



Revolving Loan Fund Program Guidelines and Procedures

APPLICANT

All eligible businesses applying for loans from the City's Madison Revolving Loan Fund (MRLF) program must submit a completed application to the office of the Economic Development director.

The borrowing applicant will be interviewed by the Economic Development director to determine whether the borrower will require professional business advisory and consulting services. Any cost associated with this service is to be borne by the borrower. From information gathered from the borrower's application and interview, the Economic Development director will, at a minimum, learn the location of the proposed business, the type of business, the purpose and use of the loan request, the amount and period of time of the loan, intended security to be used as collateral against the loan, and expected jobs created or retained.

Loan closing costs will also apply should the loan receive final approval. Closing cost may include lien records, security records, title searches as well as any other reasonable and applicable loan generation expenses. These costs are to be paid by the borrower and will be subtracted from the loan proceeds at the loan closing.

This Loan requires that no active full-time employee of the City of Madison, Mayor, Clerk-Treasurer or member of the Common Council, Board of Public Works and Safety or the Revolving Loan Review Committee or their direct relatives are eligible to receive funds from the City's RLF program. A relative is defined as the spouse, parent, father-in-law, mother-in-law, child, son-in-law, daughter-in-law, grandparent, grandchild, brother, sister, brother-in-law, sister-in-law, uncle, aunt, nephew, or niece and whose relationship is the result of birth, marriage, or adoption. If any of the above listed ineligible individuals is a business associate of the applicant in another business enterprise, then the applicant would also be prohibited from receiving a loan. A business associate is defined as a person or that person's relative as listed above that has a financial interest with the applicant in another business.

MRLF ELIGIBILITY

The MRLF is available to any current or potential business within the Madison corporate boundaries only. Businesses must satisfy the following:

- Be registered and in good standing with the Indiana Secretary of State's Office
- The primary office or place of business is located, or will be, within Madison corporate boundaries
- All tax liability payments are current with no outstanding judgements
- Applicant shall certify that at least 51% of the outstanding ownership of the business involved is comprised of those individuals that are either citizens of the United States or reside in the United States after being legally admitted for permanent residence.
- Applicant shall be at least 18 years of age and a legal resident of the United States of America
- No business may obtain MULTIPLE loans.

LOAN CRITERIA

- Applicant shall present evidence that indicates the MRLF loan is necessary to make the proposed project feasible
- The MRLF loan should not exceed 50% of the total project costs
- Minimum loan amount is \$5,000; Maximum loan amount is \$75,000. Any loans in excess of \$75,000 must have additional approval by the Common Council of the City of Madison
- Each loan shall provide at least one (1) job created or retained for each \$10,000 or portion thereof borrowed
- Loan terms are three to ten (3–10) years,
- If the applicant has no or limited business experience, they shall complete an acceptable business course from an approved institution or organization that provides such courses (e.g. SBDC, Ivy Tech etc.)
- Additional forms or more strict criteria may be required if funds to be used to lend to borrower are from grants or other funds from federal or state agencies that require such forms or criteria. Applicant will be informed of these requirements, if applicable, at the time of application
- Monthly repayments begin thirty (30) days from the closing date; prepayment penalties do not apply.

APPROVED USES OF FUNDS

- Working Capital
- Land and building acquisition
- Acquisition and development of land, easements, and rights-of-way
- Equipment
- Inventory
- New constructions; renovations; and/or additions
- Product development
- Other activities that facilitate the creation or retention of jobs within the city of Madison

PROHIBITED USES OF FUNDS

- To pay past due taxes
- To pay off any previous debts except for non-secured trade payables. Refinancing construction financing is an exception to this rule
- To pay dividends or repay individual's equity
- To pay credit card debt (Personal or business)
- MRLF 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, timber operations, or limited agricultural production related to technical assistance projects
- MRLF funds will not be used to finance comprehensive, area-wide type planning. This does not preclude the use of grant funds for planning for a give project.
- MRLF 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
- 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."

TYPES OF SECURITY FOR LOANS

General Security Interests

The City requires each borrower grant to the lender a blanket security interest in the borrower's assets, including, but not limited to, accounts receivable, inventory and equipment.

Mortgages

The City will require a mortgage in cases where real estate is being acquired with loan funds or the real estate where the borrower's business is located is owned by the shareholders or partners of the borrower and leased to borrower; and in any other instances in which the city deems necessary.

Personal Guaranties

The City shall require the personal guaranty of repayment by the borrower(s).

Insurance

In certain circumstances, the MRLF Committee may require the officers or owners to assign the proceeds of a life insurance policy to the city of Madison as additional security for the repayment of the loan. Proof of insurance will be required on all collateral.

REVIEW COMMITTEE AND APPROVAL PROCESS

The committee will meet monthly, or as needed, with a majority present in an open public meeting to review loan applications as provided to the committee from the Economic Development director. Prior to the regular public meeting, the Committee will meet in executive session to review the personal financial data and other applicable information that was provided by the applicant. The applicant shall be available to appear before the Committee if desired by the Committee. All public notice requirements of the executive session shall be done in accordance with IC 5-14-1.5. No votes may be taken during this session.

Following the executive session, the Committee will meet in a public meeting. During the public meeting, the chairman shall announce the name of the applicant, the type of business, business location, the loan amount requested and the requested term of the loan. The applicant **must** be present at the meeting. The members may question the applicant concerning the loan request and receive public comments regarding the loan and/or the applicant. Applications will be considered in the sequence of tabled applications (oldest first), then in the order of when a completed application was received by the Economic Development director. After the Committee has reviewed all loan applications, they will vote on each application in the order that was presented. The Committee will then vote to recommend the approval, disapproval or to table the loan request. If the recommendation is to approve the loan, the Committee will also recommend the amount of the loan and the term of the loan.

If the Committee tables the application, at the next meeting of the Committee, the application shall be taken off the table to be reconsidered. The applicant must be present for the committee

to take any action on the application. The Committee may vote to place the application on the table one additional time, but at the next meeting, with the applicant present, shall take the application off the table and vote to recommend approval or disapproval at that meeting.

Applications will be reviewed and funded (if eligible) based on the following criteria:

- a) 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, and benefits paid to employees
- b) Applications of equal economic impact will be funded in date order of application
- c) In accordance with federal law, the Loan Committee will not, nor will the mayor or the Economic Development director discriminate on the basis of race, color, national origin, sex, religion, age, marital status, sexual orientation, or non-job related handicap.
- d) The Loan Committee will be responsible for determining priorities of application to be funded. Eligibility of applicants will typically be determined within thirty (30) days of receipt of a complete application. An application will be considered complete when all information necessary for the Loan Committee to make a decision has been received

** The MRLF Committee has the right to make exceptions including but not limited to terms, interest rates, repayment, and delinquency/default terms.

FINAL APPROVAL PROCESS

Following the recommendation from the MRLF Committee, the application shall be forwarded to the Economic Development director. If they desire to have the application proceed, they shall, by their signature, recommend approval and forward the application for the next meeting of the City of Madison Board of Works and Safety for final approval or disapproval.

The recommendation for approval will be listed as an agenda item in order that the members of the Board of Works and Safety clearly are aware they are voting for a loan approval or denial. The express and written consent of the Board is required for a loan approval.

No loan shall be made without sufficient funds available in the applicable fund account.

LOAN DELINQUENCY/DEFAULT

A loan becomes delinquent when payments are not made on time. Payments are considered delinquent at 30 days after a non/missed payment and the loan is subject to a late fee of 5% of the monthly payment amount. Should a borrower fail to make timely payments that exceed 60 days of being due, the Economic Development director will attempt to negotiate with the borrower to rework the loan. If the City is able to reach an acceptable agreement with the borrower, the change in the borrowing agreement must have the express and written approval of the City of Madison Board of Public Works and Safety.

If negotiations are unsuccessful, the loan can be converted to default status. The city of Madison is entitled to all legal means necessary for debt recovery. Any loan that is delinquent and an acceptable agreement between the City and the borrower cannot be reached, then the Board of Public Works and Safety will decide whether the loan should be referred to a collection agency, filing a lawsuit or determine if the loan is uncollectible and removed from the City's accounts.

If the business ceases operations or relocates outside of the previously defined geographical area, the Board of Works and Safety may require immediate pay off of the loan.

CONFIDENTIALITY OF PERSONAL INFORMATION

As personal financial and perhaps, other personal information will be included in the loan application, it is imperative that careful control of this personal and confidential information is done. Indiana Code 5-143, Access to Public Records, clearly states those records that are excepted from disclosure requirements. Those types of records would include, but not limited to social security numbers, confidential financial information, tax returns, trade secret records, etc.

In order to provide the applicant a high degree of confidence that their personal data is protected, the following procedures will be the standard for securing this information and data from unauthorized individuals:

- After the program administrator, Economic Development director, has received all required forms and documents from the applicant, they will make the necessary number of copies required to provide to the MRLF Committee members for their review. The original application with documents will remain in the custody of the administrator
- The original and duplicate copies will be secured with the City clerk-treasurer until needed by the Committee. The administrator will have access to these documents, but only with the knowledge of the City clerk-treasurer and these shall be returned timely to ensure these materials are kept in a secure location

- The Committee members will receive these documents at the Executive Session for their review but must return all materials following the end of the Public Meeting that follows the Executive Session. The program administrator and the City clerk-treasurer will be responsible for gathering the copies from the Committee members and will be secured and stored in the City clerk-treasurer's office
- Following the completion of the loan process, all unnecessary copies will be properly destroyed
- If the loan request has been approved, the original, signed documents will be stored with the City clerk-treasurer and one copy of the documents will be sent to the financial institution that will be processing the loan
- If the loan request has been denied, the original application with documents will be secured and stored with the City clerk-treasurer and all copies properly destroyed
- The Committee members will be advised that the personal financial and other protected information must be kept confidential and cannot be discussed with anyone other than the Committee members and the applicant.

REPORTING/MONITORING

Following the approval of these guidelines, in December of every year, the Economic Development director shall provide the Common Council with the financial condition of the loan funds as well as any other information requested by the Common Council.

VERIFICATION

At least annually, the Economic Development director will verify that the jobs created or retained as required as per the criteria of the loan approval has been satisfied and the collateral used as security for the loan is intact and at the borrower's place of business if applicable. Any deviation to the above shall be reported to the City's Board of Public Works and Safety at its next meeting following the discovery of said discrepancy. Appropriate actions can then be taken against the business.