

Town of Lisbon

RLF Policy and Guidelines for Small Loans (\$1000-\$20,000)

To alleviate unnecessary paperwork that is required for our larger loans, the Town of Lisbon has developed a short application and policy for processing smaller loans ranging from \$1000 - \$20,000. Any requests over \$20,000 will need to use the longer version application and process.

The loan purpose, goals and objectives remain unchanged as stated in the long version. This policy is to reduce the amount of paperwork and significantly lower the costs for processing smaller loans.

Loan Size

Although the loan amount is smaller, the Town of Lisbon does not usually fund any project with 100% of RLF funds. The town loan funds are to be used as a “gap” financing mechanism. Exceptions to fund 100% of a project can be made by the Town Council not to exceed \$5,000.

Loan Security

All loans will be secured by the highest position available on one or more of the following assets: Land, buildings, machinery, equipment, accounts receivable and inventory and/or personal assets or such other assets as are deemed appropriate. In addition loans will require corporate and/or personal guarantees unless a situation exists where such guarantors are not available, (i.e. widely held private corporations).

Terms

Loan terms will be set by the Town Council based on the purpose and amount of the loan but will not exceed ten years. The town retains the right to adjust individual loan terms in order to facilitate a successful RLF project.

Interest Rate

The RLF Committee will recommend the interest rate for each loan based on risk, collateral and other pertinent criteria.

Reporting Requirements

The applicant is required to comply with any and all reporting requirements of the RLF program. In addition, yearly submission of financial statements, taxes and insurance will be required.

Fees and Penalties

The town charges the following processing fees: (No loan disbursements will be made until all fees are paid in full)

- There is no application fee for loans under \$20,000
- A \$25 credit report fee will be charged for each report requested
- Closing fees; reasonable and customary legal costs for reviewing, processing (credit report fees), filing and recording, title fees, transfer taxes, document preparation and title insurance premiums
- Title work when real estate is used as collateral, UCC checks when personal property is used as collateral, recording fees
- Any appraisal fees or environmental studies needed will be paid for by the applicant
- A 1% origination fee will be charged at the time of the loan closing
- A late payment charge of 5% will be added to all loan payments that are 15 days late
- Failure to meet any of the terms and conditions of the loan may result in an increase in the interest rate of up to seven points above the prevailing prime rate.

Delinquent Loan & Collection Procedures Definition:

Delinquent loans are loan accounts that have not had any payment activity during a thirty (30) day period or those loans that are thirty (30) days in arrears.

The Town of Lisbon as the Administrator of the RLF will provide its best effort to collect all monies lent under the RLF program.

If the applicant is more than 30 days in arrears he must notify the town of a plan to become current, which must be approved by the town.

The Town of Lisbon will monitor the monthly repayment activity of all outstanding loan accounts and initiate normal collection procedures, i.e. notice for payments, collection calls and other legal means necessary to collect the outstanding debt. When normal procedures fail to produce the desired results the account will be turned over for legal action and pursued to a conclusion. All legal fees and any other fees associated with collection procedures will be the sole responsibility of the applicant.

Application Process

The members of the Lisbon RLF Advisory Loan Committee shall review all loan applications. All applications will be evaluated on a first come, first served basis. Said committee will provide recommendations to the Town Council of Lisbon for final approval.

1. The Lisbon Economic/Community Development Office will be available to assist the applicant at any and all levels of the RLF loan process.
2. Below is a list of required documentation needed for a complete application package. (If information is given on application or included in the business plan please indicate that and reference the page numbers on the checklist):
 - a. Completed Application Form
 - b. Complete Business Plan with financials
 - c. Tax returns for the business entity and all guarantors for the previous three years
 - d. Amount of financing required and the purposes for which the funds will be used
 - e. Bank letter outlining participation including amounts and purpose, if any
 - f. Completed and signed Consumer Credit Authorization(s)
 - g. Details of existing bank loans and other financing of the company, including stock pledges
3. The Economic/Community Development Director will review the application for completeness and determine that the applicant meets the basic eligibility criteria for the town. A detailed summary on each project will be compiled for presentation to the RLF Advisory Loan Committee for action.
 - a. Projects are reviewed using three distinct components:
 - i. Evaluation of the project in terms of the RLF guidelines and operating procedure
 - ii. Analysis of credit worthiness of the applicant
 - iii. Assessment of economic potential of the proposed project
 - b. The Loan Committee uses the following form of analysis:
 - i. Basic financial analysis include two components
 - Credit Analysis –financial condition and bank and trade credit standing
 - Collateral Analysis – Review of ownership and effective value to the creditor of any asset pledged as collateral for the loan

4. Upon ratification by the Lisbon Town Council, the Economic/Community Development Director will forward the approved commitment letter to the applicant. This commitment letter is to include any conditions of the loan, such as clear title to any real estate being used to secure the loan of clear title to any personal property used to secure the loan.
5. Upon acceptance the necessary documents will be drawn up to close the loan.
6. Fund Disbursement – All funds will be disbursed upon completion of the closing documents. The Town may choose to pay vendors directly or set up an escrow account to be used to refund payments on invoices.
7. Timing – Typically complete applications can be processed and presented to the Advisory Loan Committee within 45 days. Lisbon Town Council meets twice per month and typically can take action on a RLF application within two weeks of the approval date by the Advisory Loan Committee.