

Revolving Loan Fund Plan

Rural Business Development Grant Application

City of Wood River, Nebraska

The **City of Wood River** (hereinafter called “grantee”) Revolving Loan Fund (RLF) shall be operated under the guidance of the following RLF plan. **This RLF Plan will not be amended or changed without prior written concurrence from Rural Development (grantor), an Agency of the USDA.**

USE OF GRANT FUNDS:

Grant funds received by the grantee through the Rural Business Development Grant (RBDG) program will be used to establish a RLF. The RLF will be used to provide financial assistance to small and emerging private business enterprises within the guidelines of this RLF plan and the regulations set forth in RD Instruction 4280 Subpart E.

POLICY STATEMENTS:

- The grantee seeks to minimize its RLF’s financial participation in all projects. The RLF is not intended to compete with other public and private lenders. The grantee will collaborate with other lenders to provide the financial package necessary to advance the project, but at the same time to minimize the RLF financing component.
- The grantee’s City Council is the sole authority for approval or denial of loans from the RLF and is responsible for all decisions and actions of the RLF. The RLF will be operated and maintained solely by the grantee.
- To avoid potential conflicts of interest, or the appearance of a conflict of interest, a loan will not be made to any Council member, loan review committee member, officer, general manager, or supervisory employee of the grantee or close relative thereof, or to any subsidiary or affiliated organization in which the grantee has a financial interest.
- Amendments to this RLF Plan will require the approval of the grantee’s City Council. However, **no action will be taken to amend this plan without the prior written approval of USDA Rural Development, its successors or assigns.**
- The grantee is an equal opportunity lender and requires Ultimate Recipients to adhere to all equal opportunity laws.
- All information regarding RLF loan requests will at all times be kept confidential by the members of the grantee’s City Council, the loan review committee, and staff. If necessary, the RLF may seek the advice and counsel of outside consultants and sources in order to adequately perform due diligence regarding the project.

REVOLVING LOAN FUND MANAGEMENT:

Administration of the Revolving Loan Fund:

The management of the RLF will be the responsibility of, Christina Wemhoff, City Treasurer, a member of the grantee’s staff, in addition to their regular responsibilities, although other community resources may be used. If third party contracts are used for administration, review and approval of contracts by USDA Rural Development is required.

Loan Review Committee:

The grantee’s City Council has appointed a Revolving Loan Fund Committee (RLFC), consisting of both business and community leaders, to review all RLF loan applications. The RLFC will perform necessary credit analysis and due diligence in order to make a written recommendation to the grantee’s City Council, which has the final authority regarding all actions of the RLF. The RLFC will meet on an as needed basis under the terms of the application procedures listed below.

The RLFC serves on a volunteer basis. The RLFC will have a minimum of 3 members and a maximum of 7 members. If a member of the RLFC has a financial interest in the project being reviewed, he/she will abstain from the loan review/recommendation to the grantee’s City Council. Members of the RLFC will serve indefinite terms. However, the grantee’s City Council has the right to replace members of the RLFC in the event of resignation or other necessary circumstances.

The LRFC members were chosen, in part, because of their experience with lending and/or economic and community development projects. Initial members of the RLFC are:

Name	Company	Title	Years of Experience
Jim Rennau	Heritage Bank	Senior Loan Officer	42
Chris Stewart	Bangs & Stewart CPA’s LLC	Partner	21
Kurt Koepp	Ry-Max Farms	Owner	20
Austin Geis	Heritage Bank	Relationship Manager	2
Curtis Rohrich	Rohrich Farms	Owner	37
Nick Rennau	Dakota MAC	Loan Production Officer	11

A current and up to date roster of the members of the RLFC will be attached to this RLF Plan as new members are appointed. **These committee appointments do not reflect an amendment to the RLF Plan and therefore do not have to be approved by USDA Rural Development.**

REVOLVING LOAN FUND GUIDELINES:

Eligible Applicants (hereinafter called “Ultimate Recipient”) include:

- I. Corporations
- II. Limited Liability Companies
- III. Partnerships
- IV. Sole Proprietorships

Planned projects to be financed may include but not limited to:

- I. Ultimate Recipients (UR)/Projects to be assisted by the RLF program must be physically located within the Service Area of the grantee. On a case-by-case basis, the grantee's City Council may waive this requirement and provide loan funds to a business located outside the Service Area of the grantee if the City Council determines doing so will have a positive economic impact on the community to be assisted with the RLF funds and written approval has been granted by USDA Rural Development.
- II. Acquisition and development of land, easements, and rights-of-way.
- III. Construction, conversion, enlargement, repairs or modernization of buildings (including façade repairs), plants, machinery, equipment, access streets and roads, parking areas, utilities, and pollution control and abatement facilities.
- IV. Loans for startup operating cost and working capital.
- V. Technical assistance for private business enterprises.

Minimum / Maximum Loan Amounts:

The minimum RLF loan will be **\$2,000** and the maximum RLF Loan will be **\$75,000**. Care shall be taken to prevent a concentration of credit to any one business such that, should it not succeed, the loan loss threatens the sustainability of the RLF.

Supplemental Financing Requirements:

RLF projects must include a minimum of **20%** funding from other sources. Greater leveraging of outside resources will enhance the approvability of an RLF loan request.

Interest Rate:

Interest rates on all RLF loans will not exceed **3%** over the prevailing prime rate as published in the Wall Street Journal on the day of loan closing and will be determined based on the evaluation of the UR's ability to repay and the necessity of below market financing to advance the project. Interest earned on any RLF loan must stay in the fund for use in making additional RLF loans.

Administration Fee:

In addition to the interest rate charged, an annual loan servicing fee of up to 1% of the unpaid principal loan balance may be charged for loan administration. However, this fee must be specified in the Loan Agreement signed at closing.

Closing Costs / "Out of Pocket" Expenses:

The RLF may charge URs for loan closing costs, attorney's fees, filing fees, etc., as necessary to complete loan documentation. All loan fees will be addressed in the Loan Agreement between the RLF and the UR.

Loan Terms:

The term of an RLF loan shall not exceed **5** years, and may be less than **1** year as determined by the grantee's City Council or RLFC.

The RLFC will make a recommendation concerning the rates and terms of the loan, the payment frequency (monthly, quarterly, etc.) depending upon the 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.

While not mandatory requirements, the following maturities will be used as a general guideline:

Building/Real Estate	5 years with renewal and repricing at maturity considered with approved credit if financing cannot be obtained elsewhere and all RLF conditions are met
Equipment	1 to 5 years or useful life of the equipment; whichever is less
Working Capital	1 year

The grantee's City Council will make the final determination of the rates and terms of the loan and the payment frequency. The grantee's City Council can decide in the loan will be amortized over the above guidelines; however, term will not exceed the expected life of the asset being used as collateral.

Security / Collateral:

The grantee and RLFC will work with the potential UR to obtain security that is adequate for the term of the loan. The nature of the collateral pledged shall be determined by the RLFC on a project-by-project basis. If the same collateral is used in joint financing, the grantee will seek a parity position with other lenders. Types of security may include but are not limited to:

- I. Mortgage Lien on Real Property;
- II. Machinery and equipment which have a developed market;
- III. Letter(s) of credit from acceptable financial institution(s);
- IV. Securities issued by the Federal government or its agencies;
- V. Accounts receivable and inventory for short-term loans.

The UR will be required to adhere to the following insurance requirements:

- i. Hazard insurance with a standard mortgage clause naming the grantee as beneficiary will be required by the grantee on every UR project funded from the RBDG RLF in an amount that is at least the lesser of the depreciated replacement value of the property being insured or the amount of the loan. Hazard insurance includes fire, windstorm, lightning, hail, business interruption, explosion, riot, civil commotion, aircraft, vehicle, marine, smoke, builder's risk, public liability, property damage, flood, or any other hazard insurance that may be required to protect the security.
- ii. Ordinarily, life insurance, which may be decreasing term insurance, is required for the principals and key employees of the UR funded from the RBDG RLF and will be assigned or pledged to the grantee. A schedule of life insurance available for the benefit of the loan will be included as part of the application.
- iii. Workmen's compensation insurance on URs is required in accordance with the State law.
- iv. Flood insurance. The grantee is responsible for determining if an UR's project funded from the RBDG RLF is located in a special flood or mudslide hazard area. If the UR's project is in a flood area, then flood insurance must be provided in accordance with subpart B of part 1806 of RD Instruction 426.2.

Personal guarantees from partners, directors or majority stockholders may be required for all corporate or partnership borrowings. Co-signors may be required for sole proprietorship borrowings.

Other Criteria:

- I. There must be evidence presented by the UR, at the time of application, that indicates the RLF loan is necessary to make the proposed project feasible.
- II. RLF loan funds will not be used to pay off any previous debt. Refinancing of construction financing is an exception to this rule.
- III. If the UR relocates outside of the Service Area of the grantee, the grantee's City Council may require immediate pay off of the loan.
- IV. The grantee and/or LRFC may require written feasibility studies, business plans, market studies, etc. as appropriate per business and project type.

Limitations on loans from the RLF:

- i. 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, timber operations, or limited agricultural production related to technical assistance projects.

- II. RLF 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 given project.
- III. 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.
- IV. 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 RBDG regulations, the grantee reserves the right to utilize the amended definition without further approval from the grantor.
- V. At least 51 percent of the outstanding interest in the UR, at the time of application, must be owned by those who are either citizens of the United States or reside in the United States after being legally admitted for permanent residence.
- VI. Applications to any City Council member, loan review committee member, officer, general manager, or supervisory employee of the grantee or close relative thereof, or to any subsidiary or affiliated organization in which the grantee has a financial interest shall be ineligible for funding.

APPLICATION PROCEDURES:

All applicants for funding from the RLF will be required to complete an application form and provide verifiable data which demonstrates that their proposed project is economically feasible, sustainable, and will provide benefits to rural areas, either through job creation or job retention. Additional documents may be required based on LRC review. **A copy of the application which includes a list of supporting information is attached to this plan.**

- I. Applications will be accepted for review continually. Applicants who choose to apply in times when inadequate funds exist for extending a loan will be informed of the lack of funds.
- II. Applications will be accepted at the grantee's office during normal business hours. The grantees office is located at 108 W 10th Street, Wood River NE, 68883.
- III. **The Mayor or Council President** of the grantee will review applications for completeness and present complete applications to the RLFC. An application is not considered complete until all required information has been submitted to the grantee as listed on the attached application.
- IV. The RLFC will analyze each project and make a written recommendation to the grantee's City Council.

- V. The grantee's City Council will normally review RLF applications at their scheduled monthly council meetings. However, if needed and at the Council's option, the Council may call a special meeting to review a loan application.
- VI. For approved loans, a loan agreement addressing all of the terms and conditions, including monitoring procedures, repayments, delinquencies, defaults and remedies for that project will be prepared by the grantee. In addition, the grantee shall have prepared all notes, mortgages, security agreements, UCC filings and other legal documents necessary to close the loan. The grantee will use appropriate note, mortgage, and other forms which are approved by the State of Nebraska Bar Association.
- VII. Before RLF funds can be disbursed to the UR, all requirements and terms of the loan agreement must be met and supplemental financing, as applicable, must be verified and contributed or verified and ready to contribute to the project.

Review Criteria:

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

The grantee's City Council will consider the recommendation of the RLFC. The RLFC recommendation will include, documentation the financial need of the project, the probability of success, the security offered, the rates and terms, 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. The grantee's City Council shall then have the final authority to approve or deny the RLF loan requests, and to determine the appropriate terms and conditions.

The UR will be notified in writing of the decision made on the loan application. If a negative reply is sent an explanation of the reason(s) why the project will not be funded will be included in the notification. If appropriate referrals may be suggested for such assistance as a business plan or credit counseling.

Loan Monitoring:

The grantee shall monitor all RLF loans to ensure that loan proceeds are spent as identified in the RLF application, that all other sources of financing have been committed to the project, and that the benefits of the project, such as job creation, are accomplished as stated in the RLF application. The grantee shall ensure that RLF lien positions and loan collateral are secure.

An annual review and report of the outstanding loans of the RLF, including job creation/retention totals, will be compiled by the RLFC for presentation to the grantee's City Council.

Collection Procedures:

The RLFC is charged with the responsibility for loan collections and related workouts, collection of charged-off loans, management and disposal of other real estate owned and any other activities related to delinquent accounts.

As part of this responsibility, the grantee's Mayor shall have authority to initiate foreclosures, and collection suits after consultation with the grantee's legal counsel. The grantee's Mayor will advise the grantee's City Council of such action at their next regular meeting.

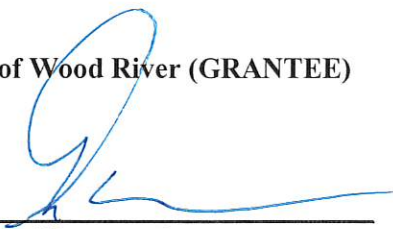
- I. Past due notices will be generated and sent to the UR according to the following schedule:
 - a. First notice sent on the 10th day after a note or payment is due.
 - b. Second notice sent on the 20th day after a note or payment is due.
- II. If the UR becomes 30 days delinquent, the grantee's Mayor will make phone contact with the UR to inquire about the situation and arrange appropriate corrective action in consultation with the RLFC.
 - a. As a prudent lender and at the grantee's sole discretion, a one-time corrective action/workout of a delinquent account is permitted.
 - b. As part of the workout, loan terms may be modified by deferral and reamortization. However, the term of the modified loan cannot exceed the useful life of the collateral or the maximum terms under loan guidelines stated above from the date of the original loan closing.
- III. If the UR 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 UR via certified, first-class mail with a return receipt requested.
- IV. If the UR does not respond to the Notice to Cure by paying the amount stated in the cure notice, the file will be forwarded to grantee's legal counsel to start foreclosure actions.

File Retention:

All UR RLF files will be retained for a period of not less than 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 grantee's staff with RLF responsibilities. Other security measures will be initiated as needed to protect confidentiality of loan documents.

This Revolving Loan Fund Plan is submitted by the grantee. Upon approval by USDA Rural Development, the grantee agrees that no changes will be made to the Revolving Loan Fund Plan without prior written approval by USDA Rural Development.

City of Wood River (GRANTEE)

By:  _____ Mayor _____ 12/05/2023
(Signature) (Title) (Date)