

VILLAGE OF MIDDLEFIELD LOCAL REVOLVING LOAN FUND PROGRAM

1. Program Summary

The Village of Middlefield Local Revolving Loan Fund is a program whereby local specified village funds are loaned for the purpose of economic development, including financial assistance for permanent public improvements, in compliance with applicable laws of the State of Ohio.

This program administered by the Village Fiscal Officer will provide direct loans to qualified applicants with fixed charges at below prevailing interest rates.

A revolving loan fund is one that continually uses principal and interest received from outstanding loans to replenish the fund and to allow loans to be made to other eligible borrowers.

All loan applications shall be subject to review by a Local Revolving Loan Fund Committee.

2. Goals and Objectives

The local revolving loan fund program will consider projects, which include but are not limited to, the expansion of existing or new businesses that will create or preserve jobs and employment opportunities in the village.

Although each proposed project shall be considered individually on its merits, overall impact to the village may be measured by: job creation, tax base creation, removal of blighting influences, the potential for spin-off industries, the redevelopment of existing vacant facilities, the use of new technologies with an emphasis on growth industries, and/or the diversification of continued village funding.

Standards for the Local Revolving Loan Fund Portfolio

FINANCING THRESHOLDS

Borrower and project financial thresholds for Local Revolving Loan Fund lending are as follows:

1. Each dollar must leverage at least one dollar of other public or private investment (including equity and contributed equity) in the project fixed asset costs; Local Revolving Loan Fund cannot be more than 40% of the fixed asset project costs;
2. The owner/developer must invest at least five percent in cash equity toward the project fixed asset costs.

Eligible Activities

MAXIMUM LOAN AMOUNT

The maximum loan amount will be determined by the amount of loan funds available at the time of the loan approval, subject to Financing Thresholds set forth in section 1 listed above.

ADDITIONAL LOANS TO LOCAL REVOLVING LOAN FUND BORROWERS

For a business, which has an open Local Revolving Loan Fund loan, to obtain additional loans, it must have successfully completed the initial project and demonstrated compliance with all other terms of the agreement.

LOAN USES

Local Revolving Loan Fund proceeds may be used to construct, expand or convert facilities and to acquire land, building, machinery, equipment or other fixed asset financing for economic development purposes. Borrowers with an existing operation should be an established concern with a minimum of three (3) years in operation. However, projects of merit submitted by a new company demonstrating a high probability of success will be considered for financing.

Borrowers must be the owners and operators of the facilities/properties. Funds cannot be used for speculative purposes.

Local Revolving Loan Fund monies cannot be used to transfer ownership through acquisition of fixed assets unless the transfer results in an expansion project. Refinancing of existing debts, non-economic development projects and training costs will not be considered as eligible uses for the Local Revolving Loan Fund.

The Local Revolving Loan Fund is not meant to be a substitute for private capital. The Loan Review Committee will request a letter from the lender verifying participation and confirming the amount of funds provided, type of collateral, interest rate and term of loan.

The use of these funds may require compliance with State of Ohio Prevailing Wage rates and labor standards, especially if the loan funds are being used for purposes of construction.

A) FINANCING POLICIES AVERAGE SIZE LOAN

Loan amounts will be available from a minimum of \$10,000. The maximum loan amount to a single borrower is within the sole discretion of the Village Council of the Village of Middlefield, and dependent upon the sum of Local Revolving Loan Funds dollars that are available at any given time.

B) TERM OF LOAN

Because of the nature of the Local Revolving Loan Fund, shorter terms are preferred. In most cases, a maximum term of twenty (20) years is available for purchase of land and buildings and a maximum of seven (7) years for machinery and equipment. The needs of the applicant, the availability of funds, and the terms of borrower's other obligations, are some of the factors that will be considered in establishing loan terms.

C) RATE OF INTEREST

Loans will be fixed at 50% to 75% of the current prime rate. Loans made for working capital will have a higher interest rate.

D) SPECIAL FINANCING TECHNIQUES

The Local Revolving Loan Fund offers subordinate financing to conventional loans, federal and state loans and county loans. The Local Revolving Loan Fund loan may be prepaid without penalty. The Local Revolving Loan Fund may offer an incentive to the borrower to accelerate repayment. The Local Revolving Loan Fund may also offer deferred repayment of the principal and interest depending upon the needs of the applicant.

E) LOAN SECURITY

One or more of the following instruments must secure the Local Revolving Loan Fund loan; mortgage, promissory note, lien, or a purchase money security interest. Businesses must have sufficient collateral to justify the loan. Personal guaranties, letters of credit and mortgages on personal residences may also be required.

F) PLANNED USE OF INTEREST AND FEES

All principal and interest payments and fees will be returned to the Local Revolving Loan Fund. Administration costs may be transferred from the Local Revolving Loan Fund program to an appropriate account for administrative purposes.

G) CREDIT WORTHINESS

The Local Revolving Loan Fund program can be a lending program for start-ups and expanding businesses. Businesses must have a good credit history and must show that the past earnings record and future prospects of the company indicate an ability to repay the loan and other debts out of profits.

H) LOAN SELECTION PRIORITIES

Priority will be given to expansion of existing Middlefield Village businesses, businesses relocating to Middlefield Village, and projects, which will have substantial economic development impact on the community.

I) APPROVAL AND DISBURSEMENT OF LOAN PROCESS

Local Revolving Loan Fund approval and disbursement will occur in the following manner:

- a) Receive recommendation to approve the loan from Local Revolving Loan Fund Committee.
- b) Receive Letter of Commitment from the Village Council.
- c) Receive signed Letter of Commitment from the applicant.
- d) Appropriate documents are submitted to Village Council.
- e) Disbursement of funds. Three-party check will be issued for purchase of real estate and machinery and equipment. Disbursement for other uses will be in a manner that perfects the Village's security position.

The Village Fiscal Officer shall keep accurate records showing that proper invoice or other evidence of the actual costs of the borrower's expenses were documented before disbursement of Local Revolving Loan Fund, funds and ensure that their disbursements are only for items approved under the agreement with the borrower.

J) LOAN COLLECTIONS

The Village of Middlefield will follow sound lending practices in dealing with delinquent and/or defaulted loans. Loans will not be carried for extended periods of time as delinquent to avoid the legal ramifications of defaults.

K) INTEREST ON IDLE LOCAL REVOLVING LOAN FUND CASH BALANCE

The Local Revolving Loan Fund cash balance shall be maintained in an interest bearing account created by the Village Fiscal Officer. This account shall draw interest at a market rate appropriate for a fund balance of its size (i.e. larger balances should generally command higher rates of return).

L) CHARGE-OFF POLICY

Before a defaulted loan may be charged-off by the village, each loan must be pursued to the maximum extent possible and subsequently declared as a defaulted loan by the Solicitor and the Village Council.

ADMINISTRATION ELEMENTS OF PLAN

The Village Fiscal Officer will administer the Local Revolving Loan Fund Program for the Village.

LOAN REVIEW COMMITTEE

The Local Revolving Loan Fund Review Committee shall be a seven member board shall consist of the Mayor, (2) Council Members, (1) member of the Economic Development Committee, the Solicitor, (2) Financial Advisors.

The Loan Review Committee thoroughly reviews all information submitted and obtained pertaining to the loan application. The committee recommends approval or disapproval of the loan along with the rate and term to the Village Council. The Village Council makes the final decision based on the recommendation of the Loan Review Committee.

STAFF CAPACITY

The Village Administrator is the first point of contact. If the project appears feasible, the business must complete an application, which is initially reviewed by the Village Administrator, the Mayor and the Fiscal Officer. A synopsis for the Local Revolving Loan Fund Review Committee is prepared, which then the board meets to discuss the project and to decide on a recommendation to the Village Council.

LOAN SERVICING

The loans are serviced by the Village Administrator and Fiscal Officer as detailed by the loan servicing agreement executed between the Village and the Applicant. Loans will be monitored according to conditions set forth in the Village's loan servicing letter.

ADMINISTRATIVE COSTS

The program receives its funding initially from the Village Council. When a loan is made, payment and fees are received and the loan fund is replenished. Account interest earned through the village treasury, interest earned on loans and loan fees are sources of funding to cover administrative costs for the program. All costs and all regulations concerning procurement and financial management shall be documented.

OTHER REQUIREMENTS

By adopting the Local Revolving Loan Fund plan and policy, the Village will insure that loans are made available on a non-discriminatory basis. No applicant may be denied a loan on the basis of race, color, national origin, religion, age, handicap or sex.