

**Business of the Village Board
Village of Saranac Lake**

SUBJECT: Revolving Loan Fund Policies and Procedures Date: 08/12/2024
DEPT OF ORIGIN: Village Manager Bill # 121-2024
DATE SUBMITTED: 08/07/2024 EXHIBITS: _____
APPROVED AS TO FORM:

Village Attorney

Village Administration

EXPENDITURE REQUIRED	AMOUNT BUDGETED:	APPROPRIATION REQUIRED
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Resolution establishing policies and procedures for the Village of Saranac Lake
Revolving Loan Fund.

MOVED BY: Brunette SECONDED BY: White

VOTE ON ROLL CALL:

MAYOR WILLIAMS	<u>yes</u>
TRUSTEE RYAN	<u>yes</u>
TRUSTEE WHITE	<u>yes</u>
TRUSTEE SCOLLIN	<u>yes</u>
TRUSTEE BRUNETTE	<u>yes</u>

**RESOLUTION TO ESTABLISH POLICIES AND PROCEDURES FOR THE VILLAGE
OF SARANAC LAKE SMALL BUSINESS REVOLVING LOAN FUND**

WHEREAS, the Village of Saranac Lake has contracted with the Adirondack Economic Development Corporation (AEDC) to provide certain administrative activities to support the operation and administration of the Village of Saranac Lake Small Business Revolving Loan Fund (RLF); and

WHEREAS, the RLF requires adopted policies and procedures; and

WHEREAS, the Village Manager/ Designee acts as representative for the Village on the Loan Review Committee, responsible for final approval or denial of proposed loans, and setting the final terms and conditions on approved loans; and

NOW, THEREFORE BE IT RESOLVED, the Village of Saranac Lake Board of Trustees adopts Village of Saranac Lake RLF policies and procedures; and

BE IT FURTHER RESOLVED, the Village of Saranac Lake Board of Trustees authorizes the Village Manager/ Designee to act as representative for the Village on the Loan Review Committee, responsible for final approval or denial of proposed loans, and setting the final terms and conditions on approved loans.

Village of Saranac Lake Revolving Loan Fund
Policies and Procedures

With the assistance of the Adirondack Economic Development Corporation (AEDC), the Village of Saranac Lake has implemented a revolving loan program to provide financing opportunities to economically and socially disadvantaged entrepreneurs, including but not limited to those of ethnic or racial minority or women owned business enterprises and low to moderate incomes, in specific instances, who are unable to receive conventional financing for their projects or are not able to receive full project financing.

Loan intent is to provide decent, affordable housing and suitable living environments; expand economic opportunities, principally for persons of low and moderate income; create job opportunities for low-and moderate-income persons/families; prevent or eliminate blight; or to address a community development need that poses a serious and imminent threat to the community's health or welfare.

Eligibility Requirements

The following general requirements will apply to all loan programs. The final interpretation of the criteria and/or any variation from the criteria will be at the discretion of the Village of Saranac Lake (VSL) Village Manager/Designee and AEDC Loan Review Committee. Loans are subject to individual program requirements.

- Financing for start-up businesses will require the preparation and submission of a complete business plan.
- Existing businesses should submit three years of historical financial statements and year-to-date profit and loss statements. Existing businesses less than three years old should submit historical financial statements covering their full operating period. Existing businesses will be required to submit business proposals to explain the purpose of the loan received and the projected benefits of those loan funds to the firm and the overall local economy.
- A minimum 10 percent equity contribution will typically be required from the borrower. Larger equity contributions may be required on projects where collateral coverage is weak, the business's ability to service the debt may be in question.
- Loans made to an existing business should, in most cases, result in greater revenue, retaining or increasing employment, or diversification of services. The refinancing of existing debt must demonstrate substantial savings to the business over the term of the loan.
- Loans will not be made to businesses that are not in compliance with funding source requirements or for illegal activities.

Use of Loan Proceeds

Though each loan program will have its own criteria for eligible use of proceeds, in general, loan funds may be used for the following:

- Purchase of machinery and equipment

- Real Estate acquisition and improvement
- Inventory
- Working capital
- Start-up costs
- Refinancing of business debt
- Other valid business purposes

Underwriting Considerations

AEDC will conduct all underwriting, focusing on personal guarantees, credit worthiness, security/collateral, bank declination/qualification, regulatory requirements, loan service area and environmental considerations.

Terms and Conditions

Loan Term

The term of the loan shall be in accordance with standard commercial lending underwriting guidelines, taking into consideration the purpose of the loan, life expectancy of assets financed, source funder requirements and the ability of the borrower to service the debt from cash flow. The VSL Village Manager/Designee and AEDC Loan Committee approves the final determination as to the exact term of the loan. Generally, the applicant may pre-pay the loan at any time without penalty. Loan amount (for the Village portion of the loan) can range between \$15,000-\$50,000.

Interest Rate

Rates shall be charged to the borrower that will provide an adequate spread over the cost of funds to allow for the establishment of a reserve account sufficient to cover potential loan losses, and to offset administrative expenses.

The rate charged will be approved by the VSL Village Manager/Designee and AEDC Loan Committee, taking into consideration the above and the proposed collateral coverage of the loan, whether the business is start-up or an expansion of an existing operation, the management experience of the borrower, and the ability of the business to repay the debt through cash flow or secondary source of repayment. Interest rates can range between 3%-8% for the Village portion of a loan, at the discretion of the VSL Village Manager/Designee.

Loan Fees

Unless prohibited by specific loan programs AEDC will collect an application fee of \$150 and may charge up to 1.5% loan commitment fee. Due to the additional time in collecting application information and review, non-profit organizations will require a \$250 fee. Application fee may be reduced or waived at VSL Village Manager/Designee or AEDC discretion.

Loan Payment

The VSL Village Manager has authorized AEDC to accept and monitor loan payments on behalf of the Village. Total loan repayments to the Village portfolio should not be in excess of \$35,000 per NYS fiscal year (April 1 – March 31).

Application and Review Process

The following is the general outline of the application and review process:

- Intake Questionnaire (VSL Village Manager/Designee)
- Loan Application received and determination of completeness (AEDC)
- Credit report reviewed and determination of borrower eligibility/loan declination (AEDC)
- Technical assistance/business plan review (AEDC)
- Final business plan or business narrative submission
 - Site visit by VSL Village Manager/Designee and AEDC staff may be required
- Preparation of Loan Proposal (AEDC)
- Loan Review Committee review (VSL Village Manager/Designee and AEDC)
- Issuance of commitment or declination letter (AEDC)
 - Forward package to AEDC attorney for closing preparation (if applicable)
- Loan closing (AEDC)
- Site visits/follow-up technical assistance (AEDC)

Loan Committee Package Preparation

The package will summarize the following:

- Identification of the borrower and guarantors
- The amount of the request
- The type of business
- Business location
- The purpose of borrowing
- The proposed terms of the loan
- The proposed collateral
- Proposed sources and uses
- Business description narrative
- Management ability narrative
- Financial analysis by underwriter

An attachment of full supporting loan application materials will be provided to the Loan Committee by AEDC.

Loan Committee Review

VSL Village Manager/Designee and the AEDC Board of Directors, through its Loan Review Committee is ultimately responsible for setting the final terms and conditions on approved loans. Any decisions to vary from the policies and procedures as outlined in this manual will be at the discretion of the VSL Village Manager/Designee and the AEDC Board of Directors.

Issuance of Commitment or Declination Letter

If the application is approved, AEDC staff will issue a commitment letter to the borrower. This letter will outline the terms and conditions as mandated by the Loan Review Committee. The borrower will be required to sign the letter and send it back to the AEDC before a closing will be scheduled. All commitment letters must have an expiration date in place that releases AEDC of its commitment if the loan is not closed by a certain date. In most cases this should not be longer than 90 days from the date of the commitment letter.

If the loan is declined, a letter will be sent to the borrower advising why that decision was made.

The borrower should be given a chance to reapply in the future if the initial reasons for declination are adequately addressed.

Loan Closing

The borrower will attend a closing, as scheduled by AEDC, in person unless special circumstances are presented. The loan documents used are standardized by the funding sources. Any variations require approval by the source funders and/or attorney review.

Site Visits/Follow-Up Technical Assistance

Site visits on borrowers will be done annually. Borrowers will be encouraged to keep in contact with the AEDC so that any technical assistance that is needed can be provided.

Portfolio Monitoring and Evaluation

The loan portfolio will be monitored quarterly by the VSL Village Manager/Designee and AEDC. The purpose for this will be to: monitor the loan volume within the various programs; to track lending by the type of business being assisted; the number of jobs to be created or retained because of the financing; and to provide information on delinquencies and charge-offs within the various programs. The VSL Village Manager/Designee will provide a quarterly report of the loan portfolio to the Village Board.

Policies Regarding Delinquencies and Charge-offs

In the event that a loan payment is not received within the stated grace period AEDC will notify the VSL Village Manager/Designee. If payment is not received within 30 days of the due date VSL Village Manager/Designee will contact the borrower in person or by telephone to request that payment be made immediately. If payment is not received within 60 days of due date a certified letter will be mailed notifying the borrower that he or she is in default and requesting full payment of arrears. Partial payment may be accepted if the borrower appears to have genuine problems and is cooperative. If satisfactory payment is not received within 90 days of the due date, the VSL Village Manager/Designee will send a certified letter calling the loan and demanding payment in full. If payment in full or satisfactory "Workout Plan" is not received within 120 days of delinquency, VSL Village Manager/Designee will refer to collection agency or attorney for legal action.