

Town of China
Revolving Loan Fund Program

FINAL 07-2019)

The purpose of this loan program is to provide short term financing, for new and existing businesses located in China that cannot obtain sufficient financing from commercial lenders, will make a meaningful contribution to China's economic base and provide evidence of ability to repay the loan.

1. Purposes of the Revolving Loan Fund (RLF)

- a) To promote the economic wellbeing of the Town of China by helping to finance projects which maximize private sector investment;
- b) To create employment opportunities in China;
- c) To assist existing China businesses with upgrading their facades and improving appearances;
- d) To assist China businesses to expand;
- e) To promote local business ownership; and
- f) To assist and promote start-ups and entrepreneurs.

2. Administration

A. The Town of China shall:

- a) Be responsible for overall RLF administration, which services may be contracted out;
- b) Assist RLF applicants with packaging of development proposals;
- c) Recommend amount and terms of RLF and owner participation for each project;
- d) Maintain a Revolving Loan Fund Committee to review and either approve or deny RLF loan applications;
 - 1. The RLF Committee shall consist of five (5) members who are appointed by the Select Board and be residents of the Town of China;
 - 2. A minimum of three (3) RLF Committee members shall constitute a quorum for voting purposes;
 - 3. RLF Committee members shall be appointed by the Select Board and sworn in by the Town Clerk; and
 - 4. The term of each Committee member shall be three (3) years, and the members shall serve until successors are appointed and sworn in.
 - 5. Upon adoption of this management plan, for transition purposes the initial terms shall be staggered so that as nearly an equal number of terms shall expire annually. Toward this end, initial appointment shall be one member for one year, two members for two years, and two members for three years.
- e) RLF Committee recommendations shall be provided to the Select Board, who shall make the final decisions.

B. Management Plan Amendment Process:

- a) The Select Board may adopt amendments to the Town of China's Revolving Loan Fund Management Plan.

C. Application submission dates:

- a) Loan applications will be considered on an “as needed” basis. Applications may be submitted by the last Friday of every month and every effort will be made for the Committee to make a decision at the following month’s meeting.

D. Eligibility Criteria

- a) The applicant must be a property owner or resident of the Town of China or an owner of a business or organization located within the Town; and the applicant must have the authority to make legal agreements for that business.
- b) The applicant must be current on all municipal taxes and fees.
- c) The applicant shall have no outstanding liens, suits, trusteeships, bankruptcies or court actions pending against the applicant or any property considered for collateral.
- d) For any start-ups the applicant must show proof of occupancy and/or ownership in the Town of China.
- e) The applicant must supply documentation of rejection from a lending institution with an explanation for the rejection or a letter of support from a lender for a collaboration loan.
- f) The applicant must have a completed business plan including the activity for which the loan funds are sought. (There are free resources to assist business with planning).
- g) Projects must meet all federal, state and local requirements, permitting and licensing and must be obtained prior to loan closing.
- h) Authorization for the Town or its RLF contract administrator to request credit reports.
- i) Evidence of ability to repay the loan.
- j) Collateral is required to secure repayment.

E. Eligible Projects

- a) Eligible project activities include loans for:
 1. Business start-ups
 2. Expansions
 3. Building improvements and/or renovations
 4. Capital equipment

F. Ineligible Loans

- a) Loans secured by out-of-state real estate
- b) Loans for working capital
- c) Loans for debt refinancing

G. RLF Terms and Conditions

- a) Loan term will be based on the total amount of the loan request but will not exceed 10 years.
- b) Interest will be determined based on the current Federal Prime Rate at the time of the loan with consideration based on collateral, owner equity and risk.
- c) Incentivized reductions on interest may be considered for shorter terms or other concessions.
- d) The minimum loan request is \$5,000 and the maximum amount is \$25,000.
- e) Payments will be made on a monthly basis and due on the 1st of each month.
- f) Loans will be evidenced and documented per section H. below (which may be subordinated to the primary lender/s)
- g) Before any RLF funds are disbursed, all necessary Town, State, or Federal Permits must be obtained.
- h) There is no prepayment penalty provision on any loan.

- i) Funding will be determined by a combination of score of the applicant, ability to repay the loan and availability of funds in the TIF loan account.

H. Scoring Criteria

Each application will be scored by the loan committee. There is a maximum score of 25 points and the applicant must achieve a minimum of 15 points to be considered for a loan. The committee will assign a score from 0-5 to each of the following checkpoints:

- a) Completeness and accuracy of the business plan
- b) Direct economic impact of proposed activity to the town and its residents
- c) The potential for this business to promote other businesses in town (i.e. bring more foot traffic to town, provide services other businesses require or help assist other local businesses thrive)
- d) Ability to repay loan
- e) Potential for job growth in the town.

I. Fees

- a) There is a \$20.00 nonrefundable application fee due at time of application submission.
- b) There is a \$250 nonrefundable commitment fee if the loan is approved and accepted by the applicant due upon submission of signed commitment letter. 25% of the commitment fee will be credited toward closing costs when the loan closes.
- c) All costs associated with legal documentation preparation and review, recordings and filings shall be borne by the applicant and shall be payable before or at the closing of the loan.

J. Loan Closing Document Package

- a) Upon the loan approval, a formal loan closing documentation package will be assembled consisting of:

1. Loan Agreement;
2. Promissory Note;
3. Mortgage Deed (when applicable);
4. Security Agreement;
5. UCC-1 Finance Statement (when applicable); and
6. Personal Guarantee (all owners) and/or Corporate (when applicable).

- All documents shall be signed by a representative of the Town of China and the applicant(s). All applicable documents shall be witnessed and notarized by a Notary Public of the State of Maine or an attorney licensed in Maine.