

Northfield Community Revolving Loan Fund (NCRLF)

Purpose

Northfield's revolving loan program is to support the development of small and emerging businesses in Northfield, Vermont. The Town recognizes that small and emerging businesses often struggle to obtain conventional financing and believes that a carefully managed revolving loan fund is an effective strategy that will cultivate job growth and catalyze the local business community.

History

On March 9, 2021, the Northfield Select Board approved a proposal to establish the Northfield Community Revolving Loan Fund. The municipal dollars that were initially transferred into this fund were subsequently leveraged in a \$20,000 Rural Business Development Grant request, which Northfield was awarded in September, 2021.

Objectives

- To support the establishment and growth of small and emerging businesses
- To increase good paying, high-quality, sustainable jobs
- To improve the quality of life and financial health of the community
- To protect architectural features, improve storefront facades, and revitalize streetscapes
- To benefit the environment through reduced waste and increased efficiencies
- To encourage sustainable and equitable growth that strives to overcome historical barriers
- To invest in a thriving community that radiates benefits both locally and regionally

Loan Committee Structure

NCRLF Committee members shall be appointed by the Northfield Select Board, with the Committee being composed of five members serving in staggered, two-year terms. The Committee will be responsible for reviewing applications, assessing applicant creditworthiness, providing technical assistance, and recommending an approval or denial of the loan request to the Select Board. The Committee serves an advisory role to the Select Board and has no authority to approve or deny applications.

Recommendations for loan applications shall be made by a majority of members of the Committee attending a meeting where a quorum is present. A quorum shall consist of a majority of the appointed members of the Committee.

The Committee shall provide the Select Board with a quarterly written report on all actions of the Committee during the quarter and on the status of all outstanding loans. The Select Board shall review these reports and make suggestions as needed to meet the needs of the Committee.

Eligibility Criteria

1. The Applicant must demonstrate a commitment, intent, and reasonable ability to repay the loan
 2. The Applicant must be a private business located in the Town of Northfield. If the Applicant has multiple locations, the borrowed funds must be used for the portion(s) of the business located in Northfield. A business shall mean a sole proprietorship, limited liability corporation, partnership, or corporation.
 3. The Applicant must be a small business with less than \$500,000 in projected gross revenues and employing 50 or fewer employees.
 4. The Applicant must be at least 51% owned by U.S. citizens or resident aliens.
 5. The Applicant shall provide an acknowledgement that access to alternative sources of financing is limited or unattainable. The Committee may require evidence that traditional bank financing is not available, or that the bank's conditions are overly onerous.
5. *A business is not eligible if it:*
- a. Is regularly cited by the Police Department for illegal activity
 - b. Operates without necessary Town or State permits
 - c. Is delinquent in tax payments, utility bills and Town service charges
 - d. Otherwise places unusually high demands on Town services

Eligible Uses

Eligible uses of the NCRLF include, but are not limited to:

1. Equipment
2. Exterior real property improvements
3. Interior permanent improvements
4. Working capital
5. Marketing, training, and technical assistance
6. Emergency Loans

For applicants requesting a loan for an emergency purpose (such as a broken furnace, leaking roof, , a state or national economic emergency, etc.) the Committee may be asked to advance up to a maximum of \$2,000 for emergency repairs or working capital to a Northfield business.

An emergency situation must be evaluated and declared by a quorum of the Committee during an emergency meeting or regularly scheduled meeting. The Committee shall determine if the emergency warrants the use of NCRLF funds. A final determination on an emergency loan is not appealable. A denial of an emergency loan request does not preclude an applicant from applying for a NCRLF loan through the normal application process.

For emergency repairs, the borrower must obtain a written estimate from a qualified contractor and a disbursement check will be written to both borrower and contractor. For working capital requests, a state or national emergency must be declared that severely disrupts normal business and economic activity at the national, state, or local level.

A modified loan application may be used for emergency loan request. Emergency loans shall be made with the usual documentation including, but not limited to, a promissory note and collateral as appropriate and available at the time of application.

An emergency loan must be approved by a quorum of the Committee and at least one Select Board member (this may include Select Board members who are also Committee members). Approvals may be gathered through electronic communication with formal approval and signatures obtained at a later date. The Chair or Vice Chair of the Select Board may approve the check for the loan, and the loan must then be reported to the Committee at its next regular meeting.

Note: All proposed projects must be in compliance with applicable municipal, state, and federal codes and regulations. Loans will not be made for refinancing purposes or for real estate acquisition.

Loan Application Procedure

Loan Application

Applications can be obtained from the Northfield Town Office or the Town of Northfield website. The applicant is required to answer questions about themselves and their business, about existing business assets and debts, and about the project to be financed. Applicants will also be asked to provide supplementary information including, but not limited to, a business plan, balance sheets, financial statements, tax returns, required permits, and assets to be purchased.

Application Costs

There will be a non-refundable \$50.00 processing fee due at the submission of the loan application packet to defer the cost of the credit report.

Loan Application Decisions

Applications will be reviewed by the Committee on a case-by-case basis. The Committee serves an advisory role to the Select Board. The Select Board makes the final decision on a loan application.

The Committee will reach one of the three following decisions:

- A. Tabled: Committee may determine that additional information is needed, and, if necessary, provide information to the Applicant on how to secure assistance in developing that information.
- B. Approved: The Committee will forward the recommendation to the Select Board.
- C. Declined: The Committee will forward the recommendation to the Select Board.

All Committee decisions must be sent to the Applicant and the Select Board within one week of the date the decision was made. The Select Board will review the application within one month of receipt. A quorum of the Select Board is required to render a decision.

The Select Board will reach one of the three following decisions:

- A. Tabled: The Select Board may determine that additional information is needed, and, if necessary, provide information to the Applicant on how to secure assistance in developing that information.
- B. Approved: A letter of approval, indicating the approved amount, terms, collateral required, and other conditions, will be sent to the applicant within five working days.
- C. Declined: A statement of denial will be sent within five working days, giving the reasons for denial.

The Select Board reserves the right to deny any application based on the following criteria.

- A. The applicant has not met application requirements
- B. The applicant has not communicated a compelling case of need for loan funds, or how loan funds would benefit their business
- C. The applicant or any of the principals are not in good standing with the Town. This may include, but is not limited to: water, sewer, electricity, property taxes, police problems, health and safety violations, and/or zoning violations
- D. The implied risk of approving the application is determined to be too high

Loan Closing

The Applicant is responsible for all closing costs, which can be paid by loan proceeds. These costs are typically about \$250. Closing costs may include, but are not limited to: UCC-1 filing, prepaid interest, title search, appraisal, credit report, recording and other miscellaneous costs.

Loan Terms

The maximum loan amount to any one borrower is \$5,000.

The applicant is required to provide matching funds of 5% of the loan amount as a project commitment.

The Committee will determine interest rates and other loan terms based upon the following: relative risk, level of need, the soundness of the proposal, the availability of funds, the creditworthiness of the applicant, and other factors deemed reasonable and appropriate.

Typically, the interest rate will be set between Wall Street Journal Prime Rate and Wall Street Journal Prime Rate plus one percent.

The length of a loan term will be five years or less, unless the Committee recommends a longer loan term under certain unusual circumstances or as part of a proposal for forbearance.

Interest rates will be fixed for the term of the loan. The Committee may recommend variable rates under certain unusual circumstances, or changes in the rate as part of a proposal for forbearance.

Loan Security

Security for loans will be determined on a case-by-case basis. Personal guarantees, co-signers, collateral and other arrangements may be required as a condition of approval for a loan. In addition to a Loan Agreement and Promissory Note, a UCC-1 filing, mortgage, motor vehicle title, or other documents may be required.

In many cases, the Town is placed in a subordinate security position. Equipment and machinery may be used as collateral and will be assessed at 75% of the current market value to account for depreciation. Collateral may equal up to 133% of the loan amount.

Loan Payment

Loans will be repaid in monthly installments of principal and interest according to the loan contract and promissory note.

Insurance

Prior to closing, the Borrower may be required to provide evidence of proper insurance indemnifying Northfield's interest, and if required, this insurance must be maintained for the life of the loan. The policy shall name the Town of Northfield as the loss payee.

Possible forms of required insurance may include, but are not limited to:

- A. Homeowners or property fire insurance
- B. Flood hazard insurance
- C. Business liability insurance
- D. Workers compensation
- E. Title insurance

Federal Requirements

Applicants must guarantee that they will not discriminate on the basis of race, creed, color, national origin, sex, age, or disability, in hiring or otherwise conducting business.

Loan Serving

General Procedures

Loan payments are due monthly as determined by the Town of Northfield. All loan payments must be returned to the NCRLF account. A one-time penalty of 5% of the amount of the payment shall be charged to the Borrower if a payment is more than 10 days late. The Borrower will be responsible for any charges due to bounced checks or rejected debits. Loans may be prepaid at any time without penalty.

Delinquent Accounts

A loan shall be considered delinquent for any loan delinquent 30 days or more. It is the duty of the Committee and Select Board to work closely with, communicate with, and discuss options with the Borrower prior to engaging in collection efforts. Collection efforts may be instituted at any time following a default by a Borrower. The Borrower is responsible for all costs of collection.

Enforcement/Collection

Foreclosure may be pursued in, but not limited to, the following circumstances:

- a. Abandonment of the business, associated property, and/or collateral
- b. Relocation of the loan assisted business or asset outside of the Town of Northfield
- c. Failure to complete the improvements within the time agreed upon
- d. Persistent violations of state and local codes or ordinances
- e. Failure to obtain necessary permits for the project funded with NCRLF proceeds

- f. Failure to pay Northfield property taxes and other municipal bills
- g. Default on any instrument securing the loan
- h. Sale of mortgaged property or collateral if loan assumption is not approved by the Town
- i. Death of the Borrower if the Estate of the Borrower does not repay the loan
- j. Default on any note, mortgage, or security interest having priority over the obligation owing to the Town and/or any instrument securing repayment of that obligation

Foreclosure proceedings will be governed by applicable Vermont statutes. The Town may enforce its security interest by any legal means.

Forbearance

The Committee may consider loan restructuring if the Borrower's financial situation has changed significantly since the closing of the loan. Any restructuring of loan terms requires the review of the Committee and an approval from the Northfield Select Board.

Bad Debts

Any loan which has a balance remaining unpaid after foreclosure and/or collection shall remain due and payable.

Non-Discrimination

In accordance with the Equal Opportunity Act, the Town may not discriminate in its lending practices on the basis of race, color, religion, gender, national origin, marital status, or physical or mental handicap.

Confidentiality

Committee and Select Board meetings considering loan requests shall be held in Executive Session. Recommendations shall be held in confidentiality if made outside of an Executive Session.

Confidential business information submitted with an application shall not be released to anyone except by written authorization of the borrower. This includes tax returns, personal financial statements, credit information, and business practices.

The name of the applicant, loan amount, and interest rate are public information and shall be recorded in the minutes. Reports to the Select Board detailing original loan amounts, unpaid balances, interest rates, and payment statuses will also be public information.

Loan Close Out

Upon repayment of the full amount for the original loan, the Town will close out the loan and issue a Notice of Repayment to the Borrower.

Appeals

If the Committee decides to recommend a denial of a loan request, the Applicant may appeal to the Select Board during their review of the application.

If a loan request is denied by the Select Board, the Applicant may submit a new application within six months without paying a new application fee. The new application must contain new information; the same application that was denied cannot be resubmitted.

Conflict of Interest

Members of the Committee, in addition to employees, agents, consultants, officers, directors, and committee members of the Town, shall be ineligible to apply for funds.

Committee members who have personal connections with the Applicant or other conflicts of interest must make these connections known to the Committee. Members having such connections shall not engage in discussion about the application, nor will they vote on the application. Conflicts of interest shall be recorded in the meeting minutes.

AMENDMENTS

Proposed amendments that receive a majority vote from Committee members may be forwarded to the Select Board, and can only be approved by a majority vote from the Select Board.