

# Florence County

## Revolving Loan Fund Plan

Florence County has played an active role in the development of rural America. Through its board and staff, Florence County has provided not only leadership but also financial participation in economic and community development. Now, through the creation of a Revolving Loan Fund (FC-RLF), Florence County is seeking to improve the quality of life in rural areas by supporting long-term economic improvement. This includes job creation and retention, diversification of the economy, improving the education and skills of the rural workforce and upgrading the public infrastructure to improve the health, safety, and/or medical care of rural residents.

**The Florence County Revolving Loan Fund (grantee) shall be operated under the guidance of the following Revolving Loan Fund Plan. This Revolving Loan Fund Plan will not be amended or changed without prior written concurrence from Rural Development (grantor), an Agency of the USDA.**

### **POLICY STATEMENTS:**

- Grant funds to be received by the FC-RLF through the Rural Business Development Grant program will be used to establish a revolving loan fund. The FC-RLF will be used to provide financial assistance to businesses within the guidelines of this revolving loan fund plan.
- FC-RLF will contribute a cash match to establish the FC-RLF. Verification of these funds is provided with the grant application. These funds will remain in the FC-RLF until the FC-RLF is terminated. Termination will not take place without prior concurrence of the grantor.
- FC-RLF applicants should meet their financial needs from their own resources and commercial financial institutions when possible. The FC-RLF may be used to finance applicant needs in addition to the above resources. FC-RLF may finance 100% of an applicant's needs if other resources are not available.
- The Florence County Board of Supervisors is the authority for approval/denial of FC-RLF loans and is responsible for all decisions and actions of the FC-RLF. The FC-RLF will be operated by Florence County.
- To avoid potential conflicts of interest, or the appearance of conflict of interest, no loans will be made which are in conflict with Section 946-13 of the Wisconsin Statutes (Private Interest in Public Contract Prohibited) or the Florence County Code of Ethics Ordinance.
- Amendments to this FC-RLF Plan will require the approval of Florence County Board of Supervisors. However, no action will be taken to amend this plan without the prior written approval of the USDA Rural Business Cooperative Service (RBCS), its successors or assigns.

- FC-RLF is an equal opportunity lender and requires loan recipients to adhere to all equal opportunity laws.
- All information regarding FC-RLF loan requests will be kept confidential by the members of the Florence County Board of Supervisors, the Loan Committee and Florence County staff. If necessary, the Loan Committee may seek advice and counsel from outside consultants in order to adequately perform due diligence regarding the project.

**REVOLVING LOAN FUND MANAGEMENT:**

**Loan Committee:**

Three members of the Florence County Economic Development Committee will be appointed by the County Board Chair to serve on the Loan Committee along with the County Financial Manager to review all FC-RLF loan applications. The Loan Committee will also include one member at large from a banking or other financial related business selected by the other 4-committee members. The 5-member Loan Committee will perform necessary credit analysis and due diligence in order to make a written recommendation to the Florence County Board of Supervisors, which has final authority regarding all actions of the FC-RLF. The Loan Committee will meet on an as needed basis under the terms of the application procedures listed below.

The Loan Committee shall be comprised of no fewer than five voting members plus the Economic Development Director. The Economic Development Director shall not have voting privileges. Three persons of the committee shall constitute a quorum necessary for approving or rejecting an FC-RLF application for funding. A simple majority (51%) of members voting shall be necessary for approval. The Florence County Board Chair has the right to replace members of this committee in the event of resignation or other situations.

**REVOLVING LOAN FUND GUIDELINES:**

Loan funds will be used to finance and develop small and emerging private businesses in rural areas.

**Qualifying Projects:**

- Businesses assisted by the FC-RLF program must be physically located within Florence County. If a business relocates outside of Florence County, the FC-RLF may require immediate loan pay off.
- Acquisition of buildings and development of land, easement, and rights-of-way.
- Conversion, repairs or modernization of buildings (including façade repairs), plants, machinery, equipment, utilities, and pollution control and abatement facilities.
- Loans for startup operating costs, inventory and working capital.
- FC-RLF has a goal of creating or retaining at least one full time job for each \$10,000 loaned.

### **In-Eligible Projects:**

- FC-RLF funds will not be used to produce agriculture products through growing, cultivation, and harvesting either directly or through horizontally integrated livestock operations except for commercial nurseries, or limited agricultural production related to technical assistance projects.
- FC-RLF funds will not be used to fund a part of a project, which is dependent on other funding unless there is a firm commitment of the other funding to ensure completion of the project.
- FC-RLF loan funds will not be used to pay off any previous debt. Refinancing construction financing is an exception to this rule. New building construction will not be funded.
- Loans will not be made unless there is a reasonable prospect that the applicant meets the definition of “small and emerging private business enterprises” defined as “any private business that will employ 50 or fewer new employees and has less than \$1 million in projected gross revenues.” If the grantor changes its definition of small and emerging business as defined by the Rural Business Development Grant regulations, FC-RLF may utilize the amended definition without further approval from grantor.

### **Minimum / Maximum Loan Amounts:**

Loans to be made from the FC-RLF will be not less than \$10,000 and not more than \$50,000 per loan and cannot exceed the level of available funding in the FC-RLF bank account.

### **Interest Rate:**

The interest rate will range from prime up to prime plus 5%. The Loan Committee will determine the rate on the day of loan closing based on the applicant’s ability to repay and the necessity of below market financing to advance the project. Interest earned on any FC-RLF loan must stay in the fund to make additional FC-RLF loans.

### **Fees/Closing Costs:**

A \$200 application fee will be submitted with each approved application. Costs required to process the application (credit report fees, UCC and lien search fees, filing security documents, filing legal documents fees, etc.) shall be the responsibility of the applicant. The Loan Committee may waive or amend this fee structure without further approval from the grantor. The FC-RLF may charge loan recipients loan closing costs, attorney’s fees, filing fees, etc., as needed to complete loan documents. All fees will be addressed in the Loan Agreement.

### **Loan Terms:**

Loans can be amortized over the lesser of seven years or the life of the security. The Loan Committee shall determine the term. The Loan Committee will make a recommendation concerning the term of the loan

depending upon project need, the expected life of the security, and the applicant's ability to repay. The term of the loan will not exceed the expected life of the asset being used as collateral.

**Security / Collateral:**

Security shall consist of the best lien available on real estate, equipment, inventory, etc. The discounted value of the security (using typical lender discount rates) shall equal or exceed the value of the loan. The Loan Committee may require personal guarantees and/or co-signors.

Florence County will work with loan clients to obtain security adequate for the term of the loan. The nature of the collateral shall be determined by the loan committee on a project-by-project basis. If the same collateral is used in joint financing, the FC-RLF will seek a parity position with other lenders. Security may include:

- Mortgage Lien on Real Property
- Machinery and equipment which have a developed market

The loan recipient must maintain fire insurance, and flood insurance if necessary on secured assets. In some cases, credit life or key man insurance will be required with Florence County as loss payee.

**APPLICATION PROCEDURES:**

Applications for FC-RLF funds will be accepted on a continual basis. All loan applicants must complete an application form and provide a business plan and financials with verifiable data, which demonstrates that their proposed project is economically feasible, sustainable, and will provide benefits to rural areas, either through job creation or infrastructure improvements. The application and required documents is attached to this plan.

- Applications will be accepted at the Florence County Economic Development office located in Room 134 at the Florence County Courthouse on 501 Lake Avenue in downtown Florence.
- The Economic Development Director will work with loan client to ensure application is complete.
- Complete applications will be reviewed by the loan review committee. An application is not considered complete until all required information has been submitted as listed on the attached application. Please allow 30-60 days to complete the application process
- There should be evidence indicating the FC-RLF loan is necessary to make the proposed project feasible.
- The Loan Committee may require written feasibility studies, business plans, market studies, etc. as appropriate for the business type.
- The Loan Committee will analyze each project and make a written recommendation to the Florence County Board of Supervisors.

- The Florence County Board of Supervisors will review and approve or deny the Loan Committee FC-RLF application recommendations at their scheduled monthly Board Meeting.
- For approved loans, the Economic Development Director will prepare a loan agreement addressing the terms and conditions, including monitoring procedures, repayments, delinquencies, defaults and remedies. He/she shall also prepare or obtain notes, mortgages, security agreements, UCC filings and other legal documents necessary to close the loan. A loan closing date will then be scheduled.
- Before FC-RLF funds can be disbursed to loan recipients, all requirements and terms of the loan agreement must be met and supplemental financing verified as contributed or ready to contribute.

**REVIEW CRITERIA:**

The basis for determining the eligibility/approvability, loan amount, interest rate, and terms and conditions of a revolving loan fund request, and general FC-RLF operational procedures, are as follows:

- The Loan Review Committee will consider the financial need of the project, the probability of success, the security offered, and the overall benefits of the project to rural areas, including the number of jobs to be created or retained, diversification of the economy, the extent of the upgrading of the skills of the rural workforce, the quality of the jobs in terms of pay scale and benefit package, and, for community development projects, improvements to the community infrastructure, facilities, and/or acquisition of equipment that improves the education, health, safety, and/or medical care of rural residents.
- Applicants who apply when there are inadequate FC-RLF funds will be told of the lack of funds.
- Applications will be reviewed and funded (if eligible) based on the following criteria:
  - Applications with the greatest anticipated economic impact for the community shall receive greatest priority. Criteria to be considered in determining economic impact include number of jobs created or saved, wage scale of employees, benefits paid to employees.
  - Applications of equal economic impact will be funded in date order of application.

In accordance with Federal law and U.S. Department of Agriculture policy, the Loan Committee will not discriminate on the basis of race, color, national origin, sex, religion, age, disability, or marital or family status.

**LOAN MONITORING:**

The Economic Development Director shall be responsible for administrative requirements of the FC-RLF. The Economic Development Director may delegate these responsibilities to other persons. All FC-RLF loans will be monitored to ensure loan proceeds are spent as identified in the FC-RLF application, all other sources of financing have been committed to the project, and the benefits of the project, such as job creation, are

accomplished as stated in the FC-RLF application. The Economic Development Director shall ensure FC-RLF lien positions and loan collateral are secure. Loan monitoring will require regular reporting by the loan recipient.

- Annual income statements and balance sheets will be collected from loan recipient.
- Florence County will conduct annual site visits to meet with the loan recipient, verify collateral and collect any information as required.
- Florence may require semi-annual management reports beginning six months after the advance of FC-RLF funds and continuing until completion of the project. If requested, management reports will include:
  - Information on the number of jobs created or retained during the reporting period;
  - A comparison of accomplishments during the reporting period to the project objectives,
  - A description of any problems, delays, or adverse condition, which will affect the planned project objectives and a statement of action taken or planned to resolve the situation.
- Florence County reserves the right to require these reports on a more frequent basis if necessary.
- A review and report of the outstanding loans of the FC-RLF, including job creation/retention totals and community benefits, will be presented to the Florence County Board of Supervisors annually.

#### **DEFAULT AND PENALTIES**

All loan payments are due monthly. All payments are to be made via direct deposit from the recipient's bank to the designated Florence County bank account. Any request for relief from payments shall be directed by letter to the Economic Development Director who will bring the request to the Loan Committee for decision. Failure by borrower to make any payment of principal or interest within 30 days after payment is due or failure to meet agreed upon loan terms and conditions shall be considered delinquent and a 3% penalty on the outstanding balance will be applied. Failure to make a payment after 90 days will be considered in default. The Loan Committee will begin to work with the loan recipient after the 30 day delinquency period to try to determine a means to avoid the loan getting to the default stage whenever possible. In the event of default, all sums due and owed shall become immediately due and payable upon written notice to the borrower. The notice shall specify the default, the action required to cure the default, and a date not less than 30 days from the date of the notice, by which the default must be cured to avoid foreclosure or other actions or penalties. Loans in default will be reviewed and addressed individually by the Loan Committee.

#### **COLLECTION PROCEDURES:**

The Economic Development Director is charged with the responsibility for loan collections and related workouts, management and disposal of other real estate owned and other activities related to delinquent or defaulted

loans. The Loan Committee shall have authority to initiate foreclosures, and collection suits after consultation with Florence County's legal counsel.

- If the delinquent account becomes 30 days delinquent, the Economic Development Director will call the loan recipient to inquire about the situation and arrange appropriate corrective action.
- As a prudent lender and at the Florence County's sole discretion, a one-time corrective action/workout of a delinquent account is permitted. As part of the workout, loan terms may be modified by deferral, amortization and/or balloon payments.
- If the delinquent account is not taking steps to cure default and the account becomes 60 days delinquent, a written 30-day Notice to Cure will be issued and sent to the loan recipient via certified, first class mail with a return receipt requested.
- If the delinquent account does not respond to the Notice to Cure by paying the amount stated in the cure notice, the file will be sent to Florence County's legal counsel foreclosure actions.

**FILE RETENTION:**

All FC-RLF files will be retained for a period of not less than three (3) full years after the loan has been paid in full. After 3 years, the files will be destroyed by shredding or incineration. Files will be secured in a locked, safe place and access will be limited to staff with FC-RLF responsibilities.

**This Revolving Loan Fund Plan is submitted by FC-RLF. Upon approval by grantor, the FC-RLF agrees that no changes will be made to Revolving Loan Fund Plan without prior written approval by grantor.**

**FLORENCE COUNTY RLF (Grantee)**

By: Jeanette Bomberg, County Chair, 10/19/21  
(Signature) (Title) (Date)

**This Revolving Loan Fund Plan is hereby approved by USDA – Rural Development.**

**USDA – RURAL DEVELOPMENT (Grantor)**

BY: \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_  
(Signature) (Title) (Date)