

TOWN OF HARTFORD
BUSINESS REVOLVING LOAN FUND GUIDELINES
(as amended May 12, 2015)

A. Loan Committee Structure

1. Membership

The Hartford Business Revolving Loan Fund (HBRLF) Committee shall be comprised of five members, appointed by the Hartford Selectboard. Eligible for membership on the HBRLF Committee will be Town of Hartford residents, business owners, those who are employed in the Town or otherwise having business interest within the Town of Hartford.

2. Chairperson and Other Officers

The HBRLF Committee shall appoint one member of the Committee to serve as Chairperson. In December of each year, the Committee shall have the opportunity to review that appointment. The members of the HBRLF committee shall also elect a Vice-Chair from among their members, to serve in the absence of the Chairperson. In addition to the five voting members of the HBRLF Committee, the Town of Hartford Planning and Development Director shall serve as staff to the Committee.

3. Terms of Member Replacement

The initial membership of the HBRLF Committee will be appointed on the following schedule: one for one year, one for two years, one for three years, one for four years, and one for five years. All new members shall be appointed for three-year terms and confirmed by the Selectboard in March.

In the event that a member is unable to serve a full term, the Selectmen shall appoint someone to serve the unexpired portion of that term.

4. Authority

The HBRLF Committee has the authority, within these policies, to act on all applications for loans from eligible applicants. Final loan approval may result only from a written application, recommendation for approval by the HBRLF Committee, and subsequent approval by the Hartford Selectboard.

5. Voting

Applications for loans shall be recommended for approval by at least a majority of the members of the Loan Committee, except that in no case may such an application be recommended for approval by fewer than three affirmative votes. The votes of the HBRLF Committee members shall be recorded and reported to the Selectboard.

6. Quorum

A quorum for the Loan Committee shall be three (3) members.

B. Revolving Loan Fund

1. Purpose

The Hartford Business Revolving Loan Fund will be used principally to provide loans that will assist Town of Hartford businesses to create or retain employment in Hartford. Loans under this program will be made to enhance the economic vitality and stability of the community, and economic development opportunities in the Town. Under special circumstances where a project will broadly stimulate economic development activities in the Town, the Selectboard may approve the use of funds directly by the Town, or as a grant for a private sector development.

The intent of the Loan Fund is to compliment and support the activity of lending institutions; therefore, loan requests that leverage other funds will be given priority. Applications will not be considered unless applicant has previously sought other financing.

2. Borrower Eligibility

The applicant must demonstrate to the HBRLF Committee's satisfaction a commitment, intent, and ability to repay the loan.

The borrower must operate a business in Hartford and propose to use the borrowed funds for the portion of the business in Hartford; or the borrower must show that Hartford residents will be the primary beneficiaries of the loan.

The borrower must be current on Hartford taxes and have a satisfactory credit history.

3. Eligible Activities

The HBRLF will be used for any legitimate business need, including the revitalization of the White River Junction downtown area.

4. Security

Security on loans will be determined by the HBRLF Committee on a case-by-case basis. Need for co-signers, and other specific security arrangements may be made as a condition of recommending loan approval by the HBRLF Committee. Personal guarantee of loans is required by all business owners having 20% or greater interest in the business.

5. Types of Loans

The HBRLF Committee shall consider, but not be limited to fully amortized loans, with the interest rate set at one hundred percent of the prevailing Wall Street prime rate plus 3 % (to be

set on the date that the HBRLF Committee approves the loan). Normal loan terms will be for up to five years with no term greater than 10 years. This may be modified for real estate secured loans, where longer terms may be considered. Interest rates will be fixed for the term of the loan. Under special circumstances where a project will broadly stimulate economic development activities in the Town, the Selectboard also may approve a reduction in the interest rate and/or the terms of the loan

6. Funding Limits

No limit is set on the amount of funds sought by the applicant. The HBRLF Committee may recommend funding at or below the amount requested, at its discretion.

7. Restrictions

Sale or transfer of controlling interest in the business without the expressed written consent of the Town will trigger immediate repayment of the loan. Moving the business so that it no longer conforms with the permitted purposes as stated in Section B (1) of this document, without the expressed written consent of the Town will also trigger immediate repayment of the loan. Providing neither of the above has occurred, the HBRLF Committee will consider extending a loan upon written request and a current business plan.

C. Loan Application Procedure

1. Loan Application

All loan requests must be accompanied by the HBRLF application form, and the items below. The form will require the applicant to disclose a personal financial statement, and authorize a review of the applicant's credit standing. A credit report will be obtained.

There will be an application fee payable to the Town of Hartford at the time of application submittal. The fee is non-refundable and covers the cost of the credit report and processing.

The application must include the following items:

a. Project Description: Describe the purposes for which the loan will be used; the total project cost and other sources of funding; the amount of the loan requested.

b. Business Plan: Describe short and long-term goals of the business. Include information that describes the business environment, size and character of the market, major competitors, major customers, uniqueness of product or service, special skill of borrower, general marketing and production plan, location, key personnel and management plan.

c. Financial Information: Financial and income tax statements for three years past and projections for two years forward.

d. List of Equipment: Land, buildings, etc. to be purchased.

e. Detail of the Number of Jobs: To be created or retained, and a statement of benefit to the Town.

The HBRLF Committee may waive specific components of the written request for projects under \$5,000, upon request of the applicant.

In addition, the applicant may be required to meet with a Business Development Specialist to review the submitted application materials. The Development Specialist's written evaluation/analysis will be included in the application materials sent to the HBRLF Committee.

2. Underwriting Requirements

The following types of insurance may be required from the borrowers, depending on the Town's insurable interest:

a. Homeowner's or Property/Casualty insurance sufficient to cover the amount of all mortgages and liens including the Town of Hartford loan.

b. Flood Hazard Insurance will be required for all loans made for improvements of properties existing within the standard intermediate flood plain (100 year flood plain), at least in the amount of the loan made by the HBRLF Committee. The Committee will require flood insurance for the amount of all mortgages, up to the maximum insurable value under the National Flood Insurance Program.

c. Business Liability Insurance may be required by any recipient of loan funds.

d. Keyman life insurance may be required on the principals in the amount of the loan naming the Town of Hartford as beneficiary and assignee.

For all insurance on the property, notification shall be sent to the insurance carrier to add the Town of Hartford as a loss payee. Subsequent yearly notification of continued coverage must be sent to the Town.

3. Loan Application Decisions

All applications will be reviewed and decided upon by the Loan Committee on a case-by case basis. The HBRLF Committee will reach one of three decisions within 30 days:

a. Recommended for Approval – subject to the HBRLF Committee's terms and conditions, the Committee is recommending the loan to the Selectboard for approval.

b. Tabled – for more information, at which time the HBRLF staff person will set up an appointment to obtain this information.

c. Declined – at which time the HBRLF Chairperson will send out the appropriate letter informing the applicant that their request was turned down and for what reasons.

Based on any one of the three decisions, a letter must be sent to the applicant within ten days after HBRLF Committee meets.

4. Loan Closing and Documentation

The Town of Hartford will contract with a local financial institution or other responsible agent to initiate and conduct closings. The Town shall provide the bank with the necessary documents and information, including the loan amount approved, required collateral, and any terms and conditions. The bank or HBRLF staff person shall contact the applicant and arrange for closing.

All closings costs, including but not limited to prepaid interest, title search, appraisal, recording, uniform commercial code (UCC) preparation and filing, legal opinions, security documents, and other miscellaneous costs will be the financial responsibility of the applicant, and may be included in the loan amount. The applicant, regardless of the final disposition of the request for funds, will pay the non-reimbursable application fee.

5. Loan Payment

Loan payments shall be made directly to the Town of Hartford or its designated agent. Loans will regularly be paid back in monthly installments of principal and interest, unless prior arrangements are made before loan closing.

6. Financial Reporting

All loan recipients must provide annual financial statements to the Town of Hartford as a condition of approval.

D. Loan Servicing

1. General Procedures

Loan payments shall be due every month at the financial institution servicing loans for the Town of Hartford. A late charge of 5% may be assessed for any late payment of 10 days or more. Loans may be prepaid at any time without penalty. The Town of Hartford will negotiate with the financial institution of its choice regarding servicing costs and servicing procedures.

2. Reports

The status of each outstanding loan shall be monitored by the Town or its agent.

3. Review

The Hartford Selectboard shall review these policies and make changes as needed to meet Town needs.

4. Delinquent Accounts

A loan shall be considered delinquent and collection efforts instituted by the Agent/Town for any loan delinquent for thirty (30) days or more.

5. Collection and Foreclosure

The Hartford Revolving Loan Fund Committee has the authority to settle and compromise on outstanding loans and to proceed against debtors in small claims court for amounts up to the maximum allowed by state statute.

The Committee is further authorized to settle and compromise on outstanding loans, proceed against debtors on claims not eligible for small claims court, and expend funds up to \$2,500. All expenditures over this amount are to be reviewed by the Selectboard prior to further expenditure.

Foreclosure may be considered for but is not limited to the following circumstances:

- a. Abandonment of the property;
- b. Refusal to pay note;
- c. Sale of mortgaged property if loan assumption is not approved by the Town;
- d. Death of borrower and the estate does not pay the note;
- e. When a first mortgage holder threatens foreclosure and the Town of Hartford holds second or third mortgage.

Foreclosure proceedings will be governed by applicable State Statutes.

6. Loan Restructuring

Recasting of loans shall be considered when the borrower's financial situation has changed significantly since the closing of the loan. The decision regarding any loan restructuring must be approved by the HBRLF Committee. Any restructuring of loans resulting in reducing the overall debt must be approved by the Hartford Selectboard.

7. Bad Debts

Any loan which has a remaining balance after liquidation of collateral will be pursued through reasonable post collection procedures.

8. Non-discrimination

In accordance with the provisions of the Equal Opportunity and Employment Act, the HBRLF Committee may not discriminate in its lending practices on the basis of race, color, religion, sex, national origin, age, marital status, sexual orientation or physical or mental handicap.

9. Confidentiality

All HBRLF Committee meetings to consider loan requests shall be held in Executive Session.

Disclosure of any information relating to an application, to transactions by, and decisions of the HBRLF Committee shall remain confidential, except that for any loan recommended for approval, the amount, borrower, rate and term may be disclosed.

E. Government Programs and Other Funding Sources

The HBRLF Committee, Town and Town's agent will adhere to all applicable requirements associated with the original source of the funds.

F. Appeals

1. When Applicant Disagrees with the HBRLF Committee's Decision

When an applicant disagrees with a decision of the HBRLF Committee, the following procedures shall be followed:

- a. The applicant shall contact the HBRLF chairperson and request a personal appearance before the HBRLF Committee for the purpose of appealing its decision;
- b. The HBRLF Committee shall meet to hear the appeal as the first order of business at its next regularly scheduled HBRLF Committee meeting or specially convened meeting.
- c. The decision of the HBRLF Committee shall be final.

G. Conflict of Interest

Members of the HBRLF Committee (and any others as dictated by CDBG or Special Purpose regulations) shall be ineligible to apply for revolving loan funds for as long as they are members. The Conflict of Interest provision applies to procurement of supplies, equipment, construction, and services by the Applicant, all members of the Legislative Bodies, officers or employees of the Town, or their designees, or other persons who exercise any functions or responsibilities with respect to the application. Officers and employees shall not participate in any decision concerning matters in which they have a financial interest. Conflicts and the appearance of

conflicts of interest shall be avoided in order to assure public confidence in the operation of the HBRLF.

H. Amendments

Amendments may be proposed at any time by the HBRLF Committee, and recommended by a majority vote to the Hartford Selectboard for approval. Amendments will be approved by a majority of the Selectboard.

Amended and accepted this _____ day of _____, 2015 by the Selectboard

Chair

Vice-Chair

Clerk

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Amended and accepted this 12 day of May, 2015 by the Selectboard

Chris Swan
Chair

Vice-Chair

Sandra Mowbray
Clerk

Alex D. DeLia

Steve Dennis

Robert [Signature]

[Signature]