

GREENE COUNTY ECONOMIC DEVELOPMENT CORPORATION LOAN PROGRAM

Microenterprise Assistance Program Loans



Policies and Procedures

Revised 2019

Greene County Economic Development Corporation

411 Main Street, Catskill, NY 12414

Phone: (518) 719-3290 Fax: (518) 719-3789

E-mail: business@discovergreene.com

I. GENERAL ELIGIBILITY

Microenterprise Assistance Program participants and borrowers must be an existing or prospective business entity that has five or fewer employees, one of which must be the owner of the business. The business must be located within Greene County and preference will be given to Greene County residents. The Program is administered by the Greene County Economic Development Corporation (EDC).

II. APPLICATION AND SUPPORTING DOCUMENTATION

The loan applicant is responsible for the submission of a completed loan application including a short and concise business plan and cash flow analysis showing the ability to repay the loan. The loan applicant is responsible for the submission of a complete application to the EDC. Additional information may be requested by the EDC to assist in the review of the loan request.

The application and any supporting documentation should be submitted to the EDC. All information will be held in strictest confidence and shall not be available for access by the general public. The EDC Board and staff, however, will use this information, during its review of the loan request.

After reviewing the application, the EDC will recommend to do one of the following:

- Make a loan to the applicant.
- Not make a loan to the applicant.
- Invite the applicant to file an amended application with any additional information, which may be required.

III. LOAN REVIEW RESPONSIBILITIES

A. The Economic Development Corporation Board

Membership shall consist of:

1. Chairman of the Economic Development and Tourism Standing Committee.
2. Two Bank Loan Officials.
3. Four Local Businesspersons.
4. The Director of Economic Development, Tourism and Planning, or the Director's designated representative. (Ex-Officio member having no voting rights)

B. Duties of the EDC Board

The EDC Board shall conduct a review of the applicant's request for loan funds. Based on this review, the EDC Board shall ascertain the feasibility of the project and credit-worthiness of the proposal and applicant. The EDC Board's duties shall include, but not be limited to, the following:

1. Conduct a credit analysis, which shall include:
 - a. Review of the history of the business and its principals.
 - b. Review of the financial statements provided.
2. Conduct a collateral analysis to protect the County's interests and to ensure a properly secured loan, to include:
 - a. A determination of what collateral shall be required.
 - b. Review of the collateral used on previous loans and other liens and liabilities.
3. To the extent possible, conduct a cash flow analysis to determine the applicant's ability to repay the loan.
4. Conduct an impact analysis to determine the extent to which the proposed loan request project meets the goals and objectives of the program outlined in Subsection A of Section V., Loan Review Criteria. The impact analysis shall include:
 - a. A determination of the number and type of jobs created, both permanent (part-time and full-time) and temporary (such as construction jobs).
 - b. A determination of the number and type of jobs to be retained by the project.
 - c. A determination of the level of private monetary commitment to the project.
 - d. A determination of the growth potential of the project in terms of future employment.
 - e. A determination of the type of services or business the project will provide the community.
 - f. A determination of the feasibility of the project and manageability of the loan repayments.
 - g. A determination of the project's compatibility with the community.

C. Duties of Director of the Economic Development Corporation

1. Define the program to prospective loan applicants.
2. Make an initial determination on the project before EDC Board action, as it relates to Community Development Block Grant (CDBG) requirements and meeting the goals and objectives of the program as outlined in Section V, Loan Review Criteria.
3. Assist in preparing and developing a complete loan package.
4. Act in an advisory capacity with respect to the loan applicant.
5. Determine completeness of the required supporting documentation.
6. Conduct a search of all public records in an effort to verify the credit-worthiness of the applicant and to protect the County's interests.
7. Request and review a formal credit check.
8. Act in the EDC's behalf as a liaison with the loan applicant and the EDC Board.
9. Provide a loan commitment, in the form of the Loan Commitment (see Appendix B), to the applicant when the loan is approved. Along with the Loan Commitment, the applicant will also receive the Documentation of Jobs Created and Income Level of New Employees (see Appendix D).
10. Subsequent to loan approval, work with the EDC's Attorney in preparing the legal documents and loan closing.
11. Make all disbursements for each and keep all financial records and books pertaining to the loan program.
12. Monitor all loans including repayments and job creation.
13. Collect all pertinent reports from loan applicants during the stipulated time period.
14. Complete performance reports and semi-annual and annual reports as required by state and federal funding agencies.
15. Act as primary contact to state and federal funding agencies.
16. Provide documentation as required by program auditors.

IV. MICROENTERPRISE LOAN TERMS

A. Microenterprise Loan Amount

Microenterprise loans are available in an amount up to \$25,000. The borrower must provide a minimum of 10% of the total project cost in cash, bank, or other financing.

B. Interest Rate

The interest rate for loans shall be one half of the prime rate plus one percent. The prime rate is that prime rate as reported in the Wall Street Journal as of the date of the EDC Board's approval of the loan. Repayment terms may, at the option of the EDC Board and if so warranted, allow for an initial interest-only period not to exceed six (6) months.

C. Terms

The term of any Microenterprise loan will not exceed five years. Generally, loans for working capital will be limited to a three-year term. The EDC Board, at its discretion, may extend the amortization period with a balloon payment at the end of the regular term.

D. Subordination

1. The EDC Board will generally allow a subordination of MAP collateral to private institutional lenders where necessary to facilitate the maximum financial participation by the private lenders.
2. The standing of the MAP financing relative to other public or quasi-public lenders will be negotiated on a case-by-case basis. However, unless the loan is otherwise well secured, the MAP financing will generally require a superior position to that of other public or quasi-public financing due to the obligations associated with CDBG borrowings.
3. The EDC Board will generally require subordination to MAP financing of notes payable to any officer, owner, or similarly affiliated party to the borrower where such subordination is appropriate and feasible.
4. The EDC Board may require the execution of inter-creditor agreements in instances where multiple lenders exist. The use and form of such agreements shall be the responsibility of the Greene County Attorney.

E. Fees and Other Costs

There is no application fee charged for the MAP Loan Program.

All third-party closing costs are the responsibility of the Borrower and may be paid from the MAP Loan proceeds. Among other things, these may include recording and filing fees and costs associated with securing real estate as loan collateral.

In addition, the Borrower is required to pay an administrative fee to the EDC at the time of the

loan closing computed as follows:

Loans up to \$5,000:	\$250.00
Loans over \$5,000:	\$500.00

V. TIME FRAME FOR LOANS

The estimated total time from the EDC Board's review of a completed application and the supporting documentation to the time of loan disbursement is expected to be eight weeks. It should be noted that this is only an approximation. Although the EDC shall make every effort to adhere to this schedule, circumstances may warrant an extended period between receipt of materials and disbursements of loan proceeds. The steps in the process and their associated times are as follows:

- A. EDC Board review shall commence at the Committee's regular monthly meeting subsequent to the time the loan application is deemed complete.
- B. The loan applicant will be notified of the EDC Board's recommendation for loan approval, denial, or the need to file a complete application within five (5) working days after the EDC Board's review.
- C. The County Director of Economic Development, Tourism and Planning will provide the loan applicant, within five (5) working days after the EDC Board approves of the loan, with all information and responsibilities that the County will require of the borrower.
- E. Loan closing will be dependent upon the EDC Attorney's availability, workload, amount of time required to prepare the closing documents, and security taken.
- F. Loan monies will be disbursed on a pro rata basis with private funds and can generally be made three (3) working days after the Director determines that adequate evidence of the private funds portion of the project have (or will immediately be) invested.

VI. LOAN REVIEW CRITERIA

While conducting its review, the EDC Board will attempt to ascertain to what extent the projects proposed for funding meet the following criteria:

- A. Microenterprise Loan Program Goals and Objectives
The primary goals and objectives (in terms of their priority) of the Microenterprise Loan Program are:

1. Provide opportunities for low and moderate income individuals to start and expand businesses in Greene County;
2. Create new employment opportunities through the expansion of existing or the creation of new businesses in Greene County;
3. Retain existing employment opportunities in Greene County;
4. Increase taxable value of property;
5. Identify and provide assistance for projects which present growth potential in terms of future employment, although they do not meet the minimum employment standards outlined in Item D below;
6. Provide essential services or businesses lacking in the neighborhood or community;
7. Leverage greatest level of private funds possible. At least 10% of the cost of a project shall be provided in cash by the borrower.

B. Credit Worthiness

The applicant must be current on real property taxes, all mortgage payments, Federal and State tax obligations and all other debts. Revolving loans (i.e. credit cards) must be a manageable size and be receiving sufficient payments. The borrower must be free from any unsatisfied judgments or other claims which interfere with the lender's rights in the collateral.

Non-compliance with any of the above will be considered an appropriate reason for loan refusal. The applicant will, however, have the opportunity to correct any of the above problems. Substantial non-compliance, however, will show a lack of credit worthiness and could be deemed a reason for loan refusal.

C. Project Feasibility

The applicant must provide information concerning the feasibility of the project. The feasibility of all areas of the project will be examined to include, but not be limited to, the following: income projections, profit projections, job projections. Questions with regard to the feasibility of the project will be considered an appropriate reason for loan refusal. The members of the EDC Board will provide assistance to the applicant in developing a feasible project, if at all possible.

D. Job Opportunities

Federal requirements applicable to the MAP Loan Program limit the availability of funding to

businesses that are owned by a low- or moderate-income person (as defined by HUD) or, if not owned by a low- or moderate-income person, businesses that will create at least one employment position, with a majority of the employment positions to be created being available to or filled by low- and moderate-income persons. In cases where job creation is required, Greene County has established a ratio of one full-time job for every \$25,000 in loan funds as an overall goal of the Microenterprise Loan Program. However, the inability of a project to meet this goal will not constitute automatic refusal of the loan request. The EDC Board will review each loan application on an individual basis to identify other aspects of the project which may be desirable and which meet other goals and objectives of the Microenterprise Loan Program as in A. above. The average ratio of MAP Fund financing to employment opportunities created or retained shall not exceed the sum of \$35,000.

Borrowers must make at least 51% of jobs created available to low and moderate-income persons. Borrowers are encouraged to provide, to the greatest extent possible, opportunities for employment and contracts for work to be performed with loan proceeds by businesses or persons that are located in Greene County.

For the purposes of calculating employment opportunities, the following will apply:

- (a) Only permanent jobs will be counted; temporary and construction jobs will not be counted.
- (b) Jobs of 35 or more hours per week will be considered as full-time jobs. Part-time permanent jobs of less than 35 hours per week will be converted to full-time equivalent jobs by dividing the number of part-time hours by 40.
- (c) Seasonal jobs will be considered to be permanent jobs if the employee will have the right to retain the job from season to season and serves as the primary source of employment. The full-time equivalent ratio will be pro-rated depending on the length of the season.
- (d) Projected employment must be reasonably expected to occur as a direct result of the expanded business activity, and generally completed within six months. However, such projection may in no instance extend beyond twenty-four (24) months from the completion of the expansion.

E. Eligible Use of Loan Proceeds

1. Eligible Activities

- (a) The business activity which will be impacted by the Microenterprise Assistance Program must be located in Greene County.

(b) The business activity to be undertaken with assistance from the Microenterprise Assistance Program must be an eligible activity and meet the statutory objectives pursuant to the regulations governing CDBG, including any U.S. Department of Housing and Urban Development (HUD) and/or New York State Office of Community Renewal (OCR) regulations.

2. Eligible Borrowers

Borrowers may be individuals or any legal business form including sole proprietorships, corporations, partnerships, limited liability companies (LLCs), and limited liability partnerships (LLPs). All borrowers and owners of businesses that receive MAP loans must be current in the payment of all property tax obligations in Greene County, New York.

3. Ineligible Borrowers

A MAP loan may not be made to any borrower which is owned in any part by a person deemed to have a conflict of interest pursuant to the CDBG requirements set forth by HUD and the OCR. In addition, the EDC Board may deem as ineligible any applicant whose receipt of MAP funds creates the appearance of a conflict of interest as determined by the EDC Board.

4. Eligible Uses of Microenterprise Assistance Program Funds

Loan proceeds may be used for any justifiable business purpose including, but not limited to, the following:

- (a) Purchase of inventory, furniture, fixtures and equipment (FFE);
- (b) Acquisition of real property;
- (c) Purchase of machinery and equipment;
- (d) Working capital.

The use of MAP loan proceeds for the refinancing of existing debt is generally ineligible except in cases where such refinancing is a required element of the project financing and represents a relatively minor portion of the entire project, and is not eligible where prohibited by HUD and/or the OCR. Loans for the sale of an existing business are eligible as long as the required number of jobs are created above those jobs on the payroll of the business being sold. The use of MAP funds must also be eligible pursuant to the Federal and State regulations governing CDBG.

F. Security

All loans will be secured. Wherever possible, security will be a mortgage on real property. For

larger, more substantial borrowers, assets of the business and/or assets of a business owners or corporate officers will be considered. Additionally, loans will be secured by the equipment or materials purchased with the loan proceeds as well as personal guarantees.

The EDC Board will determine the required security for each loan on a case-by-case basis based on such factors as the risk of default, the nature and value of the security, and the position of the EDC in relation to other lenders. In determining the appropriate security, the following will apply:

- (a) The EDC will generally require a security interest in all assets financed with EDC funds. Other assets of the borrower may be required as additional security at the Quantum Fund Committee's option.
- (b) For loans to corporations or partnerships, the EDC will require the personal guarantee of all owners of at least 20% of the voting stock or partnership interest of the company. The personal guarantee of other shareholders, officers, principals, or partners may also be required at the discretion of the EDC.
- (c) For loans to closely held corporations, the EDC may require as additional security selected personal assets of one or more of the owners.
- (d) For loans to individuals, partnerships, or corporations, which have affiliated interests and/or identities of ownership with other business entities, the EDC may require additional guarantees.
- (d) For loans to businesses that have a dependence upon specific individuals for their continuing viability, the EDC may require an assignment of insurance on the lives of those persons.

The EDC Attorney will be responsible for perfecting of all of the EDC's security interests including, where appropriate, the execution of security agreements, the filing of financing statements, the execution and filing of mortgage documents, the execution of guarantees, and any other appropriate actions to adequately protect the EDC's security interests. Inter-creditor agreements will be executed where appropriate to further protect the EDC's interests and to facilitate the processing of defaults and foreclosures.

VII. ECONOMIC DEVELOPMENT CORPORATION BOARD APPROVAL

Final approval of every loan application is the responsibility of the EDC Board. Every loan made under the Microenterprise Assistance Program will be authorized by the EDC Board by formal resolution.

The Department of Housing and Urban Development, the New York State Office of Community Renewal, the County of Greene and the EDC Board will not discriminate against prospective or identified loan applicants because of race, color, religion, sex, national origin or age.

VIII. REQUIRED BORROWER CONTACTS WITH COLUMBIA-GREENE COMMUNITY COLLEGE

In accordance with Item #16 of the Loan Commitment, Low and Moderate Income Employment Commitment (see Appendix B), the borrower must seek the assistance of Columbia-Greene Community College's Workforce New York Office to fill the jobs which the borrower will create. These jobs will be made available to low and moderate income persons. The College will work with the borrower to determine the borrower's needs and the College will respond by referring eligible job applicants to the borrower.

All borrowers must follow the Employment Referral Agreement that is presently in existence with the College (see Appendix D).

IX. ADMINISTRATIVE PROCEDURES FOR PROCESSING ECONOMIC DEVELOPMENT LOANS

1. Applications are filed at the EDC Office.
2. After Department review and determination of completeness, the application is submitted to the EDC.
3. After EDC Board approval, the EDC staff sends a Loan Commitment Letter (see Appendix B) to the applicant with the terms and conditions spelled out. The applicant signs two copies and returns them to the Department. Enclosed with the Loan Commitment is an information package titled "Documentation of Jobs Created and Income Level of New Employees". The required jobs information must be on file with the Department before any loan money can be drawn down.
4. The EDC sends to its Attorney's Office a memorandum explaining which Federal or State-approved agreement should be used and spells out particulars for the particular loan. A copy of the Loan Commitment is also sent to the EDC Attorney's Office.
8. After closing the loan, the EDC Attorney's Office files documents at the Courthouse and sends the loan note to the Department.
9. The EDC notifies the loan servicing agent of the loan details and approves disbursements of funds to the borrower.

10. The EDC requests the Treasurer's Office to prepare disbursement checks. The Treasurer's Office forwards checks to the EDC to turn over to the borrower.
11. Once the entire loan amount is disbursed, the loan servicing agent prepares an amortization schedule and coupon book for each loan. The EDC sends a copy of the schedule to the Treasurer's Office and the borrower. As loan payments are made, the loan servicing agent makes a copy of the deposit slip, with the name of the borrower on it, and sends to the Treasurer's Office and the Treasurer's Office forwards to the EDC. The Treasurer's Office sends a copy of the MAP Account Statement (a money market fund account at the loan servicing agent's bank) to the EDC each month so it can make sure full payments are received.

X. POLICY FOR DELINQUENT ACCOUNTS

In accordance with the Loan Commitment, a grace period of 15 days will be allowed on all loans. If payment is not received by the 16th day of each month, there will be a late fee of \$50 added to the payment for the month. If after 30 days payment is not received, the loan will be considered in default and interest may revert to prime plus 4% until the late payments and late fees have been brought up to date. The procedure is as follows:

A. First Notice

On the 16th day of each month, the loan servicing agent determines which borrowers are late with their payments. On the next business day, the loan servicing agent sends a notice to each delinquent borrower (and cosigners, if applicable), noting that the account is in arrears and charging a \$50.00 late fee.

B. Second Notice

On the last day of the same month, the loan servicing agent determines if the borrower has made required payments. On the first business day of the next month, the loan servicing agent sends a notice to each borrower (and cosigners, if applicable) that is still delinquent, noting that the account(s) is (are) still in arrears and requesting payment with the \$50.00 late fee. In addition the loan servicing agent will call each borrower requesting payment.

C. Third Notice (Collection Notice)

Between 5-10 days after the second letter is sent, the loan servicing agent determines if the borrower has made required payments. If no payment has been made, the loan servicing agent sends by certified and regular mail a third notice to each borrower that is still delinquent (and cosigners, if applicable), requesting payment in order to avoid referral for collection. If payment is not received, the loan servicing agent will begin collection efforts on behalf of the EDC. The loan servicing agent will continue collection efforts until it determines that no payment

is forthcoming.

D. Final Notice (Referral to EDC Attorney)

On the last day of the second month, the loan servicing agent determines if the borrower has made required payments. On the first business day of the next month, the loan servicing agent sends a notice to each borrower that is still delinquent, notifying the borrower(s) that if payment is not received within seven days the account will be referred to the EDC Attorney's office for legal action. On the next business day following the 7th day of the third month, the loan servicing agent will notify the EDC regarding accounts that remain delinquent and uncollectible.

E. Letters from EDC Attorney (90 days late)

By the eighth day of the third month, if the account is still in arrears, the Director will request the EDC Attorney's Office to send a notice in to the delinquent borrower, spelling out the consequences of a delinquent account. If then in 30 days, or such period determined appropriate by the Director in consultation with the EDC Attorney, it is determined that no payment is forthcoming, and no satisfactory agreement can be made, a second letter by the EDC Attorney will be sent to the borrower notifying the borrower (and cosigners, if applicable) of the consequences of the delinquent account and the EDC's intent to pursue foreclosure or other appropriate action.

F. Referral to EDC Board

If, following action by the EDC Attorney, the Director determines that payment is not forthcoming, and no satisfactory agreement can be made, the Director will refer the matter to the EDC Board for a recommendation to pursue foreclosure or other appropriate action.

XI. PROCEDURE FOR MONITORING JOB CREATION

- (a) The Loan Agreement will state the applicable Community Development Block Grant compliance obligations of the Borrower. The EDC will be responsible for reviewing the quarterly submissions of employment information, compiling information and statistics as appropriate, reviewing for compliance with the requirements set forth in the Loan Agreement, and monitoring on-site as appropriate to verify information provided by the Borrower.
- (b) The EDC shall be responsible for periodically monitoring as appropriate the borrower's compliance with other conditions and covenants of the Loan Agreement including but not limited to Federal requirements, periodic submission of financial information, and the loan repayment. The Director shall document all such monitoring in an appropriate manner.

XII. ADJUSTMENT OF TERMS AND CONDITIONS

Requests by the borrower for adjustment of any of the terms and conditions of the loan will be reviewed and processed in accordance with the following:

- (a) Requests to adjust the interest rate, term of the loan, or security for the loan will be presented to the EDC Board for review and recommendations and then will be presented to the Legislature for action.
- (b) Requests to accrue interest, defer principal payments, or otherwise temporarily modify the repayment schedule may be approved by the EDC Board for a period not to exceed 180 days. Extensions for any longer period will require the approval of the Legislature.
- (c) Requests for changes respecting any covenants or conditions of a financial nature must be approved by the EDC Board as to content and the County Attorney as to form.
- (d) Requests for any other changes to the covenants or conditions of the loan including, but not limited to such elements as reporting requirements, cost documentation, and maintenance of records may be approved by the Director, or referred to the EDC Board at the Director's discretion.

XIII. EXCEPTIONS

In operating the MAP, the EDC Board may deviate from the Loan Terms, Job Opportunities and Eligible Use of Loan Proceeds sections of this Plan only where such deviation is determined by the EDC Board to result in an extraordinary public benefit to Greene County. The nature of the deviation and the nature and extent of public benefit to result must be stated in an approved EDC Board Resolution.

Any deviation to the policies and procedures other than as stated above must be approved by a Resolution of the EDC Board that states the nature of the deviation and the reason(s) for its approval.