STATE OF GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (CDBG)

EMPLOYMENT INCENTIVE PROGRAM (EIP)
REDEVELOPMENT FUND (RFP)

LOCAL REVOLVING LOAN FUNDS (RLF)

Policy and Procedure Guide

GEORGIA DEPARTMENT OF
COMMUNITY AFFAIRS
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LOCAL REVOLVING LOAN FUNDS
POLICY MANUAL

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Introduction

The State Community Development Block Grant Program (CDBG) provides competitive grants to non-entitlement cities and counties to develop viable communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. In Georgia, the majority of the CDBG economic development projects are funded through annual economic development set-asides known as the Employment Incentive Program (EIP) and to a lesser extent the Redevelopment Fund Program (RFP).

These economic development projects often involve loans or leases that generate program income that must properly be accounted for and administered. Georgia is one of a handful of states that allows its local governments to keep their CDBG program income provided it is managed and used in accordance with applicable law and regulation. The required structure for managing such EIP and RFP program income in Georgia is the local Revolving Loan Fund (RLF).

This manual provides guidelines that local governments must follow in order to meet the requirements of Title 1 of the Housing and Community Development Act of 1974 (HCDA) and the implementing federal and Department of Community Affairs (DCA) regulations. In addition, within the manual you will find ideas and sample documents for adopting a Policies and Procedures Statement that defines the goals and objectives of the local RLF, eligible activities, eligible applicants and application requirements.

This manual should be viewed as a general guide to assist local governments in properly managing their local RLFs. Often the operation of a local RLF will raise issues and policy questions that are not addressed within published guidelines. When such instances occur, DCA encourages local governments to contact us to obtain specialized guidance and technical assistance.

Creation of the Revolving Loan Fund

The local RLF is created after a local government receives an EIP or RFP grant that funds a low interest loan, lease or other activity that will generate revenue or "program income." Within the EIP/RFP Grant Award documents, DCA will include a Statement of Special Conditions that requires the local government to create a RLF for administration of the program income that results from the grant's activities.

The local government officially creates a RLF when it adopts a Resolution and an Underwriting Policies and Procedures Statement. Although most local governments create their programs through authorizing resolutions, some local governments codify their RLF policies in a local ordinance. While allowable, this practice can complicate efforts to amend policies and implement eligible community development (CDBG) activities not specifically authorized by the local policies. For specific projects, such activities may be undertaken after a DCA administrative waiver is granted. The local Revolving Fund Policies and Procedures Statement becomes the first official document that DCA references when monitoring and auditing local RLF operations.

One of the more difficult administrative aspects is the amount of time that elapses between the creation of the RLF and the accumulation of enough cash to begin operations. Often several years may go by before a local government can consider new projects, resulting in neglect of the RLF. Changes in administration, turnover in staff, lost paperwork, etc. often exacerbates this problem. For example, if the only individual with working knowledge of the RLF policies, procedures, and bookkeeping leaves their administrative post, it creates an information and administrative vacuum, and audit and monitoring findings typically follow. RLF administrators must always maintain written documentation for every aspect of the RLF's operations.

To maintain a continuity of operations, contract certain responsibilities to local or regional institutions that can provide services in such technical areas as loan servicing and underwriting. Develop partnerships with private and/or public organizations that have the needed credit underwriting and management expertise. Rarely can one person adequately carry out proper management of the local RLF. Success requires a cooperative team effort of many local players.

To successfully administer a RLF, a locality must develop or acquire lending and loan servicing capabilities similar to a commercial bank's, while meeting all of the federal, legal, and administrative requirements that inevitably go along with any federal program. "The RLF must have well formulated goals, a well designed strategy, and (have individuals with) the range of skills necessary for the management of the financing program."

Should the RLF prove to be an excessive administrative burden, the local government can stop administering it by returning the RLF assets to the State in return for greater consideration and access to future EIP or RFP funding. The consideration will consist of an extra 25 bonus points for use in any one Employment Incentive Program (EIP) funding decision.

Goals and Objectives of the EIP or RFP
Capitalized RLF

The goals and objectives of the local RLF are established through Title I of the Housing and Community Development Act of 1974 (HCDA), as amended. One of the primary objectives of the program established in the Act is the expansion of economic opportunities, principally for persons of low- and moderate- income. Any funded activity must meet certain national objectives. DCA rules state that this objective is achieved by implementing activities that create employment opportunities for low- and moderate-income persons and/or aid in the prevention or elimination of slums or blight. **An activity that fails to meet one of these national objectives is in noncompliance with applicable rules and therefore ineligible.**

Eligible RLF Activities

Provided that they meet applicable requirements in undertaking their RLF program, local governments are free to design RLF programs to address specific local goals and objectives. Eligible activities include the:

1) provision of loans to private, for-profit entities, when the assistance is appropriate to carry out an economic development project that: (A) creates or retains jobs for low- and moderate-income persons; (B) prevents or eliminates slums and blight; or (C) assists businesses that provide goods or services needed by, and affordable to, low- and moderate-income residents;

2) provision of loans for activities which are carried out by public or private nonprofit entities (including development authorities) including: (A) acquisition of real property; (B) acquisition, construction, reconstruction, rehabilitation, or installation of (i) public facilities (except for buildings for the general conduct of government), site improvements, and utilities, and (ii) commercial or industrial buildings or structures and other commercial or industrial real property improvements; and

3) disposition (through sale or lease) of any real property acquired pursuant to activities authorized by the State's CDBG program or its retention for eligible public purposes.

DCA encourages local governments to think creatively and devise innovative approaches to implementing their RLF policies. Other localities with active RLFs can be a particularly valuable resource for obtaining different ideas. A list of communities that have local Revolving Loan Funds is available on our website at : www.dca.state.ga.us/ There are also numerous publications and associations which can offer assistance with management of these types of programs. The Department will gladly provide the names of these organizations and the names of the persons who administer the various programs. If you have questions concerning a particular management approach or idea, feel free to contact DCA for assistance.

Organization of the RLF

Federal law designates local governments as the only eligible primary recipients of CDBG funds. CDBG/EIP/RFP capitalized RLFs are therefore always organized as direct governmental functions. The RLF's geographic area of operation will generally be (with some exceptions) the corporate limits of the participating governmental units.

Some Georgia communities contract with professional economic development organizations, such as their local Industrial Development Authority, Certified Downtown Development Program (Main Street or Better Hometown Program), or Regional Development Commission (RDC) for operations assistance. These types of contracts are perfectly acceptable provided that the local government continues to maintain the required accounting oversight, including an annual audit of the fund and maintenance of a separate bank account for RLF assets. DCA stresses that RLF funds must be included as part of the local government audit and the assets should never be relinquished to another organization, even when management and loan servicing arrangements have been contracted out to other entities.

Local Government Responsibilities upon Creation of a RLF

DCA regulations indicate eight (8) areas of responsibility that must be met by a local government that establishes a RLF. Those responsibilities include:

1) maintenance of an accounting and financial management system that complies with generally accepted accounting principals and the Department's guidelines for RLF financial management systems;
2) compliance with the Department's reporting requirements for local RLFs;
3) operation of the local RLF in accordance with DCA-approved policies, procedures, and federal, state, and local law, regulation, contracts, guidance manuals and memoranda;
4) maintenance of an application review and selection capacity to review and analyze funding requests and determine whether such requests represent prudent investments as defined by generally accepted underwriting criteria;
5) maintenance of a loan or grant packaging and structuring capacity that meets appropriate underwriting standards for security and documentation;
6) maintenance of a loan servicing and monitoring capacity ensuring that loan payments are collected, that loan covenants are enforced, and that loan security is maintained;
7) maintenance of a loan portfolio that represents investments in businesses engaged in sound business purposes with demonstrated tangible employment of low- and moderate-income persons as defined by DCA; and
8) attendance at DCA sponsored training workshops that will be held periodically for purposes of training local RLF administrators.

Maintaining a Proper Accounting and Financial Management System

The first responsibility of RLF administration is setting up a proper financial management and accounting system, separate from the accounting systems used for the original CDBG, EIP or RFP grants. The RLF financial management system must meet the following standards:

1) Provide accurate, current and complete disclosure of all RLF activities. The system should also clearly identify sources and uses of all funds;

2) Maintain source documentation (invoices, cancelled checks, contractor pay request, etc.) for every disbursement of RLF monies;

3) Maintain internal control over and accountability for all funds, property and any other RLF assets to ensure they are used for authorized and eligible purposes;

4) Include the RLF's financial information in the local government's annual audit. This will supplement the semi-annual RLF reports that must be submitted to DCA. The semi-annual reports must reconcile to the local government audit.

5) Allow local administrators to assess the RLF's loan portfolio status and quickly identify any problem areas that need attention.

In addition to the standards enumerated above, the following laws apply to the local RLF since any assets represent CDBG "program income" as defined in the CDBG statute: 1) 24 CFR Part 85 Administrative Requirements For Grants And Cooperative Agreements To State, Local and Federally Recognized Indian Tribal Governments (DCA requires that records on RLF activities be maintained in perpetuity); 2) OMB Circular A-87; 3) OMB Circular A-102; 4) OMB Circular A-21; 5) OMB Circular A-110; and 6) OMB Circular A-122 * See http://www.access.gpo.gov for copies.

Program income means gross income received by a grantee or sub-grantee directly generated from use of CDBG funds. When a project uses more than one source of funding, CDBG program income is prorated to the proportion of the project attributable to CDBG funding. Grantees must exhaust program income before seeking new State CDBG funds for the same activity. Contact the RLF Program Manager with any questions regarding program income.

Organization of the Accounting System

One individual should be designated as "RLF Coordinator" to oversee all financial transactions. This person will generally be a member of the locality's finance or accounting department, or in smaller communities, a member of the mayor's, city manager's, or county commission's staff.

The RLF coordinator will manage a separate revenue account entitled the CDBG/EIP Revolving Loan Fund. This includes the initial CDBG or EIP grant, any loan repayments, proceeds from the sale of RLF collateral or assets, and any other FLR assets.

A complete set of general ledger and subsidiary accounts must be maintained following generally accepted accounting standards. This means that all funds will be posted on a double entry basis where debit (DR) or credit (CR) balances are maintained for each account, and the sum of all debits equals the sum or all credits.

A recommended chart of accounts is outlined below:

Sample RLF Chart of Accounts

Assets

Current Assets	*Account Number*
Cash or Cash Equivalents	101
Short Term Investments	102
Other Assets	
Loans Receivable	120
Allowance for Uncorrectable Loans Receivable (credit)	130
Investments	151
Other Assets	155
Fixed Assets	
Land	161
Buildings	162

Liabilities and Equity

Liabilities	
Accounts Payable	202
Notes Payable	203
Other Payable	209
Equity	
Fund Equity (Reserved for Revolving Loans)	241

Revenues and Expenses

Revenues	
Interest Earned from Bank Account	301
Interest Earned from Notes Receivable	310
Income from Lease Agreements	320
Gain on Sale of Fixed Assets	330
Other Revenue	340
Expenses	
Administrative Costs	401
Loan Services Charges	410
Other Expenses	420

PROJECT REVIEW, SELECTION and APPROVAL

The local government may contract out the project review, financial packaging and loan servicing portions of its RLF responsibilities or else handle them internally. However, since the RLF is a local government operation, the City Council or Board of Commissioners must always maintain and exercise the ultimate authority to approve or reject applications for assistance. Also, it will always be the local government's responsibility to maintain the RLF's accounting system and be accountable for its agent's performance of any RLF responsibilities. If handled internally, the local government must appoint appropriately trained staff. Should these duties be contracted out, the local government must develop detailed contracts that clearly define each party's duties related to RLF responsibilities.

Project Review Committee (PRC)

The Project Review Committee will play an active role in reviewing applications to determine whether they qualify under a particular category of eligibility that meets an appropriate standard of Public Benefit as established by HUD.

The Committee should be staffed primarily by private finance professionals and public officials who have the necessary skills to analyze proposals and determine whether they represent prudent investments. Local bankers, CPAs, attorneys and other professionals with banking, finance and legal experience make ideal candidates for the PRC. To date, most existing review committees are made up of five (5) to seven (7) members. Over half of the members should be drawn from these professional groups, and to the greatest extent possible include women, minority, and low- and moderate-income group representation.

It is often wise to minimize the number of local elected officials on the committee, partly to ensure sufficient representation by finance professionals and partly to limit political exposure. A rule of thumb is that no more than 50 percent of the committee should be elected or appointed public officials. It is much easier for a Commissioner or Councilperson to explain the inevitable denial by explaining a decision made objectively by a review committee made up of non-political professionals, than to take responsibility for a decision made during a regular council or commission meeting.

The Committee's duties include making recommendations to the local governing body in the following areas:

(1) The development and revision of local RLF policies and procedures;
(2) The approval or denial of requests for funding; and
(3) The packaging and structuring of approved loans that meet appropriate underwriting standards for collateral security and documentation.

Most review committees handle the first and second areas of responsibility without much difficulty. However, in meeting its responsibility to package and structure approved loans, most local RLFs need outside assistance such as a private bank, a Certified Development Corporation (CDC) or other organization with lending and underwriting expertise. The outside source may,

under contract with the local government, conduct credit analyses, package and service loans on behalf of the local RLF.

Other organizational and governance structures are eligible as long as they involve a community-based organization. Many Georgia communities have contracted with a local Industrial Development Authority to act as a Project Review Committee. Because these boards are typically made up of finance professionals and local citizens who are experienced in the financial review process, they are able to make knowledgeable recommendations to the governing body.

Many of Georgia's Regional Development Centers (RDCs) also function as the regional management entity responsible for administering Small Business Administration (SBA) 504, Economic Development Administration (EDA) and United States Department of Agriculture (USDA) Intermediary Relending programs. Under the auspices of these federal agencies and guidelines, these organizations may originate, fund and service fixed asset financing on behalf of the federal government. Many of the State's RDCs have expressed an interest in contracting with local governments to manage and service their local RLF loans. In addition, most local governments are represented on the board of RDCs (and CDCs). This can be an advantageous relationship for the local RLF administrator to pursue.

Financial Underwriting Guidelines

Since local governments are required to conduct at least basic financial underwriting prior to providing financial assistance to a for-profit business, they should account for differences in the size and scope of a proposed project, and in the case of a micro enterprise or other small business, the capacity and level of sophistication due to its size.

As an example, in the case of a low-interest-loan the objectives of the financial underwriting process are to ensure that:

(a) the recipient can repay the proposed assistance
(b) project costs are reasonable;
(c) all sources of project financing are committed;
(d) to the extent practicable, RLF funds are not substituted for non-Federal financial support;
(e) the project is financially feasible;
(f) to the extent practicable, the return on the owner's equity investment will not be unreasonably high;
(g) to the extent practicable, RLF funds are disbursed on a pro rata basis with other finances provided to the project.

Project Costs are Reasonable

By reviewing costs for reasonableness you avoid providing too much or too little assistance for the proposed project. Obtain a breakdown of all project costs and review each cost element by comparing to a third-party, fair-market price quotation, an appraisal or professional evaluation, or conduct your own cost analysis using cost estimating manuals and other resources. Pay particular attention to any cost element of the project that will be carried out through a non-arms-

length transaction. A non-arms-length transaction occurs when the entity implementing the RLF procures goods or services from itself or from another party with whom there is a financial interest or family relationship. If abused, non-arms-length transactions misrepresent the true cost of the project. Ultimately, vendor invoices should be obtained prior to payment of any request to drawdown funds.

Commitment of All Project Sources of Financing

Review all proposed sources of financing necessary to carry out the project so that time and effort are not wasted assessing a proposal that it not able to proceed. Under no circumstances should the RLF provide 100% financing for a project. To the extent practicable, prior to the commitment of RLF funds to the project, you should verify that: a) sufficient sources of funds have been identified to finance the project; all funding sources, lenders and /or investors, must provide commitment letters affirming that the funds will be available; b) and the participating parties have the financial capacity to provide the funds.

Disbursement of RLF Funds on a Pro Rata Basis

To the extent practicable, disburse RLF funds used to finance economic development activities on a pro rata basis with other funding sources. RLF funds should not be placed at a significantly greater risk than non-Federal funds. This will help to avoid the situation where a problem develops that blocks the completion of the project, after all or most of the RLF funds going into the project have been used. When this happens, a community may be put in a position of having to provide additional financing to complete the project or watch the potential loss of its funds if the project cannot be completed. If it is impractical to disburse RLF funds on a pro rata basis, consider other steps to safeguard RLF funds in the event of a default, such as insisting on securitizing assets of the project.

Avoid Substitution of RLF Funds for Non-Federal Support

Review the project to ensure that to the extent practicable, RLF funds will not be used to substantially reduce the amount of non-Federal financial support for the activity. This will help you to make the most efficient use of your funds available for economic development. To reach this determination, the reviewer should conduct a financial underwriting analysis of the project, including reviews of appropriate projections of revenues, expenses, debt service and returns on equity investments in the project. The extent of this review should be appropriate for the size and complexity of the project and should use industry standards for similar projects, taking into account the unique factors of the project such as risk and location.

Because of the high cost of underwriting and processing loans, many private financial lenders do not finance commercial projects that are less than $100,000. A local government should familiarize itself with the lending practices of the financial institutions in its community. If the

project's total cost is one that would normally fall within the range in which financial institutions participate, then the PRC should determine the following:

A. Private debt financing – whether or not the participating private, for-profit (or other entity having an equity interest) has applied for private debt financing from a commercial lending institution and whether that institution has completed all of its financial underwriting and loan approval actions resulting in either a firm commitment of its funds or a decision not to participate in the project; AND
B. Equity participation – whether or not the degree of equity participation is reasonable given general industry standards for rates of return on equity for similar projects with similar risks and given the financial capacity of the entrepreneur(s) to make additional financial investments.

Financial Feasibility of the Project

The public benefit a local community expects to derive from RLF assisted project will not materialize if the project is not financially feasible. To determine if there is a reasonable chance for the project's success, the reviewer should evaluate the financial viability of the project. A project would be considered financially viable if all of the assumptions about the project's market share, sales levels, growth potential, projections of revenue, project expenses and debt service (including repayment of the RLF assistance if appropriate) were determined to be realistic and met the project's break-even point (which is generally the point at which all revenues are equal to all expenses). Generally speaking, an economic development project that does not reach this break-even point over time is not financially feasible. Some exceptions should be noted:

A) some projects make provisions for a negative cash flow in the early years of the project while space is being leased up or sales volume built up, but the project's projections should take these factors into account and provide sources of financing for such negative cash flow; and
B) it is expected that a financially viable project will also project sufficient revenues to provide a reasonable return on equity investment. The reviewer should carefully examine any project that is not economically able to provide a reasonable return on equity investment. Under such circumstances, a business may be overstating its real equity investment (actual costs of the project may be overstated as well), or it may be overstating some of the project's operating expenses in the expectation that the difference will be taken out as profits, or the business may be overly pessimistic in its market share and revenue projections and has downplayed its profits.

In addition to the financial underwriting reviews carried out earlier, evaluate the management experience and capacity of the business owner. Based on this analysis, identify those elements, if any, that pose the greatest risks contributing to the project's lack of financial feasibility.

Return of Equity Investment

The amount, type and terms of the RLF assistance should be adjusted to allow the owner a reasonable return on his/her investment given industry rates of return for that investment, local conditions and the risk of the project. To the extent practicable, the RLF assisted activity should provide not more than a reasonable return on investment to the owner of the business, ensuring that the community is maximizing the use of its RLF funds for economic development activities. At the same time, take care to avoid the situation where the business owner is likely to receive too small a return on his/her investment, so that they lose interest in the business.

LOAN DOCUMENTATION, SERVICING and MONITORING

Another important area of responsibility is the servicing and monitoring of the loan portfolio. Establish individual files for each loan. Periodically perform the following:

1. Ensure timely collection of RLF loan payments. If necessary, mail an invoice for the payment several weeks before the due dates. Continually monitor all activity and follow-up with borrowers who are delinquent in repayment.
2. Maintain loan documentation and appropriate tickler files to ensure compliance with amortization schedules, loan covenants, financial reporting requirements, insurance requirements, tax payments, etc. Follow-up is also needed to perfect security interest (UCC statements must be re-filed periodically) and check the condition of collateral.

In order to obtain payments when due and properly service and enforce loan covenants, local governments must have properly drafted loan documents for the particular loan being made. In addition, the documents must be properly executed, and the security agreements and UCC forms properly recorded with the appropriate County Court.

To accomplish these objectives, the RLF must have adequate legal counsel to draft loan documents that will stand up to federal and state laws governing commercial lending transactions. These laws tend to be very complex and are beyond the scope of this manual. However, loan documents generally need to document the borrower's:

1. authority to borrow from the RLF;
2. indebtedness to the RLF;
3. responsibilities under the terms and conditions of the loan (this will include any job creation covenants); and
4. collateral for the RLF loan.

The loan documentation process is complex and full of pitfalls for the unwary. Work with legal counsel to determine what loan documentation is appropriate for your particular loan.

The basic loan documents routinely used in the EIP/RFP programs are outlined on the next page. Although each loan is unique, and usually requires additional special attention, some form of the following documents will be used in all cases.

A) Loan Agreement – This is a general document that outlines the intended use of the loan proceeds, mandates specific requirements regarding loan disbursements, any fees charged to the borrower, regulatory compliance, and a host of affirmative and negative covenants. A job creation covenant, one of the more important affirmative covenants, will usually be found in this document along with other requirements such as the submission of financial statements and insurance requirements.

B) Promissory Note – The Note provides evidence of the borrower's debt to the RLF. Specifically, it names the borrower, amount of debt, interest rate and term of the loan.

C) Security Agreement - The Security Agreement identifies the loan's collateral and allows the RLF to take possession of the collateral in case of a loan default. This is often executed in conjunction with Uniform Commercial Code (UCC) filings, which "perfects" the RLF's security interest and notifies other lenders that the collateral is encumbered.

If the loan is secured by real property, a Mortgage Deed to Secure Debt will also be executed. Both documents and the UCC filings must be properly recorded at the appropriate County Courthouse in order to be enforceable. UCC filings must also be renewed on a periodic basis (usually 5 years).

The RLF Loan Documentation Checklist (see next 3 pages) can assist RLF administrators in obtaining correct loan documentation. However, due to the complexity of loan closings, the RLF should be represented by its own legal counsel. The sample loan documents provided by DCA are a good place to begin the process, but it is vital that all loan documents be reviewed and approved by your local attorney.

RLF LOAN DOCUMENTATION CHECKLIST

Outlined below are loan documentation and other items that RLF administrators should have collected during the RLF loan closing process. Each RLF loan should have a file with this checklist in front. Place a check mark by items that have been submitted. Write n/a by items that are not applicable.

Name of Borrower: _____

General Requirements:

_____ Executed Loan Agreement
- _____ Job creation covenant
- _____ Financial statement submission covenant (tickler file required)
- _____ Disbursement procedures outlined
- _____ Description of eligible costs

_____ Executed Promissory Note
  _____ Amortization schedule

_____ Executed Security Agreement and UCC Statements
  _____ Evidence that Security Agreements have been filed (tickler file required)
  _____ Evidence that UCC Statements have been filed (tickler file required)
  _____ Deed to Secure Debt or Warranty Deed (if security is real property)
  _____ Appraisal Report (if security is real property)
  _____ Certified plat or survey (if security is real property)
  _____ Legal description of property (if security is real property)
  _____ Title report/insurance (if security is real property)

_____ Personal Guaranty
_____ Corporate Guaranty

_____ Evidence of Equity Injection
  _____ Copy of Subordinated Note (One of several ways to inject equity)
  _____ Intercreditor Agreement (Agreement between two or more lenders with claims against the same collateral)

_____ Stand-by Agreement (Prevents owners who provide "take-back" financing and other stand-by creditors from getting paid before the RLF does.)

_____ Insurance (tickler file required)
  _____ Hazard insurance on collateral with lender (local government RLF) named as loss payee
  _____ Key person life insurance (optional)
  _____ Business interruption insurance (optional)
  _____ Builder's risk insurance (optional for construction/rehabilitation)

_____ Current organizational documents for borrower
  _____ Letter from borrower's attorney that organization is in good standing
  _____ Certificate of Good Standing (from Secretary of State's Office)
  _____ If borrower is a corporation:
    _____ Copies of Articles of Incorporation and by-laws with all amendments attached.
    _____ Corporate resolution from Board of Directors authorizing the appropriate corporate officer to execute the loan documents.
      _____ If borrower is a partnership:
        _____ Copy of Partnership Agreement

      _____ If borrower is a landlord:
        _____ Copies of business tenants leases (tickler file required)
        _____ Assignment of leases, rents, and profits (tickler file required)
        _____ Copies of any management agreements

Additional Requirements for Construction or Rehabilitation:

_____ Copies of interim or construction financing loan documents

_____ Copy of Construction Contract
- _____ Payment Bond (if over $50,000)
- _____ Performance Bond (if over $50,000)
- _____ Davis-Bacon wage-rate and related federal labor standards (if over $2,000)
- _____ Compliance with applicable environmental laws and regulations (local, state, and federal)

Additional Requirements Related to Loan Disbursement Procedures:

_____ Copies of invoices on all machinery and equipment purchases. Loan proceeds to be disbursed as "joint payee" checks payable to vendor and borrower.

_____ Copies of interim or construction loan documents if EIP or RLF funds are to be used as "take out" financing.
- _____ If no interim or construction financing is being utilized, invoice must be received from contractor. Loan proceeds to be disbursed as **"joint payee"** checks payable to contractor and borrower (Requires Bonding)

_____ Copy of an executed Sales Contract if loan involves purchase of land or facility (MAI appraisal required to substantiate costs)

Please note that any item with "tickler file required" following it means that the local government or RLF will have to track and monitor that item to ensure compliance on the part of the borrower. For instance, it will be important to ensure that insurance coverage is maintained so that if an asset held as collateral is lost to fire or stolen, the RLF can recoup its investment out of insurance proceeds. Likewise it will be important to perfect security interest on real property periodically through the re-filing of UCC forms. If the RLF has a security interest in collateral that is being financed over five years, the UCC forms should be re-filed prior to the expiration in the fifth year. Many of these tasks are better left to professional lenders. See the section on loan servicing agreements for sample contractual documents.

Loan Servicing and Problem Loans

Loan servicing begins immediately after the closing and continues for the term of the loan. The loan documents are the basis for the RLF administrator's (or servicing agent's) loan servicing activities. A "tickler system" will assist you in monitoring these activities. In you feel overwhelmed by these responsibilities, DCA recommends that you contract with a qualified commercial lender for your loan servicing needs. Your local bank or regional CDC are entities that can provide this service, especially if they are participating in the financing. A sample loan servicing agreement which can be modified for your particular situation is available by contacting DCA.

RLF administrators face unique challenges in the administration of loan portfolios. By their nature, RLF loans tend to contain higher than average levels of risk and thus require more "hands-on" management than conventional loans. Because of the "public benefit" requirement, businesses that receive an EIP/RFP or RLF loan often will have financial weaknesses which will demand that they be observed closely for problems. Adequate follow-up with borrowers allows you to catch small problems before they develop into big ones that can threaten your RLF loan portfolio.

When dealing with a problem loan, the administrator's options are often unattractive, especially if the City or County is performing servicing duties. It can be difficult and politically painful to make the decision to "call" a loan and liquidate a company's assets, but it will have to be done from time to time. This is another reason to contract out your loan servicing duties to a commercial lender.

Working Out Problem Loans

The objective of the RLF program is preserving jobs for low and moderate-income persons, not maximizing return on investment. Thus, the RLF administrator 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 administrator may utilize various alternatives to assist the troubled business including rearranging the loan amortization. Only attempt this if the business's proposals for correcting its problems have been investigated by competent professionals and found to be acceptable.

When dealing with a problem loan, the locality must first service the loan adequately. This process includes:

1. obtaining and reviewing financial information;
2. making periodic visits to the business;
3. ensuring that collateral, insurance and all other loan covenant/requirements are followed.

Since a multitude of situations cause problem loans, the first step is investigating to determine what problems exist within the troubled company (in some cases, the private lender will initiate this process). This process will often include bringing in outside parties (private and public experts) who work with businesses to diagnose problems and recommend corrective actions. Using financial information gathered from the business, a qualified analyst can often identify the general problems causing the financial difficulties and recommend remedial actions.

If, after careful analysis (or the private lenders begin foreclosure), the RLF staff determines a workout is futile and a business is definitely going to fail, default proceedings should be initiated quickly. This will generally involve legal action (on the part of an attorney knowledgeable in such matters) to foreclose and recover the collateral. The collateral can then be sold to recover a portion of the loan proceeds, which will be placed hack into the RLF. When a problem loan situation arises, contact DCA's RLF Coordinator for advice and assistance.

JOB CREATION and RETENTION DOCUMENTATION

One of the ways in which the local RLF program can be used to meet the Low/Moderate (L/M) Income Benefit national objective is to have recipient businesses make at least 51% of their created jobs available to persons defined as low- and moderate-income prior to employment. A person is defined as low- and moderate-income if their family income falls below 80% of a County's median family income adjusted for family size (as defined by HUD). A local government, using the RLF to fund such an activity, must be able to produce documentation that at least 51% of all jobs created or retained by the RLF project were made available to qualifying individuals. The following items should be in the RLF files at the time of project completion.

1. A commitment letter by the business that at least 51% of all jobs created will be made available to low- and moderate-income persons. All jobs should be stated on a full-time basis.

2. Documentation on the number of employees at the time a business submits an application for assistance.

3. A listing, by job title, of the jobs to be created as a result of the RLF assistance.

4. Documentation of each hired person's low and moderate-income status.

The easiest method to obtain the required income information is to request the interviewing or newly hired employee to complete a certification form. This form (see next page) will provide sufficient documentation on a person's L/M status to fulfill RLF program requirements.

Completion of the form must be voluntary and cannot be a prerequisite of employment. In addition, to protect the privacy of the new employee, the forms must be kept separate from the job recipient's personnel file. A copy of each certification form must be kept in the local RLF file. Please note that the Housing and Urban Development (HUD) income limits change periodically. If you have questions on how the certification form is to be completed, or if you need the most current information on income thresholds for your area, please contact the RLF Program Manager or visit then following web site: www.dca.state.ga.us/grants/cdbg_forms.html

Revolving Loan Fund Program
Employee Information Sheet

(City/County's Name) is required by federal regulation to document that at least 51% of the jobs created during ***(Business' name)***'s participation with the ***(City/County)***'s Revolving Loan Fund Program (RLF) were made available to low and moderate-income persons. Eligibility is determined by either: 1) an applicant's or employee's certification that his or her family's income is below the threshold indicated for their family size; or 2) certification by an appropriate authority that the applicant or employee is (was) a participant in an approved employment training program or otherwise meets acceptable criteria.

Employee Name: _____
Address: _____
Date of Application/Employment: _____

1) Self-Certification

How many family members in your home? (Circle the correct number)	Is your family's current total annual income (prior to employment) above or below the $ amount on the same line as your family size? (Circle either Above or Below on same line)		
1	$	Above	Below
2	$	Above	Below
3	$	Above	Below
4	$	Above	Below
5	$	Above	Below
6	$	Above	Below
7	$	Above	Below

I hereby certify that all of the above information is correct. _____ _____
Signature of Employee Date

2) Authorized Government Agency Certification (check all that apply)

The applicant/employee is (or prior to employment was): 1) __ a participant in a Ga. Dept. of Technical and Adult Education sponsored employment training program while a participant in the Georgia Workfirst Program (individuals who are currently welfare participants); 2)__ a participant in the Ga. Dept. of Human Resource's TANF (Temporary Assistance to Needy Families (formerly AFDC) program; 3)__ a resident of public housing; 4)__ a participant in the Ga. Dept. of Labor's WIA (Workforce Investment Act) program; 5) __ a participant in the Ga. Dept. of Human Resource's JOBS (Job Opportunities for Basic Skills) program; 6) __ a recipient of Supplemental Social Security; 7) __ a recipient of food stamps; or 8) __ residing in a geographic area designated as a federal Empowerment Zone or Enterprise Community.

Authorized Government Agency or Educational Institution: _____

Signature of Authorized Government Agency Employee
Completing this Certification: _____
Title: _____ Date:_____

ADMINISTRATION COSTS and SERVICING FEES

The local RLF will incur costs in carrying out its administrative and loan servicing duties. The following administration, processing and loan servicing fees are allowed under DCA's sample RLF policies and procedures statement. It should be noted that all administration costs, processing fees and loan servicing charges should generally be allocated on an individual basis for specific loans.

The applicant should generally pay expenses associated with originating a loan, processing fees, administration and loan closing costs. These origination costs are incurred by the business in order to participate in the RLF program. However, if the Review Committee determines these origination costs will impose an undue hardship on the applicant, they may be added to the principal amount of the loan, and be disbursed at loan closing. **In no event may the origination, processing or closing fees financed by the RLF exceed 3% of the RLF loan amount.**

If a locality contracts out their loan servicing, the maximum annual fee that can be paid with RLF proceeds is 1% of each RLF loan's periodic payment. Details on the various mechanisms for paying servicing fees are discussed in detail in the sample loan servicing agreement available by contacting DCA.

In order to assist with the financing of a local RLF's general administrative cost, DCA will allow (on an annual basis) the greater of $2,500 or 6% of the interest earned by the RLF to be spent on administration. These funds may also be used to help defray audit expenses. In certain foreclosure and /or hardship situations, DCA may, by request, allow additional amounts to be expended for administrative, legal or audit costs.

RLF REPORTING REQUIREMENTS

The financial position of all RLF proceeds must be included in the locality's annual audit. In addition, the local RLF is responsible for reporting its financial status to DCA on a semi-annual basis. The reports are due within 30 days of the June 30th and December 31st deadlines. In addition, the RLF assets must be included in the locality's annual audit, and must be reconciled to either the June 30th or December 31st reporting period. **If the RLF's local government has a fiscal year end that is different from this time period, it is the RLF administrator's responsibility to inform the auditors of this RLF requirement. In so doing, the RLF administrator must inform the auditor to provide a balance sheet and operating statement (and any applicable footnotes regarding the RLF) as of either the June 30th or December 31st reporting periods. (Example: Fiscal year (FY) ends September 30th, request a June 30th audit of the RLF's financial position.**

The reports allow DCA to meet various federal reporting requirements for CDBG program income. Local governments must begin submitting this report as soon as the EIP/RFP loan has closed.

TECHNICAL ASSISTANCE AVAILABLE FROM DCA

The RLF Program Manager will provide technical assistance on request from local governments that have a CDBG/EIP Capitalized Revolving Loan Fund (RLF). Assistance is available for all RLF administrative requirements as well as loan packaging and credit analysis for specific projects.

DCA will conduct periodic site visits to monitor local RLFs. During these sessions, technical assistance will be given on all facets of RLF operations. DCA can also assist local governments with conceptual approaches to various local economic development problems, such as: negotiations with private lenders, loan packaging, credit analysis, and other areas where a local government may have limited expertise.

For RLF technical assistance, contact the RLF Program Manager at (404) 679-3110 or write:

Revolving Loan Fund Program
Georgia Department of Community Affairs
60 Executive Park South, NE
Atlanta, Georgia 30329-2231

COMPLIANCE REQUIREMENTS

It is the responsibility of the local government to ensure that the RLF's proposed program, activities, and goals are in compliance with all applicable Federal and State laws, regulations and executive orders. The major applicable laws, regulations and executive orders include but are not limited to the following:

General:

1. The Housing and Community Development Act, as amended and as implemented by the most current HUD regulations (24 CFR Part 570, Subpart I)

2. State of Georgia Community Development Block Grant Program Regulations

3. Title 50, Chapter 18, Article 4, Official Georgia Code, Georgia Open Records Act

4. HOME Investment Partnership Act of 1990, as amended

Financial Management:

5. 24 CFR, Part 85 ("Common Rule")

6. Federal OMB Circular A-133 (Audit Requirements)

7. Federal OMB Circular A-87 (Cost Principles)

Civil Rights:

8. Title VI – Civil Rights Act of 1964

9. Section 109 – Title I – Housing and Community Act of 1974

10. Title VIII of the Civil Rights Act, 1968

11. Section 504 of the Rehabilitation Act of 1973

12. Executive Order 11246 – Equal Employment Opportunity, as amended by Executive Order 11375, Parts II and III

13. Executive Order 11063 – Equal Employment Opportunity, as amended by Executive Order 12259

14. Section 3 of the Housing and Development Act of 1968, as amended Section 118 of Title I, Community Development and Housing Act, 1974

15. Georgia Department of Community Affairs Civil Rights Compliance Certification

16. Age Discrimination Act of 1975

17. Executive Order 12432: National Priority to Develop Minority and Women Owned Businesses.

Labor Standards:

18. The Contact Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations

19. The Davis-Bacon Act (40 U.S.C. 276(a) to (a-7), as supplemented by Department of Labor regulations

20. The Copeland "Anti-Kickback" Act (18 U.S.C. 874) as supplemented by Department of Labor regulations

Acquisition/Relocation:

21. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. (46 U.S.C. 4601) and regulations at 24 CFR, Part 42

22. The Georgia Relocation Assistance and Land Acquisition Policy Act of 1973

23. The Georgia Urban Redevelopment Law (OCGA, Section 36-61-1, et. seq.)

Housing:

24. The Truth in Lending Act (Regulation Z)

25. Title I Consumer Protection Act (P.L. 90321)

26. The Lead Base Paint Poisoning Prevention Act (24 CFR Part 35)

27. Construction Industry Licensing Board Act (OCGA Section 43-14-1, et.seq.)

28. Georgia Industrial Building Act of 1982, as amended (OCGA Title 8, Chapter 2, Article 2, Part 1 "Industrialized Buildings"; Part 2 "Manufactured Housing (Mobile Homes)

29. Mandating State Construction codes, as well as the Georgia State Energy Code

Environmental:

30. The National Environmental Policy Act (NEPA) of 1969 implemented by Executive Order 11514 of March 5, 1970, as amended by Executive Order 11991 of May 24, 1977, and the Council on Environmental Quality's (CEQ) NEPA Regulations, 40 CFR, Parts 1500-1508

31. Environmental Review Procedures for the CDBG Program, HUD (24 CFR, Part 58)

32. The National Historic Preservation Act of 1966 as amended; particularly Section 106 and the Regulations of the Advisory Council on Historic Preservation

33. Executive Order 11593, Protection and Enhancement of the Cultural Environment, May 13, 1971; particularly Section 2(c)

34. The Reservoir Salvage Act of 1960; particularly Section 3, as amended by the Archeological and Historic Preservation Act of 1974

35. Flood Disaster Protection Act of 1973 as amended; particularly Sections 102(a) and 202(a)

36. Executive Order 11988, Floodplain Management, May 24, 1977 (42 FR 26951 et. seq.) particularly Sections 2 and 5

37. Executive Order 11990, Protection of Wetlands, May 24, 1977 (42 FR 56961 et.seq.) particularly Section 2(a)

38. Georgia Air Quality Act of 1978 (O.C.G.A. Section 12-9-1, et. seq.) to regulate air pollution and protect air quality

39. Shore Assistance Act of 1977 (O.C.G.A. Section 12-5-230, et. seq.)

40. Georgia Hazardous Waste Management Act (O.C.G.A. 12-8-60, et. seq.)

41. Georgia Health Code (O.C.G.A. 31-3-1, et. seq.) regulates individual sewerage treatment systems

42. The Coastal Zone Management Act of 1972 as amended; particularly Section 307(c) and (d)

43. The Safe Drinking Water Act of 1974 as amended; particularly Section 1424(e)

44. The Endangered Species Act of 1973 as amended; particularly Section 7

45. The Archaeological and Historic Preservation Act of 1974

46. The Coastal Resources Barriers Act of 1982, as amended

47. The Wild and Scenic Rivers Act of 1968 as amended; particularly Section 7(b) and (c) (16 U.S.C. 1278(b) and (c))

48. The Clean Air Act Amendments of 1970 (P.L. 91-604, 42 U.S.C. 7401 et. seq.) as amended, particularly Section 176(c) and (d) (42 U.S.C. 7506(c) and (d))

49. HUD Environmental Standards (24 CFR, Part 51) Environmental Criteria and Standards (44 FR 40860-40866, July 12, 1979)

50. Georgia Coastal Marshlands Protection Act of 1970 (O.C.G.A. Section 12-5-280, et. seq.) to protect the ecology of marshlands/wetlands.

51. Georgia Groundwater Use Act of 1972 (O.C.G.A. Section 12-5-170, et. seq.)

52. Georgia Safe Drinking Water Act of 1977 (O.C.G.A. Section 12-7-1, et. seq.)

OTHER APPLICABLE COMPLIANCE REQUIREMENTS

Citizen Participation Requirement

Local governments are **strongly encouraged** to promote citizen participation in the development and administration of their local RLF projects. At a minimum each locality should undertake the following activities **before** funding a local RLF project:

1. Hold at least one (1) public hearing prior to funding a RLF activity. The activities undertaken under preceding RLF programs (if any) must be evaluated and discussed. The locality should also furnish information on the proposed project including the amount of RLF funds to be used, the number of low and moderate-income jobs that will be created, and a general description of the activities to be funded.
2. A notice advertising the public hearing should be published in the non-legal section of a local newspaper at least five (5) days prior to the award and distribution of any RLF monies.
3. The needs of non-English speaking residents must be met in the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate.
4. The RLF's files should contain evidence that the public hearing was held, including a copy of the actual notice.

Sample Public Hearing Notice

_____ is considering applying to the (City or County) Revolving Loan Fund (RLF) for up to $__amount__. These funds must generally be used for the following purpose:

1. to benefit low and moderate income persons; or
2. to aid locally owned business start ups or expansions where a financial need has been demonstrated and is warranted.

The activity for which the RLF funds may be used will be in the area of economic development. More specific details regarding the funded activity, the amount of assistance and jobs to be held by low and moderate income persons will be provided at a public hearing that will be held at __place/address__ on __date__, at __time__.

The purpose of this hearing will be to inform citizens of the most current RLF application received and to review the progress of previous EIP and/or RLF applications. Persons with special needs relating to handicapped accessibility or foreign language shall contact __name/phone__ prior to __date__. This person can be located at __address__ between the hours of _____, Monday through Friday.

NOTE: **The local government administrator shall maintain detailed minutes of this hearing, a "tearsheet" of affidavit pertaining to the public notice and documentation as to whether or not "special needs" were required and, if applicable, addressed.**

Environmental Requirements

Compliance with environmental laws should be completed and documented prior to the funding of any RLF project. This includes compliance with historic preservation regulations.

An environmental review should be completed. An Environmental Assessment is required in cases where new construction is proposed. Projects that do not involve construction (i.e. purchase of machinery and equipment) may be exempt from the assessment requirement. If the environmental review process determines that the RLF project is exempt from the National Environmental Policies Act (NEPA) requirements and other environmental review procedures in accordance with 24 CFR Part 58, a Finding of Exemption Form must be filled out.

These forms and procedures are specifically found in the DCA CDBG Recipient Manual. Contact the RLF Program Manager for assistance in compliance on this regulation.

Davis-Bacon Act

The Davis Bacon Act is triggered for any construction related project that involves Federal money when the amount of construction is over $2,000. The basic guidelines for the compliance of this requirement are:

- request a wage rate (see item listed below);
- include Labor Standard Provisions and Wage Rate in Contract;
- copies of weekly payroll; and
- random interviewing of employees on site by RLF administrators.

When a grant number is requested for an RLF Davis-Bacon wage rate request, simply indicate "City/County of _____ RLF Project" instead of the requested grant number.

Open Records Statute

Georgia law requires that "all state, county, and municipal records, except those which by order of a court of this state or by law are prohibited from being open to inspection by the general public, shall be open for a personal inspection of any citizen of this state at a reasonable time and place, and those in charge of such records shall not refuse this privilege to any citizen" (O.C.G.A. 50-18-70). This means that past and current records on the use of CDBG/EIP funds are required to be open for public inspection.

However, certain proprietary information which is required by DCA to be included in an economic development application and must be supplied by a business in order to compete and which constitute a "trade secret" (O.C.G.A. 10-1-740) et seq.; 16-8-13(a)(4)) is exempt from disclosure under O.C.G.A. 50-18-70.

Conflict of Interest Prohibitions

In general, no person who is an elected or appointed official, employee, agent, consultant, officer or any person serving in a similar capacity with any participating public agency, who exercise or have exercised any functions or responsibilities with respect to any RLF activities can benefit from local RLF activities.

In addition, those persons who are in a position to participate in a decision-making process or gain inside information regarding RLF proposed activities or related activities, obtain financial interest or benefit from the project, or have any interest in any contract, sub-contract or agreement with respect to any RLF project are also prohibited from benefiting from a RLF project.

The prohibitions against benefiting from a RLF project would apply to the covered individuals or those with whom they have family or business ties, for one (1) year following their tenure in the covered position. If questions arise concerning the conflict of interest prohibitions, we urge you to contact DCA in order to discuss the situation before proceeding with a questionable project.

Auditing Requirements

RLF accounting standards are to comply with the generally accepted accounting principles found in the Governmental Accounting and Financial Reporting Standards (State of Georgia Accounting Procedures Manual, July, 2003) . DCA asks that the audit report include a balance sheet and income statement for the RLF.

Special Provisions for EIP Capitalized Local Revolving Loan Funds

The following excerpt is taken from the State of Georgia Annual Action Plan for FFY 2003.

DCA may permit localities that have or will receive revenue (principal, interest or other payments) from EIP or other loans or leases to retain that revenue so long as it is used for the same activity that generated the revenue and also used in accordance with the requirements of this regulation and any other applicable federal, state, or local law, regulation, contract, guidance manual or memorandum.

For localities that will retain program revenue, DCA will require that such revenue be deposited into a separate revolving loan fund (RLF) account that bears the local government's name and used to carry out specific Title I eligible activities. The RLF must be created by a local resolution and implemented by local policies and procedures approved by DCA.

Localities allowed to retain program revenue must ensure that the RLF is adequately managed. DCA will categorize the RLF as being adequately managed so long as the following responsibilities are being met:

a. Maintenance of an accounting and financial management system that complies with generally accepted accounting principals and DCA's guidelines for RLF financial management systems;
b. Compliance with DCA's reporting requirements for local RLF's;
c. Operation of the local RLF in accordance with DCA approved policies, procedures, and federal, state, and local law, regulation, contracts, guidance manuals and memoranda;
d. Maintenance of a project review and selection committee with the capacity to review and analyze loan requests and determine whether such requests represent prudent investments as defined by generally accepted underwriting criteria;
e. Maintenance of a loan packaging and structuring capacity that meets appropriate underwriting standards for security and documentation;
f. Maintenance of a loan servicing and monitoring capacity which ensures that loan payments are collected, that loan covenants are enforced, and that loan security is maintained;
g. Maintenance of a loan portfolio which represents investments in businesses engaged in sound business purposes that have demonstrated tangible employment of low and moderate income persons as defined by DCA; and
h. Attendance at DCA sponsored training workshops that will be held periodically for purposes of training local RLF administrators.

To assist with the financing of a local RLF program's administrative cost, DCA will allow (on an annual basis) the greater of 6% or $2,500 of interest earned by the RLF to be used for administration and audit costs. In certain foreclosure and/or hardship situations, DCA may allow additional amounts to be expended for administrative, audit or legal costs.

Localities allowed to retain program revenue must also ensure that the RLF is utilized in a timely and efficient manner. DCA will categorize a RLF as being adequately utilized so long as the following criteria are met:

a. The RLF is used to continue the same activity which generated the program revenue; and
b. The RLF's cash balance (on average) shall not exceed $125,000 or 30% of the total RLF assets, whichever is greater.

Should a locality be unable to utilize the RLF in accordance with items a and b above, the locality may request DCA to waive the provisions. DCA may grant waivers when it is determined that sufficient future activity is probable or the locality is taking steps to ensure future activity. However, in general, a locality may not retain unused assets any longer than the full term of the original EIP/RFP loan, or five (5) years, whichever is shorter.

EXHIBIT A

Resolution to create a Revolving Loan Fund
In the County/City of _____

Whereas, The primary objective of Title I of the Housing and Community Development Act of 1974, as amended, is the development of viable communities through the improvement of living conditions and expansion of economic opportunities in cities and counties, principally for persons of low and moderate income; and

Whereas, It is the goal of the Employment Incentive Program (EIP) and the Redevelopment Fund Program (RFP), which are governed by Title I of the Housing and Community Development Act of 1974, as amended, to create and or retain jobs for persons of low and moderate income and to eliminate slums or blight; and

Whereas, All program income received by the City/County of _____ from a grant received through the Employment Incentive Program or Redevelopment Fund Program shall be placed in a Revolving Loan Fund (RLF) for the City/County of _____ and administered in conformance with applicable federal and state rules and regulations; and,

Whereas, A Local Loan Review Committee will be established to accept and review applications for the RLF and make recommendations to the city Council/Board of Commissioners for funding. Local Policies and Procedures governing the Committee, along with membership, shall be determined by the local municipality / county government and approved by DCA;

Be It Therefore Resolved, That the City/County of _____ shall establish a Revolving Loan Fund with all revenues and collateral obtained from the CDBG /EIP/RFP grant # _____ and any subsequent CDBG grants; and,

Be It Further Resolved, that this revolving loan fund shall be used for the express purpose of creating and/or retaining jobs primarily for low and moderate income persons or for eliminating slums or blight by providing financial assistance to existing eligible businesses where the City's/County's involvement is necessary and appropriate for the project's viability; and,

Be It Finally Resolved, That the said revolving loan fund will act within the guidelines of the underwriting policy hereto attached.

Adopted: This _____ day of _____, 19____.

Seal of Local Government

_____
Chief Elected Official's Signature

Attest

EXHIBIT B

UNDERWRITING POLICY
ECONOMIC DEVELOPMENT REVOLVING LOAN FUND
(To Be Officially Adopted by Local Government)

GOALS

The goal of the local Revolving Loan Fund program is to expand economic opportunities for persons of low- and moderate-income, in the City/County of _____ by providing flexible and expedient funding at the local level.

OBJECTIVE

To provide loan funds to local small businesses from public resources, as well as create public-private partnerships with local commercial banks and other private sector lenders and investors. To be considered, potential projects must meet one of two national objectives: 1) Benefiting low- and moderate-income persons; 2) Preventing or eliminating slums or blight.

SCOPE

This program is designed to assist small service, commercial, and industrial businesses in the City/County of _____ by providing "gap financing." Provision of assistance to private, for-profit entities must be contingent upon firm commitments of financial participation from other sources such as private financial institutions, or the private entities themselves. This financial assistance must meet the overall program objectives and must result in the creation or retention of permanent jobs of which **51% must be for low and moderate income persons.**

ELIGIBLE ACTIVITIES

The Housing and Community Development Act of 1974, Section 105(a)(17), describes eligible activities as:

(a) Activities assisted under this title may include only –

(17) provision of assistance to private, for-profit entities, when the assistance is appropriate to carry out an economic development project (that shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods) that—

(A) creates or retains jobs for low- and moderate-income persons;

(B) prevents or eliminates slums and blight;

(C) meets urgent needs;

(D) creates or retains businesses owned by community residents;

(E) assists businesses that provide goods or services needed by, and affordable to, low- and moderate-income residents; or

(F) provides technical assistance to promote any of the activities under subparagraphs (A) through (E);

INELIGIBLE BORROWERS

- Passive income companies
- Lending and investment institutions
- Unregulated media such as newspapers and magazines
- Speculative ventures
- Charitable organizations
- Employees of the local government (See Conflict of Interest Section)

INELIGIBLE ACTIVITIES (include but are not limited too)

- Creation of a job that would cost more than $50,000 in RLF funds per job
- Reimbursement of project costs prior to submission of RLF application
- Refinancing of permanent debt (a business' use of interim financing is allowed)
- Payment of delinquent taxes, debt
- Product development costs
- General government expenses
- Political activities

DEFINITIONS

A) Fixed Asset – Permanent business properties such as land, buildings, machinery, and equipment.

B) Gap Financing – The portion of funds supplied by the City/County through the Revolving Loan Fund that allows a business to remain in operation, expand operations, or "start up" that would not take place without this financial assistance.

C) Job – Permanent, full-time employment for a period not less than 365 days. Part-time jobs must be converted to full-time equivalents (e.g. a job that will require only working half time would count as only one-half a job).

D) Job Retained – A job that would be lost if the financial assistance from the City was not provided. The business applying for the funds must prove to the satisfaction of the PRC of the RLF that these funds are necessary.

E) New Job Created – A job that was not in existence and represents a new budgeted position that will be filled within six (6) months. The job must be tangible and the applicant must commit that this job will be filled after the loan from the City.

F) Project Review Committee (PRC) – Public and private citizens, who are professionals in the area of finance, appointed by the City Council/Board of Commissioners to review all applications to the Revolving Loan Fund. There should be at least five (5) persons on the committee and they may consist of a City/County finance officer, bank loan officer, accountant, realtor, lawyer, etc. The Committee should encourage female and/or minority representation and in general represent the demographic make-up of that community.

G) Low and Moderate Income – Income levels as published by HUD for the State CDBG and HOME/CHIP Programs. The levels are usually calculated as 80% of a County's median income adjusted for family size. The most recent data for such determinations may be obtained from DCA at: www.dca.state.ga.us/grants/cdbg_forms.html. Applicants should note that jobs paying minimum wage do not necessarily qualify as low/moderate income jobs.) Individual family income levels at the time of application for employment determine qualification.

H) Market Analysis – Objective process whereby the need, market potential, and expected return on investment are determined for a particular product and/or service.

I) Pro Forma – Estimation of anticipated expenditures, revenues, and cash flow for a given period of time.

J) Start Up – A "start up" venture is the creation of a new business that was not previously in existence.

K) Working Capital – Funds available and necessary for normal business operations.

L) Slums of Blight on a "spot basis" - Acquisition, clearance, relocation, historic preservation and building rehabilitation activities which eliminate specific conditions of blight or physical decay on a spot basis that may not be located in a slum or blighted area. The blight or physical decay must be documented by the unit of local government to meet local or state definitions of blight and physical decay (a sample resolution declaring slum or blight can be obtained from DCA). Under this standard, the activity is limited to the extent necessary to eliminate specific conditions detrimental to the public health and safety.

M) Slums or Blight on an "area basis" -

a) The area, delineated by a unit of local government, meets a definition of blighted, deteriorated or slum area under state of local law;

b) Throughout the area there is a substantial number of deteriorating buildings or the public improvements are in a general state of deterioration;

c) The assisted activities address one or more of the conditions which contributed to the deterioration of the area; and

d) The local government keeps records sufficient to document its finding that a project meets the National Objective of elimination or prevention or slums and blight.

ELIGIBILITY

The Economic Development Revolving Loan Fund for the City/County of _____ is limited to businesses located within the corporate limits of _____ within the City/County of _____ as a result of this program. Highest consideration will be given to those businesses which demonstrate that they will create and/or retain the highest number of jobs for low/mod income persons for the least amount of public expenditure.

In order to qualify for this program, a business must generally have a net worth of less than six (6) million dollars and a net profit after taxes of less than two (2) million dollars annually. No loans will be considered if the proposed jobs retained or created are less than the ratio of one job per $_____ of loan funds. At least 51% of the jobs created or retained must be for low and moderate-income persons.

APPLICANT REQUIREMENTS

1. Applications will be provided by the City/County of _____ to all small businesses interested in this program.
2. A "profit and loss" statement is required for the past three (3) years. A Personal financial statement is also required.
3. A cash flow pro forma will be required to indicate future needs of the business (Should be for at least 3 years).
4. A market analysis/business plan should be made for each small business making an application to the "Revolving Loan Fund." The market analysis should include:

    a) Business or Product definition such as the mix of goods, merchandise, and/or services to be produced or sold.
    b) Market description including primary and secondary trade areas, potential customer categories, major competitors, and marketing strategies.
    c) A "Needs Assessment" based on statistical data and evaluation of such factors as market trends, unmet customer demands, customer surveys, etc., development of data supporting this need and an evaluation of success potential.
    d) Projection of return on investment based on the information gathered and analyzed for the particular product and/or service.

5. Applicant must fully address the purpose of the loan and the time schedule for implementation if funded.
6. The goal of this program is the creation/retention of jobs for low/moderate income persons. Therefore, each applicant must commit to the number of low and moderate jobs that will be retained/created through this financial assistance. (Sample commitment letter attached.)
7. Description and documentation of ownership of collateral and its certified market value to be used for the loan. In some cases the City/County may require an appraisal to be conducted.

8. List of credit references and how they can be contacted.
9. Funds awarded under this program must begin to be utilized within sixty (60) days of award.
10. The Underwriting Policy will be provided by the City/County to all businesses requesting a copy. A list of all persons receiving a copy will be maintained in the City/County RLF file in order of date of receipt. This process results in a "first come, first served" method of service. When a minimum of $_____ in cash is on hand, the prospective applicant at the top of the list of Underwriting Policy recipients will be notified by the RLF committee by Certified Mail, Return Receipt Requested, that they have two (2) weeks from the date of receipt of the Certified Mail in which to submit an application to the RLF administrator. The applicant will have thirty (30) calendar days from the date of any written request to the applicant by the City/County to submit additional information needed to complete the application process. Applicants failing to respond to the notice or request for additional information may, at the discretion of the RLF committee, be removed or placed at the bottom of the list.

Depending on the type of activity to be undertaken with the loan funds, various federal, state and local laws may apply. Applicants will be made aware of these during the application process.

The City/County of _____ and the Project Review Committee reserve the right to request and require further information that they deem necessary in order to make a decision as to whether or not to approve an application under this program.

It should be noted that if new construction is a part of the overall project, special conditions may apply. Site improvements may also necessitate special considerations.

Terms and Conditions

All applicants for the Economic Development "Revolving Loan Fund" from the City/County of _____ are required to obtain fifty percent (50%) of the funds for the project from a private lending institution (A "lending institution" is any person, firm or corporation that will lend the necessary funds for private investment required for this program).

As part of the application process, each applicant is required to provide a letter of commitment from the lending institution acknowledging their agreement to finance 50% of the asset or working capital (sample attached). This letter must include the following terms: interest rate, term of loan, collateral, and any other requirements stated as part of the loan. The letter must be signed by the lending institution or a person authorized to make such a commitment for that lending institution. All applicants must prove to the satisfaction of the Project Review Committee that they have the ability to cover all debt services.

Fixed Asset loans will be made at an interest rate of one-half (1/2) of the Wall Street Journal prime rate less one, and not lower than 5% nor higher than 10%. **The life of the loan is not to exceed the life of the asset.** Applicants for fixed asset loans are also eligible for one year deferral on the principal, followed by a five to ten year payback of the loan. The length of the loan will be determined by the Project Review Committee.

Working Capital loans will be made at an interest rate of one-half (1/2) of Wall Street Journal prime rate less one, and not lower than 5% nor higher than 10%. Eligible applicants for a working capital loan may also be eligible for a one year deferral on the principal followed by a five year payback on the principal and interest. **A five (5) year payback is the maximum for a working capital loan.**

Applicants that cannot meet the 50% financing requirements from the private sector may participate in the "Revolving Loan Fund" program provided they inject equity equivalent to 25% of the funds requested from this program. The remaining 75% may be loaned from the "Revolving Loan fund" at ten (10) percent interest with a payback not exceeding the life of the asset held as collateral, maximum seven (7) years. An applicant eligible for an equity injection loan may also be eligible for a one year deferral on repayment of the principal.

All loans will be screened and approved after review of each of the following, in order of approval:

1. Staff of the Department of Community and Economic Development. (Optional)
2. Loan Review Committee of the "Revolving Loan Fund."
3. City Council/Commission of the City/County of _____, which has the final authorization to approve a project for funding.

The City/County of _____ Department of Community and Economic Development, and the Project Review Committee for the Economic Development Revolving Loan Fund reserve the right to request and require further information. Upon receipt of a complete application, every effort will be made to respond to the applicant within thirty (30) days of the date of receipt of the application. If the application is denied, the RLF will respond, in writing, with the reason(s) for the denying the application.

The City/County of _____ will not discriminate due to race, creed, color, age, sex or national origin in approving loan applications under this program.

RECAPTURED FUNDS

All funds "recaptured" by the City/County of _____ from this program shall be held in a separate account and used only for future economic development projects. The accounting and administrative system used to account for the Economic Development Revolving Loan Fund shall at a minimum conform to the guidelines contained in the DCA publication Guidelines for Administration of Local Revolving Loan Funds and any Revolving Loan Fund regulations promulgated by the Department of Community Affairs. An accounting of the Economic Development Revolving Loan fund shall also be included in the City's/County's annual audit.

COMPLIANCE REQUIREMENTS

It is the responsibility of the local government to ensure that the RLF's proposed program, activities, and goals are in compliance with all applicable Federal and State laws, regulations and executive orders. The major applicable laws, regulations and executive orders include but are not limited to the following:

General:

1. The Housing and Community Development Act, as amended and as implemented by the most current HUD regulations (24 CFR Part 570, Subpart I)
2. State of Georgia Community Development Block Grant Program Regulations
3. Title 50, Chapter 18, Article 4, Official Georgia Code, Georgia Open Records Act
4. HOME Investment Partnership Act of 1990, as amended

Financial Management:

5. 24 CFR, Part 85 ("Common Rule")
6. Federal OMB Circular A-133 (Audit Requirements)
7. Federal OMB Circular A-87 (Cost Principles)

Civil Rights:

8. Title VI – Civil Rights Act of 1964
9. Section 109 – Title I – Housing and Community Act of 1974
10. Title VIII of the Civil Rights Act, 1968
11. Section 504 of the Rehabilitation Act of 1973
12. Executive Order 11246 – Equal Employment Opportunity, as amended by Executive Order 11375, Parts II and III
13. Executive Order 11063 – Equal Employment Opportunity, as amended by Executive Order 12259
14. Section 3 of the Housing and Development Act of 1968, as amended Section 118 of Title I, Community Development and Housing Act, 1974

15. Georgia Department of Community Affairs Civil Rights Compliance Certification

16. Age Discrimination Act of 1975

17. Executive Order 12432: National Priority to Develop Minority and Women Owned Businesses.

Labor Standards:

18. The Contact Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations

19. The Davis-Bacon Act (40 U.S.C. 276(a) to (a-7), as supplemented by Department of Labor regulations

20. The Copeland "Anti-Kickback" Act (18 U.S.C. 874) as supplemented by Department of Labor regulations

Acquisition/Relocation:

21. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. (46 U.S.C. 4601) and regulations at 24 CFR, Part 42

22. The Georgia Relocation Assistance and Land Acquisition Policy Act of 1973

23. The Georgia Urban Redevelopment Law (OCGA, Section 36-61-1, et. seq.)

Housing:

24. The Truth in Lending Act (Regulation Z)

25. Title I Consumer Protection Act (P.L. 90321)

26. The Lead Base Paint Poisoning Prevention Act (24 CFR Part 35)

27. Construction Industry Licensing Board Act (OCGA Section 43-14-1, et.seq.)

28. Georgia Industrial Building Act of 1982, as amended (OCGA Title 8, Chapter 2, Article 2, Part 1 "Industrialized Buildings"; Part 2 "Manufactured Housing (Mobile Homes)

29. Mandating State Construction codes, as well as the Georgia State Energy Code

Environmental:

30. The National Environmental Policy Act (NEPA) of 1969 implemented by Executive Order 11514 of March 5, 1970, as amended by Executive Order 11991 of May 24, 1977, and the Council on Environmental Quality's (CEQ) NEPA Regulations, 40 CFR, Parts 1500-1508

31. Environmental Review Procedures for the CDBG Program, HUD (24 CFR, Part 58)

32. The National Historic Preservation Act of 1966 as amended; particularly Section 106 and the Regulations of the Advisory Council on Historic Preservation

33. Executive Order 11593, Protection and Enhancement of the Cultural Environment, May 13, 1971; particularly Section 2(c)

34. The Reservoir Salvage Act of 1960; particularly Section 3, as amended by the Archeological and Historic Preservation Act of 1974

35. Flood Disaster Protection Act of 1973 as amended; particularly Sections 102(a) and 202(a)

36. Executive Order 11988, Floodplain Management, May 24, 1977 (42 FR 26951 et. seq.) particularly Sections 2 and 5

37. Executive Order 11990, Protection of Wetlands, May 24, 1977 (42 FR 56961 et.seq.) particularly Section 2(a)

38. Georgia Air Quality Act of 1978 (O.C.G.A. Section 12-9-1, et. seq.) to regulate air pollution and protect air quality

39. Shore Assistance Act of 1977 (O.C.G.A. Section 12-5-230, et. seq.)

40. Georgia Hazardous Waste Management Act (O.C.G.A. 12-8-60, et. seq.)

41. Georgia Health Code (O.C.G.A. 31-3-1, et. seq.) regulates individual sewerage treatment systems

42. The Coastal Zone Management Act of 1972 as amended; particularly Section 307(c) and (d)

43. The Safe Drinking Water Act of 1974 as amended; particularly Section 1424(e)

44. The Endangered Species Act of 1973 as amended; particularly Section 7

45. The Archaeological and Historic Preservation Act of 1974

46. The Coastal Resources Barriers Act of 1982, as amended

47. The Wild and Scenic Rivers Act of 1968 as amended; particularly Section 7(b) and (c) (16 U.S.C. 1278(b) and (c))

48. The Clean Air Act Amendments of 1970 (P.L. 91-604, 42 U.S.C. 7401 et. seq.) as amended, particularly Section 176(c) and (d) (42 U.S.C. 7506(c) and (d))

49. HUD Environmental Standards (24 CFR, Part 51) Environmental Criteria and Standards (44 FR 40860-40866, July 12, 1979)

50. Georgia Coastal Marshlands Protection Act of 1970 (O.C.G.A. Section 12-5-280, et. seq.) to protect the ecology of marshlands/wetlands.

51. Georgia Groundwater Use Act of 1972 (O.C.G.A. Section 12-5-170, et. seq.)

52. Georgia Safe Drinking Water Act of 1977 (O.C.G.A. Section 12-7-1, et. seq.)

OTHER APPLICABLE COMPLIANCE REQUIREMENTS

Citizen Participation Requirement

Local governments are **strongly encouraged** to promote citizen participation in the development and administration of their local RLF projects. At a minimum each locality should undertake the following activities **before** funding a local RLF project:

1. Hold at least one (1) public hearing prior to funding a RLF activity. The activities undertaken under preceding RLF programs (if any) must be evaluated and discussed. The locality should also furnish information on the proposed project including the amount of RLF funds to be used, the number of low and moderate-income jobs that will be created, and a general description of the activities to be funded.
2. A notice advertising the public hearing should be published in the non-legal section of a local newspaper at least five (5) days prior to the award and distribution of any RLF monies.
3. The needs of non-English speaking residents must be met in the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate.
4. The RLF's files should contain evidence that the public hearing was held, including a copy of the actual notice.

Sample Public Hearing Notice

_____ is considering applying to the (City or County) Revolving Loan Fund (RLF) for up to $__amount__. These funds must generally be used for the following purpose:

1. to benefit low and moderate income persons; or
2. to aid locally owned business start ups or expansions where a financial need has been demonstrated and is warranted.

The activity for which the RLF funds may be used will be in the area of economic development. More specific details regarding the funded activity, the amount of assistance and jobs to be held by low and moderate income persons will be provided at a public hearing that will be held at __place/address__ on __date__, at __time__.

The purpose of this hearing will be to inform citizens of the most current RLF application received and to review the progress of previous EIP and/or RLF applications. Persons with special needs relating to handicapped accessibility or foreign language shall contact __name/phone__ prior to __date__. This person can be located at __address__ between the hours of _____, Monday through Friday.

NOTE: **The local government administrator shall maintain detailed minutes of this hearing, a "tearsheet" of affidavit pertaining to the public notice and documentation as to whether or not "special needs" were required and, if applicable, addressed.**

Environmental Requirements

Compliance with environmental laws should be completed and documented prior to the funding of any RLF project. This includes compliance with historic preservation regulations.

An environmental review should be completed. An Environmental Assessment is required in cases where new construction is proposed. Projects that do not involve construction (i.e. purchase of machinery and equipment) may be exempt from the assessment requirement. If the environmental review process determines that the RLF project is exempt from the National Environmental Policies Act (NEPA) requirements and other environmental review procedures in accordance with 24 CFR Part 58, a Finding of Exemption Form must be filled out.

These forms and procedures are specifically found in the DCA CDBG Recipient Manual. Contact the RLF Program Manager for assistance in compliance on this regulation.

Davis-Bacon Act

The Davis Bacon Act is triggered for any construction related project that involves Federal money when the amount of construction is over $2,000. The basic guidelines for the compliance of this requirement are:

- request a wage rate (see item listed below);
- include Labor Standard Provisions and Wage Rate in Contract;
- copies of weekly payroll; and
- random interviewing of employees on site by RLF administrators.

When a grant number is requested for an RLF Davis-Bacon wage rate request, simply indicate "City/County of _____ RLF Project" instead of the requested grant number.

Open Records Statute

Georgia law requires that "all state, county, and municipal records, except those which by order of a court of this state or by law are prohibited from being open to inspection by the general public, shall be open for a personal inspection of any citizen of this state at a reasonable time and place, and those in charge of such records shall not refuse this privilege to any citizen" (O.C.G.A. 50-18-70). This means that past and current records on the use of CDBG/EIP funds are required to be open for public inspection.

However, certain proprietary information which is required by DCA to be included in an economic development application and must be supplied by a business in order to compete and which constitute a "trade secret" (O.C.G.A. 10-1-740) et seq.; 16-8-13(a)(4)) is exempt from disclosure under O.C.G.A. 50-18-70.

Conflict of Interest Prohibitions

In general, no person who is an elected or appointed official, employee, agent, consultant, officer or any person serving in a similar capacity with any participating public agency, who exercise or have exercised any functions or responsibilities with respect to any RLF activities can benefit from local RLF activities.

In addition, those persons who are in a position to participate in a decision-making process or gain inside information regarding RLF proposed activities or related activities, obtain financial interest or benefit from the project, or have any interest in any contract, sub-contract or agreement with respect to any RLF project are also prohibited from benefiting from a RLF project.

The prohibitions against benefiting from a RLF project would apply to the covered individuals or those with whom they have family or business ties, for one (1) year following their tenure in the covered position. If questions arise concerning the conflict of interest prohibitions, we urge you to contact DCA in order to discuss the situation before proceeding with a questionable project.

Auditing Requirements

RLF accounting standards are to comply with the generally accepted accounting principles found in the Governmental Accounting and Financial Reporting Standards (State of Georgia Accounting Procedures Manual, July, 2003) . DCA asks that the audit report include a balance sheet and income statement for the RLF.

Special Provisions for EIP Capitalized Local Revolving Loan Funds

The following excerpt is taken from the State of Georgia Annual Action Plan for FFY 2003.

DCA may permit localities that have or will receive revenue (principal, interest or other payments) from EIP or other loans or leases to retain that revenue so long as it is used for the same activity that generated the revenue and also used in accordance with the requirements of this regulation and any other applicable federal, state, or local law, regulation, contract, guidance manual or memorandum.

For localities that will retain program revenue, DCA will require that such revenue be deposited into a separate revolving loan fund (RLF) account that bears the local government's name and used to carry out specific Title I eligible activities. The RLF must be created by a local resolution and implemented by local policies and procedures approved by DCA.

Localities allowed to retain program revenue must ensure that the RLF is adequately managed. DCA will categorize the RLF as being adequately managed so long as the following responsibilities are being met:

i. Maintenance of an accounting and financial management system that complies with generally accepted accounting principals and DCA's guidelines for RLF financial management systems;

j. Compliance with DCA's reporting requirements for local RLF's;

k. Operation of the local RLF in accordance with DCA approved policies, procedures, and federal, state, and local law, regulation, contracts, guidance manuals and memoranda;

l. Maintenance of a project review and selection committee with the capacity to review and analyze loan requests and determine whether such requests represent prudent investments as defined by generally accepted underwriting criteria;

m. Maintenance of a loan packaging and structuring capacity that meets appropriate underwriting standards for security and documentation;

n. Maintenance of a loan servicing and monitoring capacity which ensures that loan payments are collected, that loan covenants are enforced, and that loan security is maintained;

o. Maintenance of a loan portfolio which represents investments in businesses engaged in sound business purposes that have demonstrated tangible employment of low and moderate income persons as defined by DCA; and

p. Attendance at DCA sponsored training workshops that will be held periodically for purposes of training local RLF administrators.

To assist with the financing of a local RLF program's administrative cost, DCA will allow (on an annual basis) the greater of 6% or $2,500 of interest earned by the RLF to be used for administration and audit costs. In certain foreclosure and/or hardship situations, DCA may allow additional amounts to be expended for administrative, audit or legal costs.

Localities allowed to retain program revenue must also ensure that the RLF is utilized in a timely and efficient manner. DCA will categorize a RLF as being adequately utilized so long as the following criteria are met:

c. The RLF is used to continue the same activity which generated the program revenue; and

d. The RLF's cash balance (on average) shall not exceed $125,000 or 30% of the total RLF assets, whichever is greater.

Should a locality be unable to utilize the RLF in accordance with items a and b above, the locality may request DCA to waive the provisions. DCA may grant waivers when it is determined that sufficient future activity is probable or the locality is taking steps to ensure future activity. However, in general, a locality may not retain unused assets any longer than the full term of the original EIP/RFP loan, or five (5) years, whichever is shorter.

EXHIBIT C

ECONOMIC DEVELOPMENT
REVOLVING LOAN FUND

INSTRUCTION SHEET and APPLICATION

Listed below are the criteria for financing through the RLF Program:

1. The business must be located within the RLF Programs municipal or county limits.
2. The business must commit to create or retain jobs. A minimum of 51% of the employment opportunities should be filled by low and moderate-income persons. *Note: Some RLF communities require higher percentages.*
3. The business will be required to obtain 50% of project costs from a private lender.
4. Personal equity will be required.
5. The business must demonstrate a reasonable chance for success.
6. Collateral will be required, as well as personal and/or corporate guarantees.
7. The applicant is responsible for all loan and legal fees associated with an approved loan.
8. The information that you provide must be truthful and accurate to the best of your knowledge. Failure to provide same constitutes fraud and will result in the immediate termination of the loan process.

The process requires that the applicant fill out completely the attached loan application and submit all required information. Failure to provide any information requested may be grounds for denial.

Once all information is received, it will be forwarded to the Revolving Loan Fund (RLF) Loan Committee for review.

If the application meets the criteria and underwriting requirements, it will be submitted to the local RLF government for approval.

If the application is denied, you may request in writing, why the application was turned down.

We hope that your application is competitive and will lead to successful employment opportunities in our community.

APPLICATION FORM

GENERAL INFORMATION

Business Name: _____

Current Address: _____

Proposed Address: _____

Telephone Number: _____

Tax ID Number(s): _____
Personal and Corporate

Date Business Established: _____

Bank of Business Account: _____

Loan Officer / Account #: _____

Type of Organization: Sole Proprietor _____ Partnership _____
C Corp _____ Sub-S Corp _____

Number of Permanent Jobs to be Created/Retained: _____

Job Title(s)	Wage/Pay	Benefits

MANAGEMENT

Principles: List partners and stockholders with 20% or more ownership

NAME	ADDRESS	% OWNED

SOURCE AND USE STATEMENT

PROPOSED FINANCING SOURCES

Bank Loan $ _____ % of total _____ %
RLF Loan $ _____ % of total _____ %
Applicant/Equity $ _____ % of total _____ %
Other $ _____ % of total _____ %

Total Sources $ _____ % of total _____ %

TOTAL PROJECT COST

Acquisition of M&E	$ _____
Real Estate Acquisition	$ _____
Renovation/Construction	$ _____
Working Capital	$ _____
Other _____	$ _____
Total Project Cost	$ _____

BUSINESS INFORMATION

Do you have a business plan? Yes _____ No _____

Your business plan should include:

1. A brief history of your business.
2. Detailed description of the project, the use of loan proceeds, including written estimates of proposed costs from suppliers and contractors and the projects anticipated completion date.
3. Financial Information
   a. Current financial information (within the last 90 days).
   b. Financial Statements for the previous three (3) years.
   c. Personal Financial Statements (for each owner/principal).
   d. Cash Flow Pro Forma (3 years minimum).
   e. Schedule of business debt.
4. Market Analysis
   a. Describing your product.
   b. Describing and defining your market area
   c. Projected return on investment
5. Proof of other funds
   a. Letter from participating bank stating loan terms and conditions.
   b. Letter from bank stating bank account balance for equity contribution.
6. A description of security offered for this loan request.
7. Personal resume of each owner/principal.
8. Credit references

APPLICANT'S CERTIFICATION

I/We certify that all information in this application and all information furnished in support of this application are true and complete to the best of my/our knowledge and belief. Verification may be obtained from any source named, and I/we agree to submit to a personal and business credit checks.

_____ _____
Signature Date

_____ _____
Signature Date

EXHIBIT D

ECONOMIC DEVELOPMENT AND REVOLVING LOAN FUND
SUPPLEMENTAL INFORMATION AND DOCUMENTATION
(To be completed by RLF)

Applicant:
RLF Amount Requested:
Total Project Cost:

1. Job Creation/Retention

Total number of existing jobs:
Total number of jobs to be created:*
Total number of jobs to be retained:*
Number of jobs created for low and moderate income persons:***
Percent of total:
Number of jobs retained for low moderate income persons:**
RLF dollars per job created:
RLF dollars per job retained:

Describe the methodology to be utilized for ensuring the number of jobs listed above for low and moderate-income persons: (provide documentation where applicable). Applicants should note that jobs paying minimum wage do not necessarily qualify as low and moderate-income jobs. Individuals family income levels adjusted for family size at the time of application for employment determine qualification.

*Permanent full-time positions of at least one year's duration (except in certain cases of agricultural businesses whose operations are necessarily seasonal, the RLF will consider as permanent any full-time job of at least twelve (12) consecutive weeks' duration, and will count it as the equivalent of one-fourth (1/4) of a permanent job. For example, if an agricultural business proposed to employ 100 persons, each for twelve (12) full-time consecutive weeks, the number of jobs created would be counted as 25. Likewise, were 100 persons to be employed, each for 24 full-time consecutive weeks, the number of jobs created would be counted as fifty (50).

**For retained jobs, the application should contain summary information on the number and percent of the retained jobs that are held by low and moderate income individuals. This would normally require that workers be surveyed prior to the application being submitted.

***Must meet the 51% threshold for low/mod persons (i.e., at least 51% of the jobs created or retained must be for low/mod income persons).

2. Private Investment*

Dollar amount of private investment: $
Source(s):

Private investment as percent of total project:
Private to RLF funds leverage ratio:
Private to RLF/other public funds leverage ratio:

*Private investment must be documented by letters of commitment.

3. Other Public Investment*

Amount: $
Source(s):
Other public investment as percent of total project:

*Other public investment must be documented by grant awards, grant commitments or letters of commitment.

4. Recapture Provisions

Describe the rate, terms, period and other applicable elements of the RLF loan's repayment (be specific and detailed); also describe what entity will be responsible for servicing the RLF loan:

Any direct assistance to private for profit entities must be "recaptured".

EXHIBIT E

SAMPLE COMMITMENT LETTER
REVOLVING LOAN FUND (RLF) PROGRAM

(To be completed on the letterhead of the lending institution and addressed to the developer industry, company, business, corporation, etc.)

Dear:

Please be advised that we have reviewed your financial statements and project proposal regarding financing for (describe proposed project, specify construction, expansion, etc.) in (location). It is our understanding that (applicant) has applied for $(amount) in the City/County of Revolving Loan fund to (describe use of funds) as part of the project.

Based on the financial and project feasibility information provided, we feel the RLF funds for (describe project) would make this a viable project and hereby commit to provide (describe amount and type of financing) for (describe purpose of financing). This commitment has been approved by our (loan committee board, etc.) and is subject to the following terms and conditions: (specify terms and conditions – receipt of the grant award can be a condition).

Sincerely,

(Signature of official or officer
authorized to make commitment)

EXHIBIT F

SAMPLE COMMITMENT LETTER
REVOLVING LOAN FUND (RLF) PROGRAM

COMMITMENT TO CREATE/RETAIN JOBS
(to be completed on company letterhead and addressed to locality)

Dear :

Contingent only upon the receipt of financing under the City/County of Revolving Loan Fund program as provided for in the application of (developer, industry, company, business, corporation, etc.) the (industry) hereby commits to the (locality) to (describe proposed project, specify construction, expansions, etc.) at a total cost of approximately $(amount). The $(amount) in RLF funds will be used to (describe use of funds) as provided for in the application.

(Developer, industry, company, business, corporation, etc.) further commits to create and/or retain (specify number) full-time permanent jobs, (number) of which will be for low and moderate income persons. We will initiate project activities on or about (date) and complete the same on or about (date). We will provide the applicant with a construction schedule upon initiation of project activities and documentation of hiring, including evidence of low and moderate income hiring, within ninety (90) days of project completion.

(Developer, industry, company, business, corporation, etc.) also hereby commits to repay the $ (amount) in RLF funds as provided for in the application.

Sincerely,

(Signature of official or officer
authorized to make commitment)