Dolores County Development Corporation

Business Loan Fund Procedures

Dolores County Development Corporation Business Loan Fund provides financing of either public or private, for profit or not-for-profit ventures where the retention or creation of employment and the consequent public revenue and benefit to health, safety and welfare of Dolores County is deemed by the Board of Directors to be in the public interest.

AUTHORITY

As per section VI of by-laws of the Dolores County Development Corporation, the Business Loan Fund Committee has the authority qualify, approve, or deny loans and/or investments in compliance with the applicable Federal, State and approved policy guidelines, except that the Committee shall not have the authority to borrow funds.

As a general guide, the Business Loan Fund Committee shall have the following functions, duties and responsibilities:

1. Review loan requests prepared in accordance within the appropriate loan source policies and guidelines and make recommendations to the Dolores County Development Corporation Board of Directors concerning which loans shall be made.

2. Decide the conditions of each loan or investment including the amount, term, interest rate, and any other conditions relevant to a particular loan; to authorize disbursement of approved loans upon Motion.

3. Utilize established, approved loan policies and the same criteria used to qualify, approve or deny loans when considering making loans from re-capitalized funds as was used in making the initial loan from the original fund source.

4. To take such other actions, make recommendations and formulate policy on those matters which may be delegated to it by the Board or Executive Committee which will best effectuate and carry out the purposes and functions for which the Loan Fund is created.

Any action of the Loan Committee may be taken by a simple majority vote of the members present if there is a quorum. In the event of business needs between meetings, votes may be taken via email ballots, returned by enough of the Loan Committee to constitute a quorum.

CONFLICT OF INTEREST

Members of the Business Loan Fund Committee will be required to verbally disclose on the record any conflict of interest with a borrower, guarantor or other party to the transaction. A conflict of interest includes advising, approving, recommending or otherwise participating in the business decisions of the loan recipient, such as agents, advisors, consultants, attorneys, accountants or shareholders. A Committee member, having any vested financial interest, will need to recuse him or herself from discussion, will not be allowed to place a motion or a second, and must abstain from voting. The
Executive Committee will consider all conflict of interest in the appointment of new members. No client with an active open loan may serve on the loan committee or the Dolores County Development Corporation Board of Directors. Neither Loan Committed members nor members Dolores County Development Corporation Board of Directors shall be allowed to submit an application for nor receive loans from the Business Loan Fund.

APPEAL OF LOAN DECISIONS

All customers loan requests that are turned down will be sent a letter stating why the application was denied as well as information about the option to appeal a Business Loan Fund Committee decision to the DCDC Executive Committee. Those interested in appealing a turndown decision must contact the DCDC President to put their appeal on the next Executive Committee agenda.

UNDERWRITING GUIDELINES

1. The maximum loan amount shall be $5000 and minimum shall be $500.
2. Maximum term for loans shall be 5 years.
3. The maximum interest rate shall be 5%.
4. Collateral may be required at discretion of Loan Fund Committee.
5. Default procedure. Defaults on loans will be dealt with on case by case basis and may include small claims court settlements and garnishment of wages.

LOAN USES

1. Capital Equipment
2. Inventory
3. Working Capital
4. Other fixed assets
5. Other uses may be considered on a case by case basis.

LOAN APPLICATION PACKAGE

1. Cover letter stating amount of financing requested and what the funds will be used for.
2. Business Loan Fund application form.
3. An optional business plan that aids the applicant in explaining the business concept, experience of business owner, products and services, market potential, sales forecast, cash flow projection, job creation and other information as is pertinent.
LOAN AGREEMENT

1. Promissory note – payback schedule
2. Disclosures
3. Actions and time frame in case of default
4. Names and addresses of all involved parties including firm owners and other financial institutions

DISCLOSURE

Financial information on the individual businesses and their owners will be kept confidential. This means that only the staff and loan committee will have access to these records unless a full board of director’s review of the loan has been made. The term, amounts and actual contracts between Dolores County Development Corporation and the borrowers will be a public record and will be made available upon request. Borrowers will be informed of this with the initial loan package.

LOAN FILE DOCUMENTATION

A loan file will be maintained and should contain the following documentation unless the Business Loan Committed determines otherwise as per the loan closing checklist.

1. Loan Request and Application Form
2. Business Plan (optional)
3. Correspondence
4. Minutes from BLF Loan Committee concerning loan approval, servicing, etc.
5. Terms and Conditions Letter
6. Closing Statement, Checklist
7. Quarterly reports on loan status
8. Site visits
9. Loan Modifications
10. Three Years Personal Tax Returns
11. Personal Credit Report
12. Legal Documents (i.e. lease agreements)
13. Closing Statement
14. Dispersals
15. Commitment Letter
16. Security Agreements
17. Loan Agreements
18. Other items as deemed necessary
19. If already in business:
   Certificate of Good Standing
   Three Years Business Tax Returns (optional)
LOAN SERVICING

The Business Fund Loan Committee will make regular follow up assessments of loan and payback status. Servicing letters will be sent to loan clients reminding them what is needed for compliance with promissory note and any other items required for their servicing file. DCDC may also require the recipient to provide financial statements including profit and loss, balance sheets, business taxes submitted after loan has closed.