

# **Dane County Commercial Revitalization Revolving Loan Fund**



## **Policies and Procedures Manual**

**July 2004**

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## FOREWORD

In 1998, forty-three communities in Dane County, outside the City of Madison, joined together to establish the Dane County Community Development Block Grant (CDBG) Program. This partnership was recognized by the U.S. Department of Housing and Urban Development (HUD), allowing the County to receive CDBG funds on an annual basis for housing, economic development and community service initiatives.

*A Consolidated Plan for Housing and Community Development: 1999-2003 was adopted and approved by HUD to identify CDBG program goals and priorities.* The Consolidated Plan identified commercial revitalization as a priority:

The cost of redevelopment and infill development is often higher than edge development. The development timeline is often longer and more complicated and land assembly, brownfield remediation, demolition, rehabilitation, and other factors add costs not present with greenfield development. Many economic incentive programs, notably Tax Increment Financing (TIF) tend to be used more often for edge development than revitalization, further increasing the cost gap (see Appendix D for a list of TIF districts).

To help close the revitalization cost gap, the Steering Committee recommends using CDBG to provide loans for commercial redevelopment and infill development. The loans would be provided through a revolving loan fund. The fund could make loans to developers for redevelopment and infill development projects consistent with local and regional plans. They could also be made directly to businesses that develop according to a locally approved revitalization plan. Loans would likely be provided at below market interest rates. Loans could be used to fund the purchase of land or for other development costs.

Revitalization loans would benefit low to moderate-income people by creating or retaining jobs. Low to moderate-income residents could also benefit from the public improvements created by revitalization.

As a result, a Commercial Revitalization Revolving Loan Fund (CRLF) was established to provide financing assistance to developments and businesses that promote commercial revitalization.

The Dane County CDBG Commission approved revisions to the manual at their meeting on July 7, 2004.

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**DANE COUNTY  
COMMERCIAL REVITALIZATION LOAN FUND  
POLICIES AND PROCEDURES MANUAL**

**I. GENERAL PROVISIONS**

**A. Purpose of Manual**

The purpose of the policies and procedures contained within this manual is to present the criteria, which govern the commercial development activities, assisted with funds made available through Dane County's Commercial Revitalization Loan Fund (CRLF) program.

**B. Objectives of the Commercial Revitalization Revolving Loan Fund**

The Objectives of the Commercial Revitalization Revolving Loan Fund are described in Dane County's Consolidated Plan for Housing and Community Development.

1. Promote infill development and commercial redevelopment in downtown and traditional business districts.
2. Encourage the creation or retention of employment opportunities for low and moderate-income County residents.
3. Leverage new private investment in downtown business districts and traditional business districts.
4. To promote developments that are pedestrian friendly, that encourage a range of transportation options, and that enhance civic life.
5. To implement Dane County and local community revitalization goals and objectives.

**C. Program Income.**

All proceeds and other program income from Dane County CRLF loans shall be restricted for use for additional loans that meet the objectives of the CRLF.

**D. Amendments and Modifications**

Dane County may from time to time amend the provisions imposed by the policies and procedures contained within the CRLF manual.

**II. ADMINISTRATION**

**A. Administration**

1. The Dane County Community Development Office shall designate a CRLF Administrator who shall be responsible for day-to-day administration of the CRLF program. The CRLF Administrator shall explain the CLRF Program to prospective applicants, provide written

information, assist applicants in completing applications, and process requests for financing. The CRLF Administrator, where necessary and appropriate, shall counsel or guide loan applicants to other more appropriate technical and financial resources when the loan applicant has needs beyond those available from the CRLF program.

2. The Administrator shall periodically review all financial statements and loan amortization schedules of CRLF loan recipients, review and approve documentation of business expenditures financed with CRLF proceeds, record CRLF security instruments, maintain the CRLF accounting records, which shall be segregated from all other Dane County accounts, and report annually to Department of Commerce regarding use of the CRLF funds
3. The Dane County Corporation Counsel shall prepare or approve all loan agreements, review all promissory notes and mortgage or lien instruments, and counsel Dane County on default matters.
4. The CRLF Administrator shall be responsible for the maintenance of all other records for the local CRLF; particularly those related to the expenditures of the CRLF monies for program administration purposes.

**B. Loan Review Committee**

1. Dane County shall establish a formal Loan Review Committee, which shall consist of individuals representative of broad Dane County interests, and having special expertise and knowledge of commercial lending and economic development processes. Expertise on the Committee optimally shall include representation from the Dane County Board of Supervisors, the CDBG Commission, a local development corporation, the local chamber of commerce, the local banking community, a business law attorney, and the CRLF administrator appointed by Dane County.
2. The Loan Review Committee shall have the authority to review, select, and recommend loan applications to the governing body for final approval. The Committee shall also have the authority to make policy recommendations for the administration of the program. Periodic activity reports prepared by the CRLF Administrator shall be provided to members of the Dane County Board of Supervisors.

**C. Regulations**

The County agrees to comply with all Federal regulations including, but not limited to:

1. Title VI of the Civil Rights Act of 1964 (P.L. 88-352) and the regulations issued pursuant thereto (24 CFR 1).

2. Title VIII of the Civil Rights Act of 1968 (P.L. 90-284), as amended.
3. Section 109 of the Housing and Community Development Act of 1974 and the regulations issued pursuant thereto (24 CFR 570.601), the Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973.
4. Executive Order 11063.
5. Executive Order 11246 and the regulations issued pursuant thereto (24 CFR 130 and 41 CFR Chapter 60).
6. Section 3 of the Housing and Urban Development Act of 1968, as amended.
7. Assure the compliance of all contractors and subcontractors who perform work under this loan with Davis-Bacon and Related Acts, as amended (40 U.S.C. 276a-5), the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333), all regulations issued pursuant to these acts, and other applicable Federal laws and regulations pertaining to labor standards.

**D. Administrative Costs**

Reasonable administrative funds may be withdrawn from the CRLF to cover personnel costs and other administrative expenses. Program income may be used for direct loan administrative costs. In addition to paying costs for a CRLF administrator, these funds may be used for the following:

1. Legal costs.
2. Consulting fees for credit analysis, business plan reviews and technical assistance.
3. Office supplies, copying, typing, mailing, and related.
4. Training costs. To generate additional revenue to cover administrative costs, Dane County may also establish loan origination fees, closing fees, servicing fees, and other fees to cover charges directly related to either processing an application or servicing a loan. All fees collected go to the RLF. The accounting of the fee revenue placed in the RLF should include separate line items to track administrative expenses recovered.

**E. Default**

When a CRLF loan payment is greater than 30 days past due, the loan is in technical default. Dane County Community Development staff will notify the borrower in writing of the loan default status. The County reserves the right to pursue all rights and remedies under the loan documents and applicable federal and state law to collect loan amounts outstanding. These options include: securing a new loan payment plan approved by the borrower and Dane County Community Development within 30 days of notification of default; turning collection of loan over to a collection agency; imposing late payment charges and higher loan

repayment interest rates (in addition to and not in lieu of any other); and declaring the loan in default.

Should the CCRLF loan be declared in default, the account will be turned over to the County Attorney for legal action in order to recover loan proceeds through the liquidation of collateral and the exercising of personal guarantees.

### **III. ELIGIBILITY**

#### **A. Eligible Applicants**

Municipalities, not-for-profit and for-profit entities are eligible to apply for CRLF funds for projects in Dane County. CDBG funds may only be used for projects in municipalities that participate in the Dane County CDBG program.

#### **B. Eligible Activities**

1. Acquisition of land, buildings, and fixed equipment.
2. Site preparation and the construction or reconstruction of buildings or the installation of fixed equipment
3. Clearance, demolition, or the removal of structures or the rehabilitation of buildings and other such improvements.
4. The payment of assessments for sewer, water, street, and other public utilities if the provision of the facilities will directly create or retain jobs
5. Working capital (inventory and direct labor costs only).

#### **C. Ineligible Activities**

1. Refinancing or reimbursement for expenditures made prior to loan approval.
2. Specialized equipment that is not essential to the business operation.
3. Residential building construction or reconstruction (unless such reconstruction is intended to convert the building to a business or industrial operation).
4. Professional services such as feasibility and marketing studies, accounting, management services, and other similar services. Legal services or other costs incurred in the closing of a CRLF loan are eligible.
5. Routine maintenance.
6. Other activities that the Loan Review Committee may identify during the administration of the program.

#### **D. Ineligible Businesses**

Program loans shall not be available for the following businesses:

1. Speculative investment companies.
2. Real estate investment companies.
3. Lending institutions.
4. Gambling operations.
5. Non-public recreation facilities.
6. Other businesses not serving the interest of Dane County.

**E. Minimum Requirements**

To be eligible for funding, a proposed project must meet all of the following minimum requirements.

1. Private Funds Leveraged. The applicant must leverage a minimum of one dollar (\$1.00) of private funds for every one dollar (\$1.00) of loan funds requested. The Loan Review Committee may recommend higher leverage.
2. Financial Feasibility and Business Viability. The applicant must demonstrate that the proposed project is viable and the business will have the economic ability to repay the funds.
3. Compliance with Applicable Laws. Applicants shall comply with all applicable local, state, and federal codes.
4. Project Completion. Projects shall be completed within 24 months from the date of the loan approval. Applicants shall provide Dane County with a project implementation schedule not exceeding 24 months for project completion and job creation and maintain the positions created for 24 months.
5. Evidence of Site Control. If the application is for a real estate development project, a signed and accepted copy of an option, an unexpired contract for purchase or a copy of the deed if title has already been transferred. Terms of the sale (such as price, seller, financing, etc.) should be specified. Options must extend at least 120 days beyond the application submission date. If the applicant does not have site control, clear indications that it will be obtained, such as a letter of agreement with between the applicant and the property owner, must be presented.
6. Low and Moderate Income (LMI) Benefits. The project shall increase permanent employment or retain existing jobs, which would have been lost locally. Of the jobs created or retained by the project, at least 51 percent of these jobs must be made available to low to moderate income persons, (as defined by household incomes published by the U.S. Department of Housing and Urban Development and available through Dane County Office of Community Development). The LMI benefit requirements may be waived for projects that meet the CDBG elimination of slum and blight standards.

7. Cost Per Job Created. A least one (1) full-time equivalent position must be created for every \$35,000 of CDBG funds requested. The Committee may require lower job costs where warranted, (i.e. taking into consideration type of jobs, hourly wage, etc.).
8. Local Support. A letter of local support from the municipality signed by the chief elected official where project will take place must be included in the application packet.
9. Historic Rehabilitation. According to federal regulations, the entire renovation of a historic property must comply with the Secretary of Interior's Standards, even if only a portion of the project is assisted with federal funds. Any alterations, construction or demolition prior to receiving historic compliance review may result in the disapproval of funds.

#### **IV. LOAN TERMS AND CONDITIONS**

CRLF loans shall be direct loans to the eligible entity. The loan shall be an installment loan with monthly interest and principal payment. Loan terms and conditions shall be structured on need and ability to repay. Minimum standards shall include the following:

**A. Loan Amount**

Loan amounts are subject to the availability of program funds.

**B. Interest Rate**

The interest rate will be two points above the prime rate, as published in the Wall Street Journal at the time the loan is approved. Exceptions to this rate may be considered and recommended by the Loan Committee, based on factors such as ability to repay, job creation, etc.

**C. Loan Term**

1. Working capital shall have a maximum term of seven years.
2. Machinery, equipment and fixtures shall have a maximum term of ten years.
3. Real estate shall have a maximum term of 25 years.

**D. Period of Payment**

Terms may include longer amortization schedules with balloon payments. Amortization schedules shall be set up for monthly payments. Payments may be made by electronic transfer of funds.

**E. Repayment**

Payment of interest and/or principal may be deferred for up to one (1) year if merited in the loan application. Interest shall accrue during the deferment period and may be paid in full or added to the principal amount of the loan. Following

the deferral period, interest and principal shall be paid for the remaining term of the loan.

**F. Prepayment**

There shall be no prepayment penalties.

**G. Security**

Dane County will seek to have the best possible collateral position possible to ensure that CRLF loans are adequately secured.

**V. APPLICATION PROCEDURES AND APPROVAL PROCESS**

**A. Discussion of Requirements**

Prior to submitting an application, the applicant shall discuss the program with the Administrator. The Administrator shall assist the applicant, as is reasonably necessary, in completing the application. All financial information should be kept in a secured place with limited access by authorized personnel only. All applications and their contents will remain confidential to the extent allowable by law.

**B. Timing**

Applications may be submitted at any time during the calendar year.

**C. Priority**

Applications shall be reviewed in the order received. In the event that fund requests exceed available funds, the following criteria will be used to determine which business or businesses will be awarded the loan(s):

1. Eligibility of the applicants.
2. Eligibility of the project to be undertaken.
3. The extent to which private funds are to be leveraged.
4. The extent to which jobs are created.
5. The extent to which the loan can be secured.
6. Evidence of ability to repay the loan.
7. Size of the loan requested.
8. Timing of the proposed expenditures.
9. Completeness of application.
10. The priority objectives stated at Section I.B.
11. Other factors as deemed appropriate.

**D. Loan Application**

Applicants shall submit an application using the form available from the CRLF Program and that includes the following:

1. Applicant (business, municipality or not-for-profit) Description. A written description of the applicant, including the following:
  - a. A brief history of the existing or proposed business, development or project, including when it started or is to start, type of operation, legal structure, markets, and products.
  - b. Key customers and clients.
  - c. A personal resume of each principal associated with the business or not-for-profit, including number of years of experience in the business, educational background and role in the proposed or existing business (not required for municipalities).
  - d. Three years of financial history (if applicable) including balance sheets, profit/loss statements, cash flow statements and accountant notes. Financial statements should be reviewed or audited in accordance with generally accepted accounting principles by an independent accountant and including balance sheets, profit/loss statements and accountant notes (not required for municipalities).
2. Project Description. A description of how the applicant plans to use the requested funds.
3. Commitments from Private Lenders. This consists of commitments from all private lenders making loans to the project. Lender commitment letters should include:
  - a. Description of the type of loan being made by the lender (first mortgage, permanent financing, construction financing, etc.)
  - b. The amount of the loan, interest rate, term, and security, availability, and repayment schedule and amounts.

These commitments shall be obtained concurrently with the negotiation of the terms and conditions of the CRLF Program loan to insure that Dane County's interests are secured.
4. Projections. Provide a balance sheet, income statement and cash flow statement. These should cover a three-year period and should be based on the assumption that the business will receive the requested loan.
5. Job Creation or Retention. A listing of the total number of new jobs to be created (excluding jobs that are relocating from another location in Dane County), or existing jobs to be retained, by job title or category. For each job title or category, a listing of:

- a. Number of permanent full-time equivalent positions
  - b. Pay levels or ranges; and
  - c. Benefits available
  - d. A projection of when new jobs to be created will be filled; and
  - e. If jobs are to be retained, a letter stating that without RLF assistance, the
  - f. business would close.
6. When the project is a real estate development project the letter must include:
- a. Evidence of site control including a complete legal description of the property. If site control has not yet been obtained, indications of commitment and expected date of control should be submitted.
  - b. At least four (4) photographs of the site and adjacent land uses from all directions, including applicable street views.
7. Additional Information. The Loan Review Committee, or the Administrator may require additional information.

**E. Review Process**

Specific steps in the review process include the following:

1. Preliminary Review. The Administrator will review the application for completeness and verify that the proposed project meets the minimum requirements provided in Section III.E. If the application is not complete, The Administrator will inform the applicant of the deficiencies.
2. Formal Review. The Loan Review Committee will formally review the application and staff funding recommendation within 30 days of receipt of a completed application or at some other predetermined schedule. The Committee will recommend loan approval, denial, or postponement of approval until certain specified requirements are met. The Loan Review Committee will forward approved loan requests to the Dane County Board of Supervisors for approval.
3. Negotiation of Terms. Upon introduction of a resolution to approve the loan application by the Dane County Board of Supervisors, the Administrator will contact the business in writing to review and explain the terms of the loan.
4. Notice of Award. If the County Board approves the application, arrangements will be made to execute the necessary loan documents.
5. Rejection of Award. If the application is not recommended for approval by the Loan Review Committee, or is not approved by the County Board, the Administrator will send a letter to the applicant stating the reasons for

rejection and offer to meet with the applicant to explore ways to strengthen the loan request or to identify alternative funding sources.

## **VI. DISTRIBUTION OF FUNDS**

### **A. Loan Procedures**

Prior to releasing funds, the following documentation must be in place or provided at the appropriate time during the term of the loan.

1. Notice of Award. The Loan Committee must have reviewed and approved a complete application for an eligible applicant.
2. Loan Agreement. The Dane County Corporation Counsel shall prepare or approve a loan agreement which shall be executed by the Dane County Executive, County Clerk and the Chief Executive Officer of the applicant.
3. Promissory Note. A promissory note shall be prepared or approved by the Dane County Corporation Counsel and signed by the Chief Elected or Executive Officer at the time of closing. The note must be dated; it must reference the agreement between Dane County and the applicant; and, it must specify the amount and terms of the loan funds delivered.
4. Security. Mortgage or lien instruments or personal guarantees provided as security for all loans shall be prepared or approved by the County Corporation Counsel and executed at the time of the loan closing. The Corporation Counsel or Administrator shall record the instrument and place a copy in the project file to include sufficient number of the following documents to provide adequate loan security:
  - a. Mortgage and/or security instrument.
  - b. UCC searches and filing.
  - c. Guarantee agreement.
  - d. Title insurance or Abstract.
  - e. Assignment of Life Insurance.
  - f. Casualty Insurance binder.
  - g. Personal guarantee.
  - h. Other documentation as may be appropriate.

5. Repayment Schedule. The Administrator shall prepare a loan repayment or amortization schedule after the loan proceeds are fully disbursed. The repayment schedule shall be dated and signed by both the County Executive and the Chief Elected or Executive Officer of the applicant. At that time, the repayment schedule shall be attached to both parties' copies of the agreement.
6. Evidence of Permits, etc. Documentation must be provided by the applicant that all necessary permits, licenses, and any other registrations required have been obtained by the applicant within 30 days of the release of program funds.
7. Evidence of Program Expenditures. Documentation must be provided by the applicant to evidence program expenditures within 30 days of the release of funds. Documentation shall include bills and invoices or receipts for materials, final bills of sale or canceled checks. The Administrator shall review all documentation.
8. Fixed Equipment. Fixed equipment financed with program funds must have been purchased, delivered, and installed within 30 days of the release of funds. The Administrator shall verify the installation of fixed equipment.
9. Other Documentation.  
As appropriate or necessary, the borrower may be asked to provide the following:
  - a. A certificate of status from the Secretary of State or Department of Financial Institutions.
  - b. The Articles of Incorporation and By-Laws.
  - c. A resolution or agreement to borrow funds.
  - d. Current financial statements.
  - e. Evidence of having secured other funds necessary for the project.
  - f. An Environmental Assessment that may either be a Phase I, II, or III analysis, depending on the environmental condition of the site.

## **VII. POST APPROVAL REQUIREMENTS**

### **A. Loan Procedures**

In addition to the terms and conditions of the loan, all borrowers shall agree to comply with the following:

1. The creation or retention of the agreed upon number of jobs within 24 months of the date of the execution of the loan agreement with Dane County.
2. Not to discriminate on the basis of age, race, religion, color, handicap, sex, physical condition, development disability as defined in s. 51.01(5) of

Wisconsin State Statutes, sexual orientation or national origin in any employment or construction activity related to the use of the business loan funds.

3. To use the loan money only to pay the cost of services and materials necessary to complete the project or activity for which the loan funds were awarded.
4. To permit inspections by persons authorized by Dane County of all projects and properties assisted with loan funds. Related project materials shall also be open to inspections, which include, but may not be limited to, contracts, materials, equipment, payrolls, and conditions of employment. The borrower shall comply with requests for inspection.
5. To maintain records on the project as may be requested by Dane County. These files shall be maintained for at least three (3) years after the completion of the work for which the loan has been obtained.
6. To submit periodic progress reports to the Administrator in accordance with the schedule in the loan agreement. These reports shall report on project progress including, for CDBG funded loans, number of jobs created or retained during the loan agreement.
7. To maintain fire and extended coverage insurance on the project property required during the term of the loan. Dane County shall be listed as Loss Payee, Mortgagee, or “additional” insured on the policy. Term life insurance may be required of the applicant to cover the loan balance through the life of the loan.
8. To abide by all federal laws, when applicable. For CDBG funded loans these include but may not be limited to: The Civil Rights Act of 1964; the Age Discrimination Act of 1975; the Davis-Bacon Act, as amended; the Contract Work Hours and Safety Standards Act; the Copeland “Anti-Kickback” Act; and, all regulations pursuant to these Acts.

**B. Performance Monitoring**

1. Private Leverage Commitments: The Administrator shall monitor the use of the funds and expenditure of private leverage commitments. Documentation may include invoices or receipts for materials and supplies, letters from lenders, final bills of sale, and canceled checks.
2. Hiring of New Employees: The Administrator shall monitor the borrower's progress in meeting agreed upon job creation or retention goals. Job creation must be documented using payroll records. The borrower to document job creation should provide before-project and after-project

payroll records. Failure of the business to provide the targeted number of LMI level jobs may be a condition for default, unless the business can show it made a good faith effort to create the targeted number of LMI jobs but did not succeed due to reasons beyond its control.

3. Default: In the event the business is in default on any of the terms and conditions of the loan agreement, all sums due and owing, including penalties, shall, at the Dane County's option, become immediately due and payable. To exercise this option, the Dane County's attorney shall prepare a written notice to the business. The notice shall specify the following:
  - a. The default.
  - b. The action required to cure the default.
  - c. A date, not less than thirty (30) days from the date of the notice, by which the default must be cured to avoid foreclosure or other collective action.
  - d. Any penalties incurred as a result of the default, jobs, etc.

#### **C. Late Fees**

A late payment penalty in the amount of \$200 for any portion of the monthly payment which is more than 15 days due from the due date may be assessed and payable on the 16<sup>th</sup> day after the applicable monthly due date. The same process used to collect the monthly payment will be used to collect any late fees.

### **VIII. USE OF LOAN REPAYMENTS AND REPORTING**

Repaid loans shall be re-deposited into a Revolving Loan Fund account and used in a manner consistent with the policies and procedures manual. A separate accounting record for each loan shall be kept to account for all funds loaned. The RLF account shall be audited on an annual basis and the Administrator shall provide semi-annual reports to Commerce, June 30 and December 31, regarding the use of program income. Reports shall be submitted on forms prescribed by the Commerce.

### **IX. RECORD KEEPING AND LOAN SERVICING**

#### **A. Monitoring**

The Administrator shall monitor each loan to ensure compliance with the loan terms and conditions and to monitor the financial health of the business to insure continued repayment of the loan. The monitoring will also ensure that all recordkeeping requirements are met particularly in regard to job creation and expenditures of matching funds.

A loan servicing file shall be established and maintained for each loan recipient that includes all written correspondence; a record of important telephone

conversations; a list of applicable loan covenants; certificates of insurance for builder's risk, property casualty, and life insurance, as applicable; and documentation for job creation and retention including low and moderate income certifications forms.

**B. Recordkeeping**

The following files shall be established and maintained for each loan recipient:

Loan Application and Closing Files:

1. Loan Application File: All application, business financial statements, personal financial statements, credit reports, business plan documents, and other supporting loan information submitted to the Dane County, including all applicable correspondence, shall be placed in a permanent file.
2. Loan Recommendation File: This file should contain a summary of the analysis, recommended actions for the application, and a copy of the minutes for the Loan Review Committee meeting summarizing the action taken on the loan request.
3. Loan Closing File: This file contains copies of all loan-closing documents. This file contains all the legal documents from the loan closing, including security instruments, the note and other applicable correspondence. The Dane County Corporation Counsel should be involved in helping create and complete this file to insure complete loan documentation. Copies of the loan closing documents and an amortization schedule will be provided to the loan recipient, along with an invoice, if applicable, for loan closing and servicing fees.

Loan Monitoring Files:

4. "Tickler File" System: A tickler file system should be established and maintained to ensure that loan repayments, financial information, the loan agreement, UCC updates, and other time sensitive documentation requirements are tracked and obtained as required. The system should include the following monthly coded index files:
  - a. Expiration dates for property, casualty and life insurance policies;
  - b. Due dates for all financial statements;
  - c. Expiration dates for UCC financing statements, the reminder to update being at least 45 days prior to the expiration of the UCC filing on hand;
  - d. Scheduled dates of annual loan performance and covenant reviews;
  - e. Dates for site visits;
  - f. Due dates for property tax payments and dates by which the Dane

- County expects to hear from the borrower regarding confirmation of payment of taxes;
- g. Review dates for job monitoring; and
  - h. Dates on which loan recipients will be notified of scheduled changes in the loan amortization scheduled per loan agreements.
5. Financial Statement File: This file should contain the business' periodic financial statements as required by the loan covenants with a statement indicating that the RLF administrator reviewed the data.
  6. Progress Report File: Loan recipients should be required to submit periodic progress reports during the outstanding term of the loan. The Dane County should make periodic site visits to verify information in the progress report and financial statements. These site visits should be documented for the file.
  7. Site Visit File: Site visits should be conducted periodically to each loan recipient, the scheduling of which depends on the nature of the project. A summary of the site visits should be placed in the file, particularly highlighting any information that can help in rating the overall condition/risk of the loan.
  8. Repayment Monitoring File: This file should include the loan amortization schedule, status of payments, and the outstanding balance of the loan. Observations suggesting concerns or problems should be reported to the appropriate Dane County staff or officials, and notations shall be placed in the tickler file to remind the Administrator of the need to provide continued monitoring. Dane County will notify the loan recipient in writing of the deficiency and the action that will be taken should the payment not be made. Should there be a late payment, the Dane County will contact the loan recipient to determine the reason for the delayed payment. Contact may need to be made with other participating lender(s) to determine if their loans are current and to alert the lender of a potential problem. All payments shall be applied first to accrued late payment penalties, then to interest accrued and then to principal.
  9. Loan Review File: All loans are to be reviewed on an annual basis, and at such other times as may be deemed necessary by the Dane County. The review should follow receipt of the fiscal year-end financial statements, the year-end progress reports, and site visits. A report on the loan review shall be in the file and address the following: timeliness of monthly payments; condition of collateral securing the loan; status of security documents (i.e. mortgages, UCC filings); overall financial condition of the business; the presence of material liens or lawsuits; and violations of loan covenants and suggested corrective actions.

If the business is experiencing problems with any of the above criteria, the RLF Administrator is to work with the loan recipient to identify actions that are needed to correct the identified deficiencies, including possible restructuring of the loan to protect the Dane County's interest and meet the needs of the business. If appropriate, the Administrator will arrange for business assistance, including services available through the University of Wisconsin-Extension, Small Business Development Center (SBDC), the Service Corp of Retired Executives (SCORE), and other entities having an interest in serving the needs of businesses.

In the event the findings of the loan review suggest serious problems, particularly if the loan is at risk for default, the account should be turned over to the Dane County corporation counsel for legal action in order to initiate steps necessary to protect the loan and to insure the maximum repayment of the balance due. Again, corrective actions may be achieved through restructuring or if necessary, foreclosure actions.

#### Loan Servicing Files:

10. Loan Financial Records: For each loan, a separate loan receivable spreadsheet should be established to track that loan. The spreadsheet should show the detailed amortization schedule for the loan payments. When the loan is made, a copy of this amortization schedule should be forwarded to the Controller's Office so that the loan receivable can be setup in the county's general ledger.

When loan payments are received, the date of receipt and the Dane County cash receipt number should be noted on the amortization spreadsheet for each loan. If the loan payment is made by check, the payer's check number should also be recorded on the spreadsheet. Based on the amortization schedule, the Community Development Office will complete a remittance advice. The advice will record the amount of the payment applied to principal on the loan and the amount applied to interest. The principal portion of the payment will be coded to the loan receivable account for that loan. The interest portion will be recorded to appropriate revenue account.

**CRLF Program Income Spreadsheet-**This spreadsheet will be used to track program income for the CRLF program. Whenever a payment is received from one of the borrowers, the following information should be recorded in the spreadsheet.

- a. Date of Receipt
- b. Payer's Check number
- c. DC Cash Receipt number
- d. Name of Borrower
- e. Amount Received
- f. Amount allocated to Interest

g. Amount allocated to Principal

The data in this spreadsheet will be used for input into the HUD Integrated Disbursement and Information System (IDIS) of the amount of CRLF program income received. The amounts should be reported to HUD via IDIS no less than once each quarter.

## **Glossary of Terms**

### **1. Current Business Plan**

A current business plan is a written document prepared within the past 12 months that provides information concerning a new business or a planned business expansion. The following subjects should be included in the plan: primary business objective, type of business, stage of business development, business market benefit, type of industry, status of industry, regulation of industry, location of business operation, distribution channel of product or service, legal organization structure, business ownership, business management, business marketing strategy, business financing strategy, capital projections, financial projections and existing business agreements.

### **2 Sources and Uses Statement**

A Sources and Uses Statement is a statement listing all the sources of capital to be applied to the revitalization activity and citing the types of uses and their amounts for each of the Sources. The dollar total of sources and uses should be identical, and match the capital needs for the business described in the project strategy section of the application.

### **3. Assets and Liabilities Statement**

A balance sheet listing the assets and liabilities of a business and showing the resulting net worth constitutes an assets and liabilities statement. The balance sheet should be for a point in time as close to the date of submission of the application as possible. For a new business with no financial history, a statement summarizing the projection of a balance sheet for a date immediately following receipt of CCRLF financing should be included in an application and titled "Projected Balance Sheet".

### **4. Profit and Loss Statement**

An income statement showing revenue, cost of goods sold and operating expenses is a profit and loss statement. The time period for this statement should be one representative of a recent and typical period for an existing business. This statement should be included in an application even though the planned expansion may involve a new product line.

### **5. Cash Flow or Operating Statement**

A "Statement of Changes in Financial Position - Cash Basis" is a cash flow or operating statement. It should disclose the changes in net working capital for the most recent year prior to submission of an application.

### **6. 3-Year Operating Pro Forma**

An income statement for each of the succeeding three years based upon projections made with specified assumptions is a three-year operating pro forma. One might prepare "best case" and "worse case" pro formas, assuming high and low net income figures.