

Manitowoc County Revolving Loan Fund Manual

(CDBG-ED)

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FOREWORD

The Wisconsin Community Development Block Grant (CDBG) Program, administered by the Wisconsin Department of Administration, provides local government with funds to use for economic development, more specifically, for business start-ups and expansion. These funds, received from the U.S. Department of Housing and Urban Development, are used to provide grants to local units of government that use the funds to loan to a business. The business, in return for use of the public funds, provides private investment towards the assisted activity and, most importantly, creates job opportunities, principally for the benefit of low and moderate income persons.

When a business repays the loan to the community, the principal and interest payments are used to capitalize a local revolving loan fund (RLF). With the RLF program, the community can make additional loans to businesses wishing to expand or locate in the community. These are typically smaller loans of \$5,000 to \$50,000.

In administering the RLF, a community becomes a “bank” and accepts all of the responsibilities of a commercial lender when it makes a CDBG or RLF loan to a business. When successfully administered, the community can expand the amount in its RLF to an amount in excess of the original amount it was able to retain. This happens when the community exercises due diligence by performing a thorough credit analysis to determine business viability and by adequately securing and servicing the loan.

This manual contains the RLF policies and procedures that are in effect for Manitowoc County.

For further assistance and guidance, please contact the Manitowoc County Comptroller, Todd Reckelberg, at (920) 683-4080 or the Wisconsin Economic Development Corporation (WEDC) Financial Resource Manager, Chela O’Connor, at 608-210-6751.

SECTION 1. GENERAL PROVISIONS

1.1 PURPOSE

The purpose of the policies and procedures contained within this manual is to present the criteria governing the economic development activities assisted with funds made available through Manitowoc County's Revolving Loan Fund (RLF) program.

1.2 OBJECTIVES

Economic development activities assisted with funds made available through the RLF Program are intended to meet the following objectives:

- (1) To encourage the creation and retention of permanent jobs that provide a wage, appropriate to the skill and experience of the local labor force, that is competitive. A minimum of 51 percent of the jobs created shall be made available to low and moderate income (LMI) persons. See section 3.6(4) for requirement and definitions.
- (2) To encourage the leveraging of new private investment into the Community in the form of fixed asset investment, particularly in land, buildings, and equipment.
- (3) To perpetuate a positive and pro-active business climate to encourage the retention and expansion of existing businesses and to attract desirable new businesses.
- (4) To implement the county's Economic Development Plan goals and objectives.
- (5) To maintain and promote a diverse mix of employment opportunities and to minimize seasonal or cyclical employment fluctuations.
- (6) To encourage the development and use of modern technology and to create safe work environments.
- (7) To encourage dairy producers to undertake capital improvement projects that will result in a significant increase in milk production.

1.3 AMENDMENTS

Manitowoc County may from time to time amend the policies and procedures contained in this manual. Such amendments are subject to prior written approval by the Wisconsin Economic Development Corporation (WEDC), which administers the

Wisconsin Community Development Block Grant Program (CDBG) that provides the funds used to capitalize the revolving loan fund.

SECTION 2. ADMINISTRATION

2.1 LOAN REVIEW BOARD

- (1) Manitowoc County shall establish a formal Loan Review Board for its Revolving Loan Fund (RLF) Program. The Loan Review Board will consist of individuals who are representative of broad community interests and who have special expertise and knowledge of commercial lending and economic development processes. Optimally, the Loan Review Board will be comprised of individuals who have knowledge and experience in one or more of the following fields: banking, business, engineering, law, or municipal government at the county, city, town, or village level. Appointments to the Loan Review Board will be made by the County Executive and will be subject to confirmation by the County Board. The Comptroller/Auditor will be designated as the Administrator of the program. The Administrator may delegate duties to appropriate county staff. The Administrator and staff will not have voting privileges on the Loan Review Board.
- (2) The Loan Review Board has the authority to review, select, and make loans, within applicable local, state, and federal guidelines, from the revolving loan fund. The Loan Review Board is not required to obtain final loan approval from the County Board. The Loan Review Board also has the authority to make policy determinations and provide guidance for the administration of the RLF program. The Administrator shall provide periodic activity reports to the Loan Review Board and the County Board.
- (3) The Administrator shall explain the RLF program to prospective applicants, provide written information, assist applicants in completing applications, and process requests for financing. The Administrator, where necessary and appropriate, will counsel or guide loan applicants to other, more appropriate technical and financial resources when the loan applicant has needs beyond those available from the RLF program.
- (4) The Administrator shall periodically review all financial statements and loan amortization schedules of RLF loan recipients; review and approve documentation of business expenditures financed with RLF proceeds; record RLF security instruments; maintain the RLF accounting records, which shall be segregated from other community accounts; and report as required to the Department of Commerce regarding the use of RLF funds.
- (5) The Administrator shall use the Manitowoc County Corporation Counsel or the Corporation Counsel's designee to prepare all loan agreements; to review all

promissory notes, mortgages, and lien instruments, and to provide counsel to the Loan Review Board on default matters.

- (6) The Administrator is responsible for the maintenance of all records for the RLF program, particularly those related to the expenditures of RLF monies for administration of the county's RLF program.

2.2 MEETINGS

Loan review meetings will be held on an as-needed basis. Pursuant to Wis. Stat. sec. 19.84, Loan Review Board members will be given prior notice of each meeting. A quorum of appointed members shall be required. A simple majority of the members constitutes a quorum.

2.3 RECORDS

Written records of all RLF program activities, including program meetings, loan applications, and related documents, will be maintained in appropriate files. All files will be maintained in a secure place with access limited to authorized personnel. Corporation Counsel will be consulted regarding compliance with the public records law.

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

- (1) Loan Application File. This permanent file will contain all applications, business financial statements, personal financial statements, credit reports, business plan documents, and other supporting loan information submitted to the Administrator, including all applicable correspondence.
- (2) Loan Recommendation File. This file will contain a summary of the analysis and recommended actions for the application, along with a copy of the minutes for the Loan Review Board meeting recording the action taken on the loan request.
- (3) Loan Closing File. This file will be maintained in a secure, fireproof location and will contain a copy of all loan-closing documents, including legal papers, security instruments, the note, and applicable correspondence. Corporation Counsel or designated legal counsel shall 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.
- (4) Tickler File System. A tickler file system will be established and maintained to ensure that loan repayments, financial information, loan agreements, UCC

updates, and other time sensitive documentation requirements are obtained and tracked 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, including an update reminder 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 to be made and the borrower to provide the Administrator with confirmation of payment of taxes.
 - (g) Review dates for job monitoring.
 - (h) Dates on which loan recipients will be notified of scheduled changes in the loan amortization schedule per loan agreements.
- (5) Financial Statement File. This file will contain the periodic financial statements for the borrower's business as required by the loan covenants, along with a statement indicating that the Administrator has reviewed the data.
- (6) Progress Report File. This file will contain periodic progress reports that the borrower is required to submit during the term of the loan. The Administrator shall make periodic site visits to verify information in the progress report and financial statements. These site visits will be documented for the file.
- (7) Site Visit File. This file will contain a summary of periodic site visits, which will be conducted for each loan recipient. The schedule of site visits will depend on the nature of the project. The summary will highlight any information that is of help in rating the overall condition or risk of the loan.
- (8) Repayment Monitoring File. This file will include the loan amortization schedule, status of payments, copies of payment receipts, and the outstanding balance of the loan. Observations suggesting concerns or problems will be reported to the Loan Review Board and notations will be placed in the tickler file to remind the Administrator of the need to provide continued monitoring. A system must be in place to insure that the Administrator receives timely notification of payments made to any county office. The Administrator will notify the loan recipient in writing of any deficiency in payment and the action that will be taken if payment is not made. The Administrator will contact the loan recipient regarding any late payment to determine the reason for the delayed payment. The Administrator may contact any other lender to

determine if its 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. This file will contain information on all loan reviews. All loans are to be reviewed on an annual basis and at such other times as may be deemed necessary by the Loan Review Board. Reviews will follow receipt of fiscal year-end financial statements, year-end progress reports, and site visits. The loan review report will address the following: timeliness of monthly payments; condition of collateral securing the loan and status of security documents, such as mortgages and 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 any problems, the Administrator should work with the loan recipient to identify the actions needed to correct the identified deficiencies, including possible restructuring of the loan to protect the county's interest and to meet the needs of the business. If appropriate, the Administrator will arrange for business assistance, including services available through the Economic Development Corporation of Manitowoc County, Lakeshore Technical College, University of Wisconsin-Extension, Small Business Development Center (SBDC), Service Corp of Retired Executives (SCORE), and other entities serving the needs of businesses.

If the loan review suggests serious problems, particularly if the loan is at risk for default, the account should be turned over to the Corporation Counsel or designated legal counsel for legal action to protect the loan and insure maximum repayment of the balance due. Corrective actions may include restructuring or foreclosure.

2.4 ADMINISTRATION

- (1) Reasonable administrative funds may be withdrawn from the revolving loan fund to cover administrative, legal, and personnel costs. Local funds may be used if loan repayments are insufficient to cover administrative costs. Administrative expenses of 15 percent of program income may be used for direct loan administrative costs. In addition to paying costs for an Administrator, these funds may be used for the following:
- (a) Legal costs.
 - (b) Consulting fees for credit analysis, business plan reviews, and technical assistance.
 - (c) Office supplies, copying, typing, mailing, and related costs.
 - (d) Training, including travel, lodging, and meal costs.

- (2) To generate additional revenue to cover administrative costs, the Administrator may, in consultation with the Loan Review Board, establish loan origination, closing, servicing, and other fees to cover charges directly related to processing an application or servicing a loan. All fees collected belong to the RLF program.

SECTION 3. ELIGIBILITY CONSIDERATIONS

3.1 ELIGIBLE AREA

The area served by the RLF program is the area within the corporate limits of Manitowoc County.

3.2 ELIGIBLE APPLICANTS

- (1) The sole proprietor or Chief Executive Officer of any business that wishes to establish a new operation or to expand an existing operation in the county may submit an application.
- (2) No member of the county board, the Loan Review Board, or any agent, employee, officer, or official of Manitowoc County who exercises a decision-making function or responsibility in connection with the RLF program is eligible for financial assistance under this program.
- (3) No program loan will be made if it is in conflict with Wis. Stat. sec. 946.13 (Private Interest in Public Contract Prohibited).
- (4) No applicant may be disqualified based on age, color, developmental disability as defined in Wis. Stat. sec. 51.01(5), handicap, national origin, physical condition, race, religion, sex, or sexual orientation.

3.3 ELIGIBLE ACTIVITIES

Program loans will be available to eligible applicants for the following activities:

- (1) The acquisition of land, buildings, and fixed equipment. Preference will be given to loans for equipment because of the administrative burden, potential for costly compliance, and collateral issues for other types of loans.
- (2) Site preparation, the construction or reconstruction of buildings, and the installation of fixed equipment.

- (3) Clearance, demolition, the removal of structures, the rehabilitation of buildings, and other such improvements.
- (4) The payment of assessments for sewer, water, street, and other public utilities if provision of the facilities will directly create or retain jobs.
- (5) Working capital for inventory, raw materials convertible to inventory, and direct labor costs only.
- (6) Purchase of dairy cows resulting in significant long-term increases in capacity to produce milk.

3.4 INELIGIBLE ACTIVITIES

Program loans will not be available for the following activities:

- (1) Refinancing or consolidating of existing debt.
- (2) Reimbursement for expenditures prior to loan approval.
- (3) Specialized equipment that is not essential to the business operation.
- (4) Residential building construction or reconstruction unless such reconstruction is intended to convert the building to a business or industrial operation.
- (5) Routine maintenance.
- (6) Professional services such as feasibility and marketing studies, accounting, management services, and similar services. However, legal services incurred to close the RLF loan are eligible.
- (7) Other activities that the Loan Review Board may identify during the administration of the program.

3.5 INELIGIBLE BUSINESSES

Program loans will 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) Any other business that does not serve the county's interests.

3.6 MINIMUM REQUIREMENTS

A proposed project must meet all of the following minimum requirements to be eligible for funding:

- (1) Private Funds Leveraged. The applicant must leverage a minimum of one dollar of private funds for every one dollar of loan funds requested. Higher leverage may be required at the discretion of the Loan Review Board.
- (2) Cost Per Job Created. At least one full-time permanent position or full-time equivalent must be created for each \$20,000 of program funds requested. The Loan Review Board may permit a lower job cost when warranted by taking into consideration the job types, hourly wages, and other such factors.
- (3) Financial Feasibility and Business Viability. The applicant must demonstrate that the proposed project is viable and that the business will have the economic ability to repay the funds.
- (4) Low and Moderate Income (LMI) Benefit. The project must demonstrate that it meets the CDBG-ED national objective of benefiting low to moderate income persons as defined by CDBG regulations and must provide increased permanent employment or retain existing jobs that would have been lost locally. At least 51 percent of the jobs created or retained must be held by or made available to LMI persons, as defined below.

An "LMI Person" is a person whose household income is less than 80 percent of the median household income by family size in the county where the project is located.

"Made available to LMI persons" means that LMI persons were at least 51% of the persons who were hired or received first consideration for positions created by the project that do not require special skills or education beyond high school.

"Received first consideration" means that at least 51% of the persons who were interviewed for positions created by the project were LMI persons and that under normal circumstances the hiring practices used will result in at least 51% of the persons hired for positions created by the project being LMI persons. The hiring practices used must include the posting of available positions with the local Job Service Office and Workforce Development Boards.

The following documentation evidencing compliance with this requirement must be collected:

- (a) A listing of all job titles which were planned to be held by or made available to low to moderate income persons.
 - (b) Evidence of a commitment to hire or make at least 51% of jobs available to low to moderate income persons.
 - (c) A written plan for how such persons were given first consideration for jobs including what hiring process was used.
 - (d) A list of the low to moderate income persons interviewed for particular positions, including the size and annual income of person's family prior to interviewing for the position.
- (5) Compliance with Applicable Laws. Applicants must comply with all applicable local, state, and federal codes, regulations, rules, and laws.
- (6) Project Completion. Projects must be completed within 24 months from the date of loan approval. Applicants must provide the Administrator with a project implementation schedule not exceeding 24 months for project completion and job creation and must maintain the positions created for 24 months unless a shorter time frame has been approved by the Loan Review Board.
- (7) Federal Anti-Piracy Compliance. The borrower must certify that it does not have immediate plans to relocate jobs in violation of CDBG Anti-Piracy regulations. The following language will be included in all agreements with the borrower. "The Borrower certifies it is and will maintain compliance with CDBG Anti-Piracy regulations as stated in 24 CFR 570.482(h). Violation of this regulation will constitute an Event of Default."

SECTION 4. TERMS AND CONDITIONS

- 4.1 Loan terms and conditions will be structured on need and ability to repay.
- 4.2 The following minimum standards apply to all loans:
- (1) Loan Amount. Loan amounts are subject to the availability of program funds.
 - (2) Interest Rate. The Loan Review Board will establish the interest rate.
 - (3) Terms for Loans.

- (a) Working capital loans will have a maximum term of seven years.
 - (b) Loans for machinery, equipment, and fixtures will have a maximum term of ten years.
 - (c) Real estate loans will have a maximum term of 12 years, which can be amortized on a 20-year basis with the option of refinancing for an additional 8 years.
 - (d) The loan will not have a term longer than the term of any private financing in the project. Exceptions may be made to address cash flow issues related to debt service.
- (4) Period of Payment. Terms may include longer amortization schedules with balloon payments. Amortization schedules will be set up for monthly payments.
 - (5) Repayment. Payment of interest or principal, or both, may be deferred during the implementation period of the assisted activity if merited in the loan application. Interest will accrue during the deferral period and may be paid in full or added to the principal amount of the loan. Following the deferral period, interest and principal must be paid for the remaining term of the loan.
 - (6) Prepayment. There will be no prepayment penalties.
 - (7) Collateral. The Loan Review Board will seek to have the best possible collateral position to ensure that its loan is adequately secured.

SECTION 5. APPLICATION PROCEDURES

5.1 DISCUSSION REQUIREMENT

Prior to submitting an application, the applicant must 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 access limited to authorized personnel only.

5.2 TIMING

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

5.3 PRIORITY

Applications will be reviewed in the order received and based on readiness for the proposed project to proceed. In the event that loan funds requested exceed available funds, the following criteria will be used to determine which business or businesses will be awarded a loan:

- (1) Eligibility of the applicant.
- (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 to be created and the type of jobs and wages.
- (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) Other factors as deemed appropriate.

5.4 LOAN APPLICATION

Applicants must submit an application using the form available from the RLF program. The application must include the following:

- (1) Business Description. A written description of the business, including:
 - (a) A brief history of the existing or proposed business, including when it started or is to start, the type of operation, legal structure, markets, and products. A business plan may also be submitted.
 - (b) Market analysis including information about key customers and clients.
 - (c) A personal resume for each principal associated with the business, including number of years of experience in the

business, educational background, and role in the proposed or existing business.

- (d) Three years of financial history, including balance sheets, profit/loss statements, cash flow statements, and accountant notes.
- (2) Project Description. A description of how the business plans to use the requested funds.
- (3) Commitments from Private Lenders. A description 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, such as first mortgage, permanent financing, or construction financing.
 - (b) The amount of the loan, interest rate, term, security, availability, repayment schedule, and repayment amounts.

These commitments must be obtained concurrently with the negotiation of the terms and conditions of the RLF program loan to insure that the county's interests are secured.

- (4) Projections. Pro-forma financial projections (a balance sheet, income statement, and cash flow statement) for a three-year period based on the assumption that the business will receive the requested loan.
- (5) Additional Information. Such additional information as may be required by the Administrator or the Loan Review Board.

5.5 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 3.6. If the application is not complete, the Administrator will inform the applicant of the deficiencies.
- (2) Formal Review. The Loan Review Board will meet to review an application within 30 days of the receipt of a completed application or at some other predetermined time. Once the review is completed and the proposal is acceptable for funding, the Loan Review Board will make a loan decision subject to the terms agreed upon.

- (3) Negotiation of Terms. Upon the tentative acceptance by the Loan Review Board, the Administrator will contact the applicant in writing to review and explain the terms of the loan.
- (4) Notice of Award. If the applicant accepts the terms of the loan, a closing will be scheduled to execute the necessary loan documents.
- (5) Rejection of Award. If the application is not approved, the Administrator will send a letter to the applicant stating the reason for rejection and offer to meet with the applicant to explore ways to strengthen the loan request or to identify alternative funding sources.

SECTION 6. LOAN PROCEDURES (Distribution of Funds)

6.1 DOCUMENTATION

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 Review Board must have reviewed and approved a complete application for an eligible applicant.
- (2) Loan Agreement. The Administrator, the Corporation Counsel, or an attorney designated by the Corporation Counsel shall prepare a loan agreement, which shall be executed by the borrower's Chief Executive Officer and one of the following: the County Executive, the County Clerk, the Chair of the Loan Review Board, or the Administrator.
- (3) Promissory Note. The Administrator, the Corporation Counsel, or an attorney designated by the Corporation Counsel will prepare a promissory note. The County Executive or the RLF Administrator will sign the promissory note at the time of loan closing. The note must be dated, must reference the agreement between the county and the borrower, and must specify the amount and terms of the loan funds delivered.
- (4) Security. The Administrator, the Corporation Counsel, or an attorney designated by the Corporation Counsel will prepare such mortgages, lien instruments, or personal guarantees which are necessary to provide security for each loan and which will be executed at the time of the loan closing. The Administrator, Corporation Counsel, or designated attorney will record the instrument. The following documents will be placed in the project file:
 - (a) Mortgage or security agreement, or both.
 - (b) UCC search or filing, or both.

- (c) Guarantee agreement.
 - (d) Title insurance or abstract.
 - (e) Assignment of life insurance.
 - (f) Casualty insurance binder.
 - (g) Personal guarantee.
 - (h) Such other documentation as may be appropriate.
- (5) Repayment Schedule. The Administrator will prepare a loan repayment or amortization schedule after the loan proceeds are fully disbursed. The repayment schedule will be dated and signed by both the Administrator and the borrower's Chief Executive Officer. At that time, the repayment schedule will be attached to each party's copy of the agreement.
- (6) Evidence of Permits, Licenses, and Registrations. Prior to the release of program funds, the applicant must provide documentation that the applicant has obtained all necessary permits, licenses, and other required registrations.
- (7) Evidence of Program Expenditures. The borrower must provide documentation to evidence program expenditures prior to the release of funds. Documentation may include bills and invoices or receipts for materials, final bills of sale, or canceled checks. All documentation must be reviewed and approved by the Administrator.
- (8) Fixed Equipment. Fixed equipment financed with program funds must have been purchased, delivered, and installed. The Administrator must 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 Department of Financial Institutions.
 - (b) Articles of Incorporation and by-laws.
 - (c) A resolution by the borrower's board of directors authorizing it to borrow funds, accompanied by a Secretary's certificate.
 - (d) Current financial statements.
 - (e) Evidence of having secured other funds necessary for the project.

- (f) A Phase I, II, or III Assessment, depending on the environmental condition of the site, for real estate loans.

6.2 LOAN CLOSING

- (1) With the above documentation in place, the Administrator will schedule a loan closing. All documents will be executed before funds are disbursed. Mortgages must be recorded with the Register of Deeds and UCC Statements must be recorded with the Department of Financial Institution.
- (2) A model Loan Closing Documentation Checklist is contained in the Appendix.

SECTION 7. POST APPROVAL REQUIREMENTS

7.1 LOAN RECIPIENT'S OBLIGATIONS

In addition to the terms and conditions of the loan, all borrowers must agree to:

- (1) Create or retain the agreed upon number of jobs within 24 months of the date of the execution of the loan agreement.
- (2) Not discriminate on the basis of age, color, developmental disability as defined in Wis. Stat. sec. 51.01(5), handicap, national origin, physical condition, race, religion, sex, or sexual orientation in any employment or construction activity related to the use of the loan funds.
- (3) 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) Permit the Administrator, the Administrator's designee, or any person authorized by the Loan Review Board to inspect any project or property assisted with loan funds. Related project materials, including, but not limited to, conditions of employment, contracts, equipment, materials, and payrolls, must also be open to inspection. The borrower shall comply with requests for inspection within 10 working days of the initial request.
- (5) Maintain records on the project as requested by the Loan Review Board. These files must be maintained as long as the loan is active or for at least 3 years after completion of the work for which the loan has been obtained, whichever is longer.
- (6) Submit periodic progress reports to the Administrator in accordance with the schedule in the loan agreement. These reports must report on project progress, including the number of jobs created or retained during the loan agreement.

- (7) Maintain fire and extended coverage insurance on the project property during the term of the loan. Manitowoc County must be listed as loss payee, mortgagee, or an 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) Abide by all applicable federal laws and regulations adopted pursuant to those laws, including, but not 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 and the Copeland “Anti-Kickback” Act.
- (9) Collect a self-certification form from every applicant for each job created using CDBG funds.

SECTION 8. PERFORMANCE MONITORING

8.1 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.

8.2 HIRING OF NEW EMPLOYEES

The Administrator shall monitor the business’ progress in meeting agreed upon job creation or retention goals. Job creation must be documented using payroll records. The business should provide before-project and after-project payroll records to document job creation. 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. The borrower must meet the LMI requirements for all hires. Employers must collect a self-certification form from every applicant for each job created using CDBG funds.

8.3 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, will, at the Loan Review Board’s option, become immediately due and payable. To exercise this option, the Corporation Counsel or an attorney designated by the Corporation Counsel shall prepare a written notice to the business. The notice shall specify the following:

- (1) The default.

- (2) The action required to cure the default.
- (3) A date not less than 30 days from the date of the notice by which the default must be cured to avoid foreclosure or other collection action.
- (4) Any penalties incurred as a result of the default.

SECTION 9. USE OF LOAN REPAYMENTS AND REPORTING

Repaid loans will be deposited into the RLF account and used in a manner consistent with the policies and procedures in this manual. A separate accounting record for each loan will be kept to account for all funds loaned. The RLF account will be audited on an annual basis and the Administrator will provide reports at times and on forms as required by the State of Wisconsin.

SECTION 10. LOAN SERVICING

10.1 MONITORING

The Administrator shall monitor each loan to ensure compliance with the loan terms and conditions and shall 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 will be established and maintained for each loan recipient. The file will include 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 of job creation and retention, including low-to-moderate income certification forms.

10.2 RECORDKEEPING

In addition to the above, RLF financial management records must be comprehensive and designed to provide the following information:

- (1) The RLF Ledger that records all deposits and disbursements to and from the revolving loan fund, including funds used for administration.
- (2) A CDBG/RLF Loan Repayment Ledger that records all repayments made by each business that has received a loan from the revolving loan fund and that tracks the balance of repayments from all loans from the revolving loan fund.

- (3) A Collection Register for every loan made. Each register will contain the business name, loan date, loan amount, terms, date repayment begins, and a record of the payments divided into principal and interest, with a declining principal balance.
- (4) The RLF Loan Repayment Register that records repayments made by each business that has received a loan from the revolving loan fund and that tracks the balance of repayments from all loans from the revolving loan fund.

Appendix

LOAN CLOSING DOCUMENTATION CHECKLIST

	Date Requested	Date Received	If Recording Required:		Not Applicable
			Date Recorded	Date Returned	
FOUNDATION DOCUMENTATION					
Financial Statements	_____	_____	_____	_____	_____
Certificate of Corporate Good Standing from Sec. of State	_____	_____	_____	_____	_____
Loan Commitment Letter	_____	_____	_____	_____	_____
Loan Agreement	_____	_____	_____	_____	_____
Borrowing Resolution or Agreement	_____	_____	_____	_____	_____
Certified Copy of Resolution Authorizing Actions Taken	_____	_____	_____	_____	_____
Sole Ownership Affidavit	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
GUARANTEES/DEBT SUBORDINATION					
Unlimited, Limited, or Specific Guarantee	_____	_____	_____	_____	_____
Spousal Consent	_____	_____	_____	_____	_____
Debt Subordination	_____	_____	_____	_____	_____
Authorizing Resolution or Agreement	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
POSSESSORY COLLATERAL INCLUDING LIFE INSURANCE					
Possession of Policy	_____	_____	_____	_____	_____
Assignment of Policy as Collateral	_____	_____	_____	_____	_____
Transmittal Letter and Request for Acknowledgement and Policy Information	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
NONPOSSESSORY COLLATERAL					
Release of Prior Lender Filings	_____	_____	_____	_____	_____
Security Interest Subordination Agreement	_____	_____	_____	_____	_____
Business Chattel Security Agreement	_____	_____	_____	_____	_____
Selective Business Security Agreement	_____	_____	_____	_____	_____
Financing Statement	_____	_____	_____	_____	_____
Financing Statement Fixtures – Real Estate Records	_____	_____	_____	_____	_____
Motor Vehicle Perfection	_____	_____	_____	_____	_____
Insurance Binder on Collateral	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
REAL ESTATE					
Survey	_____	_____	_____	_____	_____
Appraisal	_____	_____	_____	_____	_____
Casualty Insurance binder	_____	_____	_____	_____	_____
Title Insurance Binder	_____	_____	_____	_____	_____
Title Insurance Policy	_____	_____	_____	_____	_____
Title Opinion Based on Abstract	_____	_____	_____	_____	_____
Check of Legal Description on Survey Against Deed Against Mortgage Against Title Insurance Binder	_____	_____	_____	_____	_____
Environmental Audit	_____	_____	_____	_____	_____
Mortgage	_____	_____	_____	_____	_____
Business Real Estate Security Agreement	_____	_____	_____	_____	_____
Flood Plain Certificate	_____	_____	_____	_____	_____
Real Estate Mortgage Subordination Agreement	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
NOTE DISBURSEMENTS					
Business Note	_____	_____	_____	_____	_____
_____ Statement	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
COMPLETED BY:					
DATE:					
RENEWED BY:					
DATE:					

