

NORTHERN NECK NANOLOAN PROGRAM

COUNTIES OF WESTMORELAND, LANCASTER,
NORTHUMBERLAND AND RICHMOND
SEPTEMBER 2015

**REVOLVING LOAN FUND
PROGRAM DESIGN**

REVOLVING LOAN FUND

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SECTION 1: PROGRAM ADMINISTRATION

PROGRAM OBJECTIVES

The Northern Neck Planning District Commission is committed to providing financial incentives to businesses located within its member-Counties of Westmoreland, Richmond, Northumberland and Lancaster, with the primary goal of providing access to capital for small business growth and/or expansion, with an eventual result of job creation.

The Northern Neck Planning District Commission has established a Revolving Loan Fund (RLF) to facilitate this objective. Overall, the goals of this loan fund are to:

1. Stimulate the creation and retention of jobs.
2. Provide financial assistance to reduce the turnover rate caused by the failure of businesses due to inadequate start-up or expansion capital.
3. Encourage economic development by making available adequate and affordable credit to existing or new businesses that locate or expand commercial operations in the project area.
4. Promote an economically viable region that attracts and provides for the needs of businesses, institutions, residents, and shoppers.

PROJECT AREA

See attached map.

PROGRAM DESCRIPTION

The Northern Neck Planning District Commission has budgeted \$70,174 in USDA Rural Development grant funding to create a revolving loan fund. The Revolving Loan Fund Program will provide low-interest, asset financing to existing or new commercial businesses that locate or expand in the project area. The Northern Neck previously received \$20,000 from the Virginia Department of Housing and Community Development that will be used as a loan loss reserve. Recaptured funds will be used to make additional loans.

STAFFING & RESPONSIBILITIES

The Revolving Loan Fund program will be administered by the Revolving Loan Fund Advisory Board. The loan fund will be available utilizing Building Entrepreneurial Economies Innovation Grant funds and USDA Rural Business Development Grant funding. Loan servicing will be handled by the Northern Neck Planning District Commission.

The Northern Neck Planning District Commission will establish and appoint the Revolving Loan Fund Advisory Board, consisting of local citizens and public officials, to provide management and

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oversight, including the review and approval of all loan applications, and the determination of interest rate.

SECTION 2: LOAN POLICIES

AREA OF OPERATION

The Revolving Loan Fund program will operate within the four counties of the Northern Neck Planning District Commission in Virginia.

TYPE OF FINANCING & INTEREST RATE

The type of financing is asset financing. The interest rate will be set by the Revolving Loan Fund Advisory Board at the time of closing. The interest rate can be set at any rate between 3% and six points below the prime rate, with 3% being the lowest rate available. It is anticipated that most loans will be at the 3% rate.

TERMS

The term of the loan cannot exceed five (5) years. Scheduled amortization shall not exceed five (5) years. The loan must be repaid on a monthly basis over the five-year term. There is no prepayment penalty.

The borrower of program funds is required to execute a legally binding agreement with the Northern Neck Planning District Commission. The Revolving Loan Fund Advisory Board will require the borrower to provide appropriate assurances that the loan proceeds are expended as proposed.

The owner of a building may apply for a loan under this program.

AMOUNT

The minimum loan amount is \$1,000 and there is no maximum loan amount per individual business. Building owners may apply for a loan for each business or projected business within their building. There is no maximum amount a building owner may qualify for, but the advisory board must review the loan application.

USES

Allowable uses of funds which are received from the revolving loan fund are for leasehold and site improvements, rehabilitation costs, purchase of fixtures, machinery, and equipment and associated installation costs. Inventory purchases are also allowable costs.

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ELIGIBILITY REQUIREMENTS

Any new or existing commercial business or building owner locating and/or expanding in the project area may apply for a loan through the Revolving Loan Fund, subject to eligibility requirements.

The Eligibility Requirements for the Revolving Loan Fund:

1. Provide proof that the business or building is located and has a permanent physical address in project area. Provide proof that it is not the borrower's place of residence.
2. Provide proof of equity interest in business or building.
3. Provide a business plan.

COSTS & FEES

Applicants are responsible for loan closing costs and settlement fees, if any.

NON-DISCRIMINATION

In the Revolving Loan Fund Program, there will be no discrimination on basis of race, color, religion, national origin, sex (including sexual orientation), marital status, disability, or age in any of its policies, procedures, or practices.

SECTION 3: APPLICATION PROCESS AND DOCUMENTATION

The Northern Neck Planning District Commission (NNPDC) will accept applications from eligible businesses or building owners on a first-come, first-served basis. At the NNPDC's discretion, submission of applications for assistance may be limited to certain windows of time (rounds of funding). The Revolving Loan Fund Program will apply all procedures in a uniform manner. No applicant or employee will be asked for additional information based on age, race, color, religion, sex (including sexual orientation), handicap, familial status or national origin. The program will be implemented to assure consistent and equitable assistance to all program participants.

Completed applications and required documentation will be reviewed by the Revolving Loan Fund Advisory Board. Following approval of the loan application by the Revolving Loan Fund Advisory Board, the Board will make a recommendation for the NNPDC to prepare the necessary loan contract documents.

The Revolving Loan Fund may continue when program income becomes available (generated through the recapture or repayment of loan), or if new sources of funding become available to the Northern Neck Planning District Commission.

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All loan applications must be submitted with complete documentation of eligibility. Applications must be made on the form provided by the NNPDC and must be signed by all the business owners. The application submission must include the following items in order to be considered. The Revolving Loan Fund Advisory Board may waive or request additional information at its discretion.

Information Which May be Required from Applicants:

1. Completed and signed application
 - a. Loan Request Worksheet
 - b. Personal Financial Statements
 - c. Credit Authorization Form
 - d. Tax Returns (two fiscal years)
 - e. Balance Sheet, Profit & Loss Statement, (AP & AR for current 90-day period)
 - f. Disclosure Statement(s)
 - g. Business Lease/deed
2. Current three-year business plan and management resumes
3. Current eighteen month financial projections (including P&L, cash flow, owner compensation)
4. Personal credit report (as appropriate)
5. Three business references
6. Copy of collateral offered & current market value (title, deed, security paper, etc.)
7. Statement indicating what the loan will be used for.

SECTION 4: PROGRAM TIME FRAME

Revolving Loan Funds will be available to qualified applicants until funds are exhausted. At the NNPDC's discretion, submission of applications for assistance may be limited to certain windows of time (rounds of funding).

SECTION 5: PROGRAM INCOME

Any Revolving Loan Funds repaid or recaptured during implementation of the Northern Neck Revolving Program will be used to recapitalize and extend the Revolving Loan Fund Program. Repaid or recaptured funds will be returned to the Revolving Loan Fund pool for additional loans to stimulate investment in businesses and to create or retain jobs in the community.

SECTION 6: COMPLAINTS AND APPEALS PROCEDURE

Oral complaints of any nature and by any party shall be documented and resolved by the Executive Director as informally and quickly as possible.

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Written complaints received by the Executive Director or the Northern Neck Planning District Commission will be resolved and documented in consultation with the Revolving Loan Fund Advisory Board, where a non-legal resolution is final. The person making the complaint will be notified in writing of the decision. All written complaints will be addressed within fifteen (15) days of receipt and resolved within thirty (30) days and documentation retained for review. Beyond this step, the complainant may seek a legal remedy in the local court of jurisdiction at complainant's own cost.

The Revolving Loan Fund Program will apply all procedures in a uniform manner. No applicant or employee will be asked for additional information based on age, race, color, religion, sex (including sexual orientation), handicap, familial status or national origin. The program will be implemented to assure consistent and equitable assistance to all program participants.

SECTION 7: RECORDKEEPING

The NNPDC will be responsible for keeping the minutes of the meetings of the Revolving Loan Fund Advisory Board. The minutes will be archived in the NNPDC office. The Board will be responsible for tracking the information, as required, to ensure compliance with USDA program requirements, including data on the businesses submitting applications, businesses approved for financing, LMI beneficiary data, loan servicing, and accounting records.

~~Documentation to ensure that loan proceeds are being expended as proposed may be provided~~ either through source documentation (such as invoices, construction contracts, etc.) or through affidavit.

All documentation will be kept on file at a secure location, as required, to ensure confidentiality of applicant information. All information required to ensure compliance with USDA guidelines will be kept at the NNPDC office.

SECTION 8: PROGRAM DESIGN AMENDMENTS

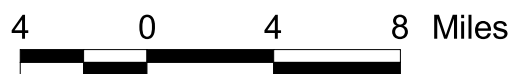
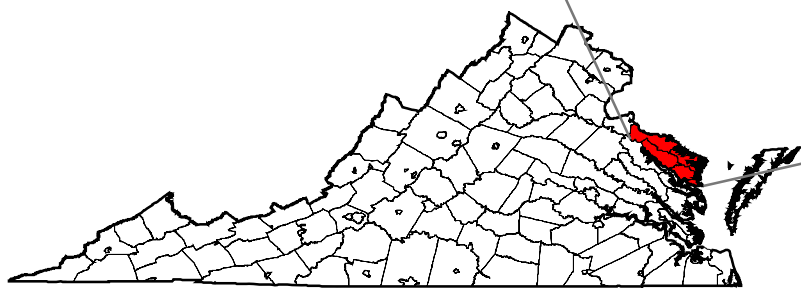
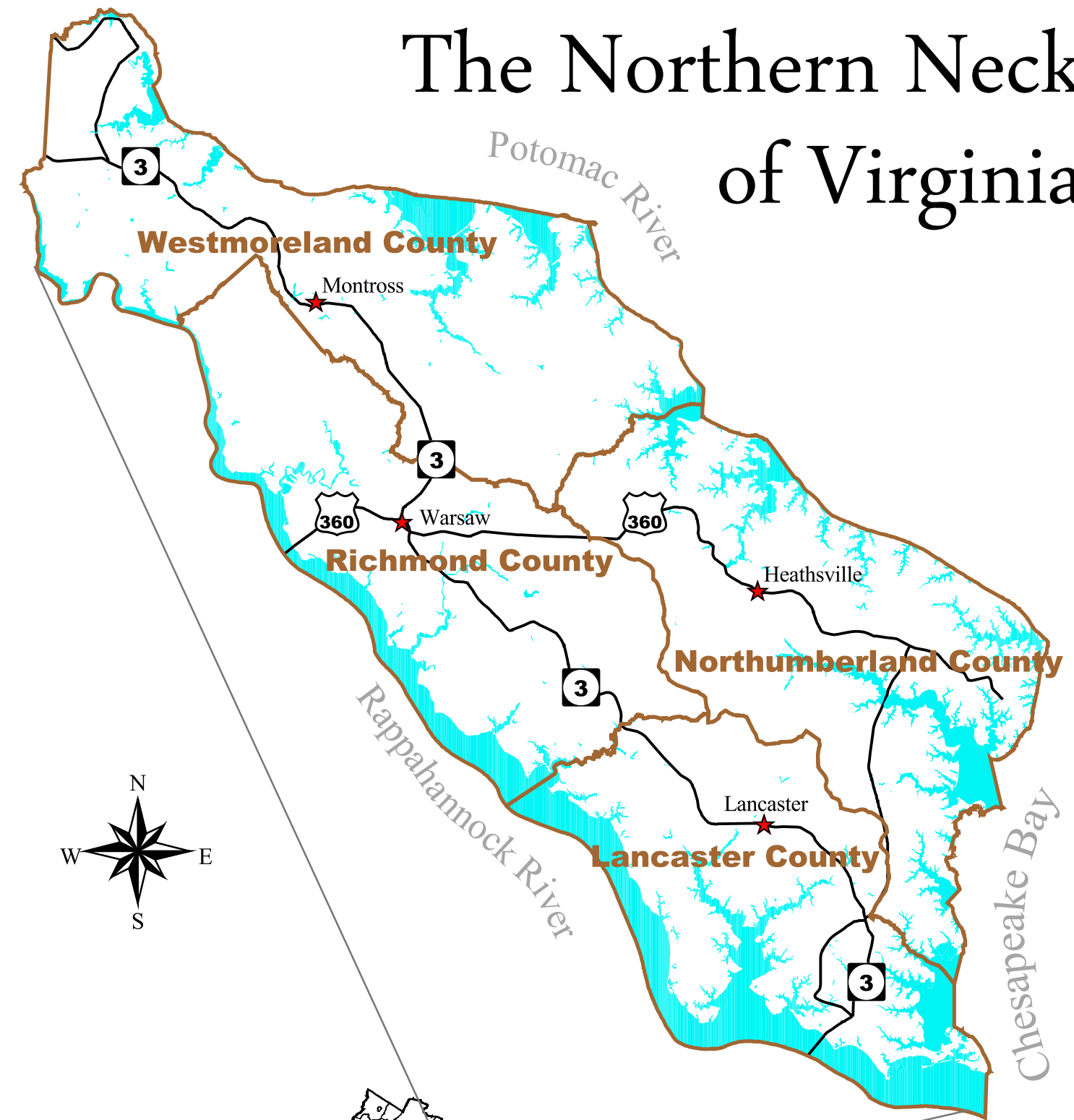
During implementation of the Revolving Loan Fund Program, the NNPDC may find it necessary to make minor changes and refinements as the program proceeds. If a major alteration to this design is deemed necessary to better achieve the intent of the program, the Revolving Loan Fund Advisory Board will adopt the changes upon approval of the proposed change by the Executive Director and USDA Rural Development.

APPROVED:


Executive Director, Northern Neck Planning District Commission

SEP 22, 2015
Date

The Northern Neck of Virginia



Map Prepared by:



July 2015