving such interests. INRCOG, INREDC and the RLF Loan Committee must comply with the following Department of Commerce/Economic Development Administration conflict-of-interest prohibitions:

- a) No loan funds will be made available to a business that is owned in whole or in part by anyone related by blood, marriage, law, or business arrangement to any officer or employee of INRCOG or INREDC. This restriction shall also apply to any member of the RLF Loan Committee who advises, approves, recommends or otherwise participates in decisions concerning loans.
- b) No officer, employee, or member of the INRCOG Executive Committee, or INREDC Board of Directors, or RLF Loan Committee, or person related to the any of them by blood, marriage, law or business arrangement shall receive any benefits resulting from the use of loan or grant funds, unless the officer, employee, or board member affected first discloses to INREDC on the public record the proposed or potential benefit and receives the INREDC Board's written determination that the benefit involved is not so substantial as to affect the integrity of the decision process and of the services of the officer, employee or board member.
- c) No officer, employee or board member of INRCOG Executive Committee, INREDC or the RLF Loan Committee shall solicit or accept, directly or indirectly, any gift, gratuity, favor entertainment or any other thing of monetary value, for himself/herself or for another person, from any person or organization seeking to obtain a loan under this RLF.
- d) Former board members and/or officers are ineligible to apply for or receive loan funds for a period of one (1) year from the date of termination of his/her services.
- e) Each RLF Loan Committee member shall sign an affidavit affirming their compliance with the preceding conflict-of-interest regulations.

## **Marketing Strategy**

The existence of RLF funding is being communicated to the RLF Region by contacting lenders, economic development groups, governmental units, educational entities, and other interested parties within the Region. As a result, we will continue to rely on our economic development organizations and their professional staff members to help us identify prospective loan opportunities. In turn, we will utilize the existing relationships we have with these organizations to develop leads, as they are much more proximate to local businesses and their needs on a regular basis than are we. Further, this Plan, Business Application (fillable format), and Brochure will continue to be available on our website for convenient access by the public.

## **Loan Application and Processing Procedures**

Each prospective loan recipient will be required to complete a standardized INREDC Revolving Loan Fund Application. Within the application are instructions, notice of reporting requirements, and requests for basic applicant information and business requirements, ownership, projected employment and benefits information, project budget, and a list of required exhibits. Said exhibits, which will be used to evaluate each application in addition to the RLF Loan Selection Criteria identified in this Plan, include, but are not limited to: a business plan; employee insurance benefits information; balance sheets and income statements (current and for a period of three years prior); projected financial operating statements (for a period of three years into the future); names of affiliated and subsidiary firms as well as year-end financial reports for each; personal financial statements; preliminary construction plans and/or lists of machinery and equipment to be purchased; letter(s) from lending institutions stating their participation, if any; letter(s) denying credit; a list of collateral to be offered as security for the loan; other supporting documentation such as credit reports, letters of intent, references, leases, studies; and environmental questionnaire and checklist. If approved, the loan application and its attachments shall become part of the loan agreement by reference.

Potential applicants will contact INRCOG staff directly or through a local bank or development group. INRCOG staff will be responsible for reviewing basic loan packaging for submission to the RLF Loan Committee. The loan packaging process is as follows:

- a) Meetings and interviews with applicant to gain an understanding of the proposed project. Initial contacts shall include explanation of the RLF program and an initial determination of qualification.
- b) Applicants that are deemed eligible for RLF assistance are required to submit financial statements and other information necessary to complete the application process.
- c) Completed RLF applications shall be submitted to INRCOG staff for initial review, loan write-up, and then sent on to RLF Loan Committee for review and consideration. The Loan Committee shall recommend approval or disapproval of the application, as well as recommended loan amounts, terms, security and interest rates to the INRCOG Executive Committee. The Executive Committee shall have final authority to approve or disapprove loans and set terms.
- d) The INRCOG Executive Committee will conduct all of their RLF-related discussions and actions in an open forum, if possible, and will document decisions in their meeting minutes. A simple majority of the Executive Committee membership may authorize approval or disapproval of a loan application.
- e) Whether a loan is approved or disapproved, the INRCOG Executive Committee will notify the applicant in writing of the decision. If approved, said letter will state the general terms and conditions of the approval, and if denied, the letter shall state the reason(s) therefore.

INRCOG staff shall perform task associated with loan packaging, servicing, reporting, accounting, initial loan analysis and provide recommendations as to credit worthiness of applications, but shall not be considered members of the RLF Loan Committee or INRCOG Executive Committee for any purposes.

### **Loan Closing Documents**

The following documents, which will be provided in draft form to successful applicants prior to closing, shall be executed for all types of loans made under this RLF.

- a) Loan agreement;
- b) Promissory note;
- c) Guaranty, corporate or personal;
- d) Security agreement, identifying and securing collateral offered in the loan agreement;
- e) Loan repayment amortization schedule;
- f) Deed of trust or mortgage, as applicable;
- g) Agreement of prior lien holder, as applicable; and
- h) Supplemental information: Executive Committee minutes and denial letter from a financial institution

Original copies of these documents will be retained by INRCOG staff, as well as provided to the business owner(s).

### **Loan Agreement**

A written loan agreement template, as provided by the INRCOG/INREDC attorney, shall be used to close and execute a loan. The business' RLF application and its attachments, as well as the executed promissory note and project budget, shall be considered a part of the agreement by reference.

### **Loan Disbursement**

Loan disbursement will take place at a predetermined date and time convenient to the business, as well as to INREDC staff. A check will be written and provided to the business for the approved amount, less any fees or expenses, a copy of which will be signed and dated by the business owner acknowledging receipt of said proceeds. All loan documents shall be executed at the time of closing, unless otherwise agreed upon.

### **Loan Servicing**

The staff of INRCOG shall be responsible for monitoring and servicing RLF loans, as well as providing or referring businesses to technical assistance resources that may help assure the success of the borrower and the RLF. As the administrative agent, INRCOG will maintain all fiscal records for the RLF, following acceptable accounting procedures. Amortization schedules will be kept on all loans concerning payments of principal and interest.

As required by INREDC, and stipulated in the Loan Agreement, borrowers will be required to submit annual or semiannual reports, during the life of the loan, indicating how all assurances agreed upon during the application process are being followed and that statements made in the application are true. Violations will be brought to the attention of the RLF Loan Committee, INRCOG Executive Committee, and INREDC. Failure to follow the assurances or falsehoods will constitute grounds for recall of the loan. This report will also include profit and loss statements, balance sheets, modifications in operating procedures or projections, and employment figures. INRCOG staff will also maintain contact with the borrower as it deems necessary to assure compliance with the RLF Plan.

A borrower who becomes delinquent in repayment of the loan must issue a statement, in writing, or arrange a personal appointment with INRCOG monitoring staff to explain the delay and develop an appropriate repayment

strategy. If the staff feels it is necessary for the borrower to speak to the RLF Loan Committee or the Executive Committee about the matter, a meeting will be arranged. Repeated failure by the borrower to explain repayment delays will constitute grounds to call the loan. If the borrower becomes delinquent on repayment of the loan and anticipates recurrence of delays, the borrower shall be contacted to examine the possibility of restructuring the loan and whether such restructuring is a viable solution, consistent with EDA regulations and this RLF Plan.

Upon default of a loan, the Loan Committee shall review the collateral securing the loan and other assets that may be available to payoff the loan balance. The matter may be referred to legal counsel for collection efforts.

### **Loan File**

The loan file for each borrower shall contain, at a minimum, the following items:

- a) Loan application and its attachments;
- b) Loan agreement;
- c) INRCOG Executive Committee meeting minutes approving the RLF loan;
- d) Loan approval letter;
- e) Promissory note (copy);
- f) Security agreement(s);
- g) Uniform Commercial Code (UCC) filing statement;
- h) Deed of trust or mortgage (as applicable);
- i) Agreement of prior lien holder (as applicable);
- j) Signed bank turn-down letter demonstrating that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the proposed activity;
- k) Private lender loan agreement(s); business financial statements; annual insurance certifications, annual site visit reports/photos; jobs reports; and general correspondence; and
- l) Any other documents required by EDA, INREDC Board, INRCOG Executive Committee, or RLF Loan Committee.

Loan file originals shall be kept in a locked cabinet located in a fire-proof safe in the INRCOG office.

### **Job Creation**

Information pertaining to job creation shall be provided by all prospective applicants and verified by the business. After loan award, INRCOG through annual site visits and semi-annual report requests (financial statements, payroll reports, and jobs reports,) will verify the actual number of jobs created by each approved loan holder.

### **Payments, Specific Delinquency, Default and Collection Processes**

Loan payments are due as prescribed in the RLF loan agreement and promissory note. INREDC and INRCOG prefer that repayments be made via Direct Debit Authorization, which requires borrower(s) to supply a completed authorization form, account information including a cancelled check or deposit slip, and signatures of the

borrower(s). Borrowers shall be informed of the procedures used for delinquent payments at the time of closing. The information shall also be included in the loan agreement and promissory note which the borrower receives. The INRCOG Executive Committee shall be advised at least quarterly, or more often if requested, of all loans that are delinquent.

In addition to the penalties, charges, and fees outlined in the signed promissory note, including possible, immediate recall of the outstanding principal and interest of the loan, the following shall be the regular past-due collection procedures for the RLF Program:

- a) After a delinquency of ten (10) days, the borrower shall be contacted by telephone to notify them of the delinquency and encourage immediate payment.
- b) After twenty (20) days, the borrower shall be contacted by phone again and a written "late payment notice" shall be sent.
- c) After thirty (30) days, the borrower will again be contacted by phone and a certified letter shall be sent notifying the borrower that the loan is delinquent. The borrower shall also be notified that the interest rate will be raised per the terms of the promissory note if the loan remains delinquent.
- d) After thirty (45) days, a "notice to cure" letter notifying the borrower that the loan is delinquent and must be brought current or legal proceedings will begin. At this point, the matter may be referred to legal counsel.

The organizational bodies managing this RLF shall make every effort to assist the delinquent borrower in successfully meeting their loan obligations. If no resolution is reached, the INRCOG Executive Committee will be presented with the staff recommendation(s) for action. The INRCOG Executive Committee shall take such action as it deems reasonable and prudent, including approval of restructuring of the loan or suspension of principal payments, with interest only payments, for a specified time period not to exceed one (1) year and at terms consistent with the policies identified in this Plan.

#### **Procedures for Handling Loans Over Ninety (90) Days Delinquent**

Borrowers that continue to be delinquent on loan payments, even following consideration by the Executive Committee and staff, shall be considered in default of the terms of the loan. The INRCOG Executive Committee must approve the initiation of default proceedings against the borrower. Borrowers shall be given ten (10) days written notice of default. Legal counsel shall prepare the necessary legal documents and commence the collection process, unless the INRCOG Executive Committee determines staff can handle the collection (i.e. filing small claims cases). The borrower shall be responsible to pay for all attorney fees and expenses to enforce collection. In all cases, INREDC retains the right to initiate civil litigation collection proceedings to obtain a judgment against a borrower and/or initiate foreclosure proceedings in accordance with applicable state laws.

#### **Write Off Procedures**

If a loan is in default and all appropriate and prudent legal efforts have been taken to collect but have been unsuccessful, the Executive Committee may direct its auditor to write-off the loan. The loan will become a Bad Debt Expense in the fiscal year formal action is taken to write-off the loan.

#### **Bankruptcy**

In the case of bankruptcy by the borrower, INREDC will file a Proof of Claim, and any additional required documentation, with the appropriate Bankruptcy Court.

### III. FEDERAL REGULATORY COMPLIANCE

#### Civil Rights

INRCOG and INREDC and other parties benefiting from the RLF program and creating fifteen or more permanent jobs will provide assurances of compliance with the US Department of Commerce and EDA regulations (13 CFR. § 302.20) under Section 601 of Title VI of the Civil Rights Act of 1964, Section 112 of Public Law 92-65, Title IX of the Education Amendments of 1972, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and any other applicable non-discrimination law(s), all as amended. INRCOG and INREDC shall have the responsibility of compliance with Civil Rights Assurances and no applicant will be denied credit solely on the basis of race, color, national origin, religion, sex, or ability.

#### Environmental Considerations

The RLF Loan Committee will be apprised of the state and federal statutes concerning environmental impact of the proposed projects, and the loan reviews will be conducted with statutory compliance as a part of the consideration. No project will be approved which produces an insurmountable, harmful alteration of the national environment, nor will any activity be financed by this RLF that would result in a significant adverse environmental impact unless that impact is mitigated to the point of insignificance.

All loan requests accepted for processing will be subject to environmental review, using the attached Questionnaire and Checklist and where appropriate, a cultural resources assessment to ensure compliance with all local, state, and federal requirements prior to loan disbursement. Other parties benefiting from the RLF program will provide assurances of compliance with the National Environmental Policy Act of 1969; Floodplain Management, specifically compliance with EO 11988 as determined by measuring the location of the request against current FEMA Flood Insurance Rate Maps; Protection of Wetlands, specifically EO 11990 dated May 24, 1977; Clean Air Act, Clean Water Act, and EO 11738; the Flood Disaster Protection Act of 1973, and all other applicable Environmental Requirements as provided in the prevailing Department of Commerce Financial Assistance Standards and/or Special Terms and Conditions. Specifically:

- a) No activities shall be financed by this RLF that would result in new above-ground development in 100-year (1%) floodplain, as identified on a FEMA Flood Insurance Rate Map.
- b) No activity shall be financed that would result in the alteration of any wetland or result in any adverse impact on any wetland without consultation with the US Department of Interior, Fish and Wildlife Service, and if applicable, a Section 404 permit may need to be obtained from the Army Corps of Engineers.
- c) No loan activity may be financed that involves unresolved site contamination issues, specific to EPA-identified hazardous materials or substances including leaking underground storage tanks, asbestos, and PCBs on a site in question. If necessary, a loan applicant may be required to perform or provide evidence of performance of a Phase I (Site Assessment), Phase II (Site Assessment), and Phase III (Site Remediation) efforts to mitigate applicable contaminants.
- d) Approved loans that involve significant new construction and expansion shall request and receive comments regarding the potential effects of the proposed activity on historic and archaeological resources prior to loan closing. This request will be made to the Iowa State Historic Preservation Office (SHPO) using forms and procedures established by their office.

An Environmental Questionnaire and Checklist (copy attached) shall be provided to Applicants that must be completed and submitted prior to RLF Loan Committee review of an application.

### **Flood Hazard Insurance**

Borrowers shall be required to obtain flood hazard insurance, when applicable. Insurance must be applied for prior to the loan closing or loan proceeds disbursement.

### **Access for the Physically Disabled**

If the borrower finances a construction project through the RLF, he/she must provide assurances for accessibility to the physically disabled.

### **Other Federal Requirements**

INRCOG/INREDC will ensure that other parties benefiting from the RLF are aware of all other federal statutory and regulatory requirements, and Executive Orders, including prevailing wage (Davis-Bacon) rates pertaining to construction projects.

## **IV. ADMINISTRATIVE PROCEDURES**

### **Accounting**

The INREDC RLF will be managed by INRCOG staff, primarily the Accountant, Executive Director, and Director of Development. All repayments to the fund will be managed through the use of amortization software, T5, and then accounted for in INRCOG's monthly financial statement. The RLF has been, and will retain, a separate program number so all income and expenses can be segregated, accounted for, and monitored. INRCOG, including all of its programs, will be independently audited annually, and it will ensure that the RLF is operating in accordance with Generally Accepted Accounting Principles (GAAP).

### **Recapture of Administrative Costs**

Loan processing fees of 1.5 percent of the approved loan amount may be charged to borrowers participating in the RLF. In addition, a non-refundable application fee, not to exceed \$100, will be charged, and RLF income may be used to pay reasonable administrative fees. Borrowers will be billed for the costs of securing an RLF loan, such as title opinion fees, abstract updating, filing fees, credit checks, and recording.

Administrative costs associated with the RLF will be attributed to INRCOG staff reporting allowable expenses, including expended time and reasonable expenses associated with the program (i.e. copies, mileage, etc.). The RLF has its own unique program number within the financial statement, as do all employee timesheets and expense reports. Accordingly, staff will account for justified time spent on RLF activities using their timesheets, which then generate the majority of the associated staff expenses. Regarding other anticipated expenses, INRCOG staff will track and submit those on their individual monthly expense reports. Any cost overruns that occur in this program will become agency administrative expenses and be attributed to all of the other billable programs.

### **Recapitalization Strategy and Sequestration**

Recaptured and repaid funds shall be deposited in interest bearing accounts meeting the EDA requirements, including that such accounts be fully insurable by FSLIC or FDIC. It shall be the intent of the RLF that all funds shall be available for re-lending within an average range of one (1) to seven (7) years. Through the completion and submittal of semi-annual EDA reports, any necessary sequestration of funds shall be made per EDA guidance and requirements.

### **Variations**

Variations to this Plan are governed by EDA. However, before a business or entity requests a variance from EDA they must first be recommended for approval by the INRCOG Executive Committee of the Board of Directors. The standards for a variance request will be defined by EDA. In addition, final decisions on all variations rests with EDA.

### **EDA Reporting:**

Pursuant to EDA requirements, INREDC shall prepare and submit semi-annual reports and income and expense statements to EDA, as is necessary and required.

### **Audit**

As part of the annual INRCOG audit, which is conducted by an independent auditor, the RLF program shall be reviewed for compliance with applicable federal and state statutes. The audit will be completed in accordance with Office of Management and Budget (OMB) requirements.



## ENVIRONMENTAL QUESTIONNAIRE & CHECKLIST

The following environmental questionnaire and checklist shall be completed by each prospective RLF applicant and will be considered a required part of every written INREDC loan application. Once completed, it will be reviewed by INRCOG/INREDC staff for relevancy and accuracy, as our agency has documented experience using these formats as well as complying with federal, state, and local environmental requirements.

### I. Project name and location.

### II. Brief description of proposed activity/project.

### III. National Register of Historic Places

- a) Are there properties listed on, nominated to or eligible for nomination to, the National Register of Historic Places on the site, or in the vicinity of the proposed activity?

Yes \_\_\_ No \_\_\_

- b) If yes, does the proposed action have an effect on the properties?

Yes \_\_\_ No \_\_\_ If yes, briefly describe effect.

- c) How has this determination been made and by whom?

### IV. Environmental Checklist:

Please complete the Environmental Checklist on the following page. This must be submitted with your Application. Your Application will not be processed unless this Checklist is completed. The rating scale is located at the bottom of the Checklist.

## ENVIRONMENTAL CHECKLIST

1.	Unique geologic features on site or in vicinity			Junior high/senior high	
2.	Valuable geologic resources within 1 mile of site			other (specify)	
3.	Slope Stability		34.	Employment	
4.	Depth of impermeable layers		35.	Commercial facilities	
5.	Subsidence		36.	Health care/social services	
6.	Consolidation (geologic)		37.	Water supply system	
7.	Seismic risk		38.	Sanitary sewer system	
8.	Foundation support		39.	Storm sewer system	
9.	Soil plasticity		40.	Solid waste disposal	
10.	Frost susceptibility		41.	Police and fire protection	
11.	Liquefaction		42.	Parks/playgrounds/open space use	
12.	Erosion/sedimentation		43.	Other recreation facilities	
13.	Soil permeability		44.	Public transportation	
14.	Abandoned, active or planned sanitary landfill		45.	Historic and Cultural facilities	
15.	Wetlands		46.	Site hazards	
16.	Coastal/zones/shorelines		47.	Structural safety	
17.	Mine dumps/spoil areas		48.	Safety (materials)	
18.	Hydrologic balance		49.	Cultural patterns	
19.	Aquifer yield		50.	Road safety and design	
20.	Drainage		51.	Noise:	
21.	Flooding and Floodplain			Airports (within 15 miles)	
22.	Water quality			Railroads (within 3,000 feet)	
23.	Ground water			Major roads (within 1,000 feet)	
24.	Surface water		52.	Vibration	
25.	Unique or endangered animal species		53.	Odor	
26.	Vegetative community		54.	Light	
27.	Plant/animal diversity		55.	Temperature	
28.	Nutrient cycling		56.	Socio-economic character of the neighborhood	
29.	Special climatic conditions		57.	Physical character of the neighborhood	
30.	Forest/range fires		58.	Crime levels	
31.	Energy resources		59.	Nuisances	
32.	Air quality		60.	Compatibility of land uses	
33.	Education facilities:		61.	Aesthetic compatibility	
	Elementary				

Use the following rating scale for the above checklist.

**0** = no impacts.

**1** = minor impacts (i.e., those impacts which can be easily mitigated with minimal extra expense and/or minimal delay in project implementation).

**2** = major adverse impacts (i.e., those impacts which cannot be mitigated or which would require extensive mitigation and may involve long delays of project implementation).

**N/A** = not applicable to the type of activity proposed.