



MEDCO
Revolving Loan Fund
Administrative Guidelines
(September 2015)

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PROGRAM ELEMENTS

A. Program Purpose

To provide supplemental financing in support of new and expanding businesses located within the City of Marion.

B. Goals and Objectives

MEDCO wants to support businesses engaged in the manufacturing or service industries (primarily non-retail businesses). Through the establishment of this RLF, MEDCO intends to:

1. to increase employment opportunities,
2. to offer financial assistance that will promote the retention and expansion of existing business;
3. to increase the local property tax base; and
4. to diversify the community's economic composition by encouraging unique or essential business concerns.

C. Standards for the RLF Portfolio

In order to achieve the economic objectives of the RLF and address the financial needs of the area, certain standards have been adopted. These standards, as feasible/possible, include the following:

1. The MEDCO RLF will be administered by the East Central Iowa Council of Governments (ECICOG) in accordance with Generally Accepted Accounting Principles.
2. The RLF will be administered in accordance with prudent lending practices, defined as generally accepted underwriting and lending practices for public loan programs, based on sound judgment to protect municipal and lender interests.
3. The ECICOG Loan Review Committee will have the responsibility to review all loan applications and to approve or decline RLF financing.
4. ECICOG shall maintain adequate fidelity bond coverage for persons authorized to handle RLF funds through the operations of the program.
5. Borrowers may either be expanding or establishing a business which will address local needs by addressing the above goals and objectives.

These standards are intended to advance the goals of the RLF toward alleviating the economic distress and financing needs of the region. The structure of this program prohibits RLF funds from being used merely as a substitute for private capital.

D. Financing Policies

The following financing policies and techniques will be used to achieve the goals of the RLF.

1. The applicant will be required to submit a bank turn down letter to submit a bank turn down letter to demonstrate that no other credit is available or a financing gap exists between what the bank is willing to finance and what the applicant needs to successfully complete the project. This loan is not a substitute for private funding;
2. Applicants business must be located within the City of Marion and be a minimum investor in MEDCO.
3. Depending on the availability of funds, RLF funds may be used for working capital, purchase of machinery and equipment, purchase of real property, and/or tenant improvements and cannot exceed \$25,000 dollars.
4. Loan terms may vary based on the intended purposes of the loan and at the discretion of the ECICOG Loan Review Committee, but in no event will exceed seven (7) years.
5. The minimum interest rate will be four percentage points (4%). Rate may be adjusted to reflect various terms of credit and risk.
6. The ECICOG Loan Review Committee has the authority to negotiate special financing, such as approval of a temporary moratorium on principal payments because of temporary difficulty or extenuating circumstances, which a deserving funded project may be experiencing; the moratorium on principal payments shall not exceed one (1) year.
7. In the determination of collateral requirements, the ECICOG Loan Review Committee may consider the merits and potential economic benefits of each request. When appropriate and practical, RLF financing may be secured by liens or assignment of rights in assets of assisted firms. The following securement instruments will be used for all MEDCO RLF loans:
 - A) Personal Guarantees of major business owners;
 - B) UCC Liens with security agreements; and
 - C) Listing MEDCO as a loss payee on Liability Insurance.
8. The terms of existing loans may be modified or extended to enhance the capability of the RLF in achieving program objectives.
9. All proceeds from interest payments will be returned to the RLF for additional loans with the exception of that amount used for administrative purposes.

E. Restriction on Use of RLF Funds

RLF funds **shall not** be used for any of the following:

1. To acquire an equity position in a private business
2. To subsidize interest payments on an existing loan
3. To enable borrowers to acquire an interest in a business (stock or assets) unless evidence is furnished in the loan documentation that doing so will save a business from imminent closure or will facilitate expansions with an increase in jobs
4. To provide funds to a borrower to invest in interest-bearing financial assets
5. To refinance existing debt, unless there is sound economic justification

F. Conflict of Interest Policy

For purposes of the RLF program, the conflict of interest policy shall include that:

- An Interested Party of ECICOG, the City of Marion, may not receive, directly or indirectly, any personal or financial benefits from disbursement of RLF loans
- An interested party includes any officer; employee; member of the ECICOG, City of Marion, those who advise ECICOG on business decisions such as consultants, attorneys, or accountants; or the immediate family , significant other, or domestic partner of an Interested Party
- ECICOG shall not lend RLF funds to an Interested Party
- ECICOG shall not lend RLF funds to a former ECICOG member or his/her immediate family for a period of at least two (2) years since the board member last served on the ECICOG board of directors.
- A person of interest at MEDCO, the City of Marion and/or committees must declare a conflict of interest and recuse themselves from voting on any matters related to the direct or indirect receipt of funds from the RLF program

G. Related Activities

In addition to making loans, the RLF expects to aid business development and benefit unemployed workers through the following forms of assistance and services:

1. Loan Packaging and Referral Services. ECICOG professional staff will assist RLF applicants to package their loans so as to enhance private sector participation. All applicants, whether or not funded through the RLF, may be referred to other public programs, e.g. SBA, USDA, IEDA, EDA, HUD, SBDC, and SCORE. When appropriate, applicants will be referred to qualified financial advisors such as bankers or accountants.

ADMINISTRATIVE ELEMENTS

A. Loan Review Committee

The RLF will be administered by ECICOG, a public planning agency originally formed under Chapter 28E, Code of Iowa, and provided for under Chapter 28H, Code of Iowa. ECICOG is governed by a 21-member board of directors representing both the public and private sectors.

B. Loan Selection and Approval Process

MEDCO will be responsible for publicizing the availability of the RLF program through the news media, web page, and other internet resources, and promotional materials. Visits and meetings will be scheduled with area bankers, accountants, Metro Economic Alliance personnel, local government officials, etc. In addition ECICOG will publicize this loan availability through their existing channels. ECICOG staff will be responsible for reviewing and packaging loans for submission to the Loan Review Committee.

The loan packaging process will include:

1. Meeting and interviewing applicants to review all possible alternatives
2. Requiring applicants determined eligible for RLF assistance to furnish financial statements and other information necessary to complete the RLF application form
3. Submitting completed application packages to the Loan Review committee for final review
4. Establishing a loan project file including:
 - a. Loan application
 - b. Loan agreement
 - c. Record of decision
 - d. Promissory note
 - e. Security agreement(s)
 - f. Deed of trust or mortgage (as applicable)
 - g. Notice to, and consent of prior lien holder (as applicable)
 - h. Proof of hazard and liability insurance with MEDCO named as a loss payee

C. Loan Servicing

ECICOG is responsible for the administration, monitoring, and servicing of the loan from loan disbursement through full payment. ECICOG will monitor the loan agreement for defaults in covenants and maintain a loan payment schedule. The loan payment schedule will be kept up to date with payments posted as to principal and interest. All ACH fees will be taken from interest earned from payments monthly.

Delinquencies in payments will be addressed by mail, telephone, or personal visits from ECICOG. Delinquencies may be resolved by loan restructuring, moratorium on payments, or other arrangements consistent with this administrative plan and upon approval of the Loan Review Committee. Unresolved delinquencies may require a loan to be declared in default, and foreclosure procedures may be initiated through MEDCO's attorney.

D. Administrative Costs

ECICOG will be reimbursed for administration of the RLF program. The sources of funds for these reimbursements will be a single loan processing fee paid by the RLF borrower equal to two percent (2%) of the RLF loan upon approval or \$100.00 whichever is greater. All ACH fees will be taken from interest earned from payments monthly.

E. Other Requirements

Delinquency, Collection, and Write-off Procedures

Late Payment Follow-up Procedures

Loan payments are due on the fifteenth day of each month via ACH recurring payments to ECICOG. Loan recipients are informed of the procedures used for delinquent payments at the time of closing. The information is also included in the contract and note, which the loan recipient receives. MEDCO is kept informed of any loan recipient that is delinquent on loan repayments. The following are the procedures for the RLF Program:

- After a delinquency of ten (10) days, ECICOG contacts the borrower by email or phone to notify.
- After thirty (30) days, ECICOG will provide written notice. A twenty dollar (\$25.00) late fee is charged to the borrower at the thirty (30) day notification for services related to delinquency processing costs.
- ECICOG will make every effort to assist the loan recipient that is delinquent with their loan payments. If no resolution is made, a Loan Review Committee meeting will be called with staff recommendation(s) for action. The Loan Review Committee may approve the restructuring of the loan or suspension of principal payments, with interest only payments, for a specified time period not to exceed one (1) year and at terms consistent with previously stated Financing Policies.

Procedures for Handling Loans Over Ninety (90) Days Delinquent

Loan recipients that continue to be delinquent on loan payments, even following assistance from the Loan Review Committee and staff, shall be considered in default of the terms of the loan. The Loan Review Committee must approve to initiate default proceedings against the loan recipient. ECICOG shall give ten (10) days written notice of default to the loan recipient. MEDCO's attorney will process the necessary documents and initiate the process. The loan recipient is also responsible to pay for attorney's fees and expenses to enforce collection. In all cases, ECICOG/MEDCO retains the right to initiate civil litigation collection proceedings to obtain a judgment against a borrower and/or initiate foreclosure proceedings in accordance with applicable state laws. ECICOG will consult with MEDCO regarding collection proceedings. Any procedures/fees for collection proceedings will be at cost to MEDCO.

Write Off Procedures

If a loan is in default and proper legal efforts have been taken to collect but are unsuccessful, MEDCO can decide to write-off the loan. The loan will become a Bad Debt Expense in the year ECICOG acts on writing off the loan.