

Town of East Montpelier Revolving Loan Fund Policies and Procedures

Purpose

The purpose of the East Montpelier Revolving Loan Fund (RLF) is to benefit the community of East Montpelier Vermont. The fund will provide loans and, in some limited cases grants, that increase economic activity and enhance the quality of life in the community. The specific uses of funds may include, but not be limited to, the implementation, management and administration of loan activities involving affordable housing, small business development, job creation and retention, infrastructure improvements to support community and economic development, and any other allowable legal activities in accordance with the Closeout Agreement.

The two main areas of focus for the use of funds will be affordable housing, including reducing energy consumption with emphasis on energy conservation; and economic development. Uses may include but are not limited to reconstruction, rehabilitation, renovations, demolition, acquisition, and energy conservation. Health and safety matters may take precedence. Financial support for new construction, and down payments toward home ownership are eligible uses. Economic activities may include (but not be limited to) loans for micro- and small-business development start-ups or expansion; and any other allowable legal activities in accordance with the Closeout Agreement. Primary beneficiaries will continue to be low and moderate income residents of the Town of East Montpelier.

Operational Structure

The fund shall be administered by the East Montpelier Revolving Loan Advisory Committee, (RLAC). The committee shall be appointed by the town Selectboard and shall consist of a minimum of five and maximum of nine community members. The Selectboard shall endeavor to provide diverse experiential backgrounds including socioeconomic, banking, legal, finance, and real estate when

appointing committee members. Loans/Grants shall be recommended for approval by a two-thirds vote of the RLAC. This is an advisory committee and all loans/grants are subject to the East Montpelier Selectboard's final approval. The committee and Selectboard will follow the conflict of interest policy of the Town of East Montpelier. Any appeals will follow the process outlined in this document.

Eligibility

All residents and non-resident real estate owners, non-profit entities, and for profit entities are eligible to apply for loans/grants. The purpose of the loans must conform to the purpose of the Revolving Loan Fund. Business entities, both non-profit and for profit, will submit a business or project plan along with all other required documents.

Entities who are delinquent with property taxes, (or fees) to the Town of East Montpelier are not eligible until all delinquencies are paid or have an approved repayment plan in place and current.

Speculative real estate development is not an eligible activity.

All loans are subject to any government (state, federal or local) guidelines and regulations regarding monies available. The use of Program Income shall be subject to all requirements governing the use of Vermont Community Development Program (VCDP) funds, and the Closeout Agreement, including those set forth in the Federal Act and Federal Regulations.

Loan Application Process

The applicants will be required to complete the Town of East Montpelier RLF loan application and any associated documents. There will be a non-refundable \$30.00 processing fee due at the submission of the loan application packet.

RLAC will begin the evaluation upon receipt of the completed application packet and processing fee. Where appropriate, RLAC will utilize outside services to facilitate the processing. The advisory committee will recommend action to the Selectboard and notify the applicant in writing of their recommendation. The

Selectboard will consider recommendations from RLAC as needed. Qualified applications will be evaluated based on eligibility and other criteria as established by RLAC Priorities.

A committee member or outside professional will serve as underwriter and prepare any and all loan/grant documents and agreements.

Loan terms are at the discretion of RLAC but based on the following guidelines:

- Commercial equipment/facilities improvements 5-7 years
- Affordable housing 20-25 years
- Other 1-5 years

Interest rates will not exceed the current yield for a 10-year US Treasury Note, and will be fixed.

Loans shall be collateralized and may be subordinated.

Proper insurance indemnifying the town's interest must be maintained for the life of the loan/grant or until it is paid in full.

All fees, legal documents and required permits are the responsibility of the borrower but may be included in the loan amount.

All payments including principal and interest shall be made to the town and loans are assignable to outside vendors at the town's discretion. There is no penalty for prepayment.

Closing Process At the discretion of the RLAC, the RLAC, its Administrator or an attorney, will see that all documentation is prepared. The Chairman of the Selectboard or designee will represent the Town and its RLF at closing and will be authorized to sign all necessary documents.

The Selectboard will approve the disbursement of loan funds, which will be performed in accordance with the terms of a Loan Agreement.

Servicing As may be required in a Loan Agreement, a borrower will submit to RLAC financial statements, documentation of employment or other information relevant to the evaluation of the committee.

Default In the event of default of payment or any other conditions of a Loan Agreement, the Town of East Montpelier reserves the right to foreclose on the loan and the balance of principal and accrued interest will become due and payable.

Appeal Process

The applicant may appeal any negative decision from RLAC and make adjustments to documentation when applicable.

The RLAC should notify the applicant within 5 calendar days of the meeting of their recommendation and reasons for it.

If an applicant disagrees with a decision of the RLAC the following procedures shall be followed:

- a. The applicant shall contact the RLAC Chair to resubmit an application, which responds to the reasons for denial in the first application.
- b. There will be a time limit for response period from applicant of 10-15 days in the event of denial recommendation. This way, the applicant can decide to present new information to the RLAC or to show up at the Selectboard meeting and plead their case. Putting a time limit on that should let the RLAC meet again to discuss new information and see if they want to change their recommendation before the SB meeting.
- c. If a loan is denied by the Selectboard, the applicant may submit a new application within six months without paying an additional application fee. It can be for the same project but it must contain new information. The same application that was denied cannot be re-submitted.

Policies Document Amendment Process

This document will be reviewed by the RLAC every two years. Amendments shall be approved by a two-thirds vote of the committee and must be approved by the Selectboard.

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