

TOWN OF BRISTOL REVOLVING LOAN FUND GUIDELINES

The Revolving Loan Fund administered by the Town of Bristol was funded with income from a Community Development Grant awarded to the Town and then Village of Bristol by the Secretary of the Agency of Development and Community Affairs on February 14, 1984.

Initially, funds available were used for activities that would benefit low and moderate-income ("Low- and moderate-income" is defined as a household income that is 80% or less of the area median income for a household of that size. In Addison County, the median family income will be determined by the Addison Housing Works) people by conserving, improving, or expanding housing; creating and retaining jobs; or improving public facilities, either in support of housing or economic development activities or where there is a threat to public health and safety.

These goals are still an important standard for loan use. In addition, disaster relief, weatherization, and renewable energy projects will also be considered. Note that consumer-type loans (loans to individuals) are not eligible unless the Selectboard makes an exception. All activities should ensure long-term benefits to the community.

ELIGIBLE ACTIVITIES

Bristol's Revolving Loan Fund (RLF) can be used to fund housing rehabilitation, economic development, public facilities projects needed to support housing rehabilitation or economic development, and disaster relief. Such projects will include, but not be limited to, the following:

1. Rehabilitation of either owner or non-owner-occupied housing units that will meet the housing needs of low-to-moderate-income people, including weatherization and installation of renewable energy equipment.
2. Financial assistance to businesses that will create or maintain jobs in Bristol. This includes the purchase of land or building(s) in Bristol, the renovation or construction of buildings, purchase of equipment, or employee training. The funds are not available to finance or re-finance existing company assets.
3. If the funds will be used for training purposes, the funds may be used for up to 50% of the costs with the remaining funds coming from the State of Vermont's Training Program) that pays for 50% of OTJ, Upgrade, and cross-training costs. If the jobs do not meet the VTP eligibility requirements. These funds could be used to subsidizing "low paying" jobs,
4. Public facilities improvements that are needed to accomplish either of the preceding objectives.
5. Funding for recovery from local disasters (fire, flooding, wind damage).

It is understood that these funds are for making loans that must be paid back rather than for the awarding of grants.

If Borrower moves its headquarters or 25 percent (25%) of its equivalent employees out of Addison County, then this loan may become immediately due and payable.

The Bristol Selectboard has responsibility for managing the revolving loan funds. To advise the Selectboard on using available funds, the Board will appoint a Revolving Loan Fund Committee (RLFC).

1) REVOLVING LOAN FUND COMMITTEE (RLFC)

A) Membership

The Bristol Revolving Loan Fund Committee shall be composed of seven citizens, one of whom shall be a member of the Selectboard. Eligible for membership on the RLFC will be Bristol residents and/or Bristol business owners.

B) Chairperson

The RLFC membership shall appoint one member of the RLFC to serve as Chairperson.

C) Membership Terms

The membership of the RLFC will be appointed annually by the Selectboard based on staggered 3-year terms.

D) Authority

Within these policies, the RLFC can advise the Selectboard on all loan applications from eligible applicants. A loan may result only from a written application approved by the Selectboard on the recommendations of the RLFC.

E) Voting

A two-thirds majority of the RLFC must approve loan applications before the RLFC's recommendation is made to the Selectboard for approval. Other business appropriate to be conducted by the RLFC shall require a two-thirds majority of those members present. The Selectboard will vote on the loan recommendations of the RLFC. A majority vote of the Selectboard will be required for an applicant to receive funding.

F) Quorum

A quorum for the RLFC for purposes of loan review and approval shall be four members.

G) Reports

Records of all actions of the RLFC taken in general session and the status of each outstanding loan shall be recorded in the committee's public minutes and available at the Bristol Town Office. However, all information regarding applicants' business and financial status will be confidential, and any written or printed information shall be kept in a secure site designated by the Town Treasurer.

H) Conflict of interest

Members of the RLFC shall be ineligible to apply for revolving loan funds for as long as they are members. RLFC members will be ineligible to participate in recommendations regarding applications of family members, employers, and business competitors.

I) Review

The Selectboard shall review these membership policies periodically and make necessary changes to meet Town needs. This review should occur at least every five years.

2) GENERAL LOAN PARAMETERS

A) Borrower Eligibility

- i) The applicant must demonstrate to the RLFC's satisfaction a commitment and ability to repay the loan with interest under the terms agreed.
- ii) A business applicant must demonstrate that the company is an Equal Opportunity Employer.

B) Security

The RLFC will determine what security is to be required for loans on a case-by-case basis in accordance with applicable provisions of these Guidelines.

Personal guarantees of loans are needed for borrowers and any co-signers, and other specific security arrangements may be made as a condition of loan recommendations by the RLFC and approval by the Selectboard. Operating Company will also be required to execute a guarantee.

C) Types of Loans

The RLFC shall consider, but not be limited to, the following types of loan:

- i) Fully amortized loan, with interest rates set on a competitive basis at a term no greater than 10 years.
- ii) Loan with a standard amortization term but with a balloon payment of principal due at some earlier date.
- iii) Loans for which interest only is payable for a designated period at the beginning of the loan term up to 12 months, with principal and interest then amortized in standard fashion over the remaining term of the loan.

D) Funding Limits

No limit is set on the amount of funds sought; however, no loan will be approved for any amount over the amount currently in the appropriate fund and liquid as of the date of approval.

The Selectboard, acting on the recommendation of the RLFC, may commit funds at or below the amount requested, at its discretion.

The RLFC has the right to decline to lend out balances in the loan fund based on its best judgment and on anticipated near-term needs for funds by projects with high priority and benefit for the community.

Approved loans may be issued in conjunction with VEDA banks, or other lenders to complete project funding. Note the Bristol Revolving Loan Fund is not intended to act as a primary source for funds when a borrower has access to traditional lending. This requirement may be waived by the RLFC and will be noted in the minutes and agreement.

E) Funding Requirements

It is desirable for loans to be matched to a reasonable level as determined by the RLFC. Cash savings, donated labor, equity in buildings, land, or machinery devoted to the project, and/or loans from other sources could be acceptable sources of matching funds.

3) LOAN APPLICATION PROCEDURE

A) LOAN APPLICATION

An application for funds must accompany all loan requests. This application shall be in the form of a written request. Ask for the following document:

REVOLVING LOAN FUND INFORMATION FOR APPLICANTS and APPLICATION FORM

B) LOAN APPLICATION DECISIONS

All applications will be reviewed and a recommendation will be forwarded to the Selectboard on a case-by-case basis.

The RLFC will **contract** with a lending institution or other responsible agent at its discretion for initial review of the application, including all confidential information, by a qualified lender. The RLFC will make one of three recommendations:

- i) Approval: at which time the Chairperson will forward the RLFC's recommendation to the Selectboard.
- ii) Tabled: for more information, at which time the Chairperson will set an appointment to obtain this information.
- iii) Declined: at which time the Town Treasurer will send out the appropriate letter informing the applicant that their request was turned down and for what reasons.
- iv) The Selectboard will be informed of the RLFC's recommendations within one Selectboard meeting cycle. If the RLFC recommends approval of a loan, they will inform the Selectboard at this time of the loan amount and terms. The Selectboard must act on recommendations for approval within ten business days following a regularly warned meeting after a recommendation was received. On approval of the

loan, the Town Treasurer will forward an approval letter to the applicant and arrange with the Town's financing institution or agent for closing of the loan.

C) LOAN REVIEW AND CLOSING

The Town will contract with a local financing institution or other responsible agent at its discretion to perform any necessary credit analyses and all closings for the loans from the Revolving Loan Fund. The Town shall inform the bank or agent of the amount approved, required collateral, and any special conditions attached to the loan or approval. The bank or agent shall contact the applicant and arrange for closing.

The Town shall ensure that the bank or agent contacts the Town prior to closing to secure a release of funds. Copies of all loan agreements, security documents, and any other documentation related to the loan closing will be filed with the offices of the Town Administrator or Treasurer. All loan documents must be secured in one location.

D) LOAN PAYMENT

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

E) LOAN APPLICATION, CREDIT INVESTIGATION AND CLOSING COSTS

All applications must be accompanied by a \$250 non-refundable application fee, payable to the Town of Bristol. The applicant, regardless of the final disposition of the request for funds, will pay all costs related to credit investigation and closing costs, including but not limited to prepaid interest, title search, appraisal, credit report, recording, and other miscellaneous costs will be the financial responsibility of the applicant, and may be included in the loan amount.

F) INSURANCE

The following types of insurance may be required from the borrowers, depending on the individual circumstances:

- i) Prior to closing, evidence of homeowner's or property fire insurance sufficient to cover the amount of all mortgages including the Town of Bristol loan.
- ii) Casualty insurance and life insurance may be required by the RLFC if deemed appropriate.

iii) Business liability insurance shall be carried by any recipient of loan funds.

For all insurance on the property, notification shall be sent by the borrower to the insurance carrier to add the Town of Bristol as a loss payee.

4) LOAN SERVICING

A) GENERAL PROCEDURES

Loan payments shall normally be due every month at the financial institution or agent's office servicing loans for the Town.

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 Bristol will negotiate with the financial institution or agent of its choice regarding servicing costs and procedures.

B) DELINQUENT ACCOUNTS

A loan shall be considered delinquent and collection efforts instituted by the Town for any loan delinquent for forty-five (45) days or more.

C) FORECLOSURE

Foreclosure may be considered for the following circumstances:

- i) Abandonment of property;
- ii) Refusal to pay note;
- iii) Sale of mortgaged property if loan assumption is not approved by the Selectboard;
- iv) Death of borrower and the estate does not pay the note;
- v) When a senior mortgage holder threatens foreclosure and the Town holds a junior mortgage.
- vi) If the assets and/or business are moved out of the Town of Bristol;

Foreclosure proceedings will be governed by applicable State statutes.

D) FORBEARANCE

Rewriting terms of loans shall be considered when the borrower's financial situation has changed significantly since the closing of the loan. The decision upon any method of forbearance must be approved by the Selectboard on the recommendation of the RLFC.

E) BAD DEBTS

Any loan which has a remaining balance after foreclosure of collateral must be collected in full or charged off as a bad debt if it becomes 180 days past due.

F) NON-DISCRIMINATION

In accordance with the provisions of the Equal Opportunity Act and the laws of the State of Vermont, the RLFC may not discriminate in its lending practices on the basis of race, gender, sexual orientation, religion, national origin, age, marital status, or physical or neurological handicap.

G) CONFIDENTIALITY

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

Disclosure of any information relating to application to, transactions by, and decisions of the RLFC as to rate, term, and conditions of loans, except as made in the public minutes of the RLFC, shall not be made to anyone except by written authorization of the borrower.

H) APPEALS

When an applicant disagrees with a decision of the RLFC, the following procedure shall be followed:

- i) The applicant shall contact the Chairperson and request a personal appearance before the RLFC for the purpose of appealing its decision;
- ii) The RLFC shall meet to hear the appeal as the first order of business at its next regularly scheduled meeting;
- iii) The decision of the RLFC to refuse recommendation after an appeal of a loan to the Selectboard shall be final.

5) AMENDMENTS

Amendments to these guidelines may be proposed at any time by the RLFC or the Joint Board. A majority vote of the Selectboard will approve amendments.

REVOLVING LOAN FUND POLICIES AND GUIDELINES

ELIGIBILITY GUIDELINES AND CRITERIA

1. Priority will be given to projects that will assist Bristol businesses to create or retain employment in Bristol and of Bristol residents and will enhance the economic vitality and stability of the community. It may be used for any legitimate business purpose including the purchase of land in the Town of Bristol, the purchase, construction, or renovation of buildings, or the purchase of machinery. The funds are not available to finance or re-finance existing company assets.
2. Properties, whether commercial or residential, located in the Town will be eligible for rehabilitation financing under the Revolving Loan Fund Program.
3. Priority for financing housing rehabilitation will be given to investor-owned buildings in which 50% or more of the units are occupied by low to moderate income tenants, or owner-occupied buildings when the owner is of low to moderate income.
4. Priority will be given to those projects that rehabilitate existing structures versus new construction. Positive impact on the historic character of the Town is a priority.
5. Loan funds may be used for recovery from a natural disaster.
6. Prior to receiving a loan, delinquent property taxes shall be paid in full.

UNDERWRITING GUIDELINES

1. In most cases, no more than 90% of the after-rehabilitation appraised value of the property may be mortgaged to finance rehabilitation.
2. Third mortgages will be accepted as security for rehabilitation loans.
3. Letters of credit may be required from property owners when the net operating income of the building is below 115% of debt service.
4. Loans made under the program will be due and payable in full when title to the property changes ownership, or the lease is terminated, except in unusual and extenuating circumstances.
5. A personal financial guarantee will be required from all borrowers and co- borrowers.

REHABILITATION GUIDELINES

1. Rehabilitations are expected to be carried out to meet applicable Vermont Agency of Natural Resources and Department of Labor and Industry regulations, provisions of the Americans with Disabilities Act, the Secretary of the Interior's Standards for Historic Preservation, where applicable, and applicable building codes, ordinances and bylaws.
2. For housing rehabilitation projects, the following priorities will guide the order in which work is to be financed.

Priority A--Repairs to correct conditions dangerous to health and safety; repairs to make units presently occupied by handicapped tenants barrier-free.

Priority B--Repairs to correct incipient defects or serious, but not hazardous, defects, including energy conservation measures.

Priority C--Repairs that are desirable but not essential to health and safety.

TOWN OF BRISTOL DISCUSSION FACTORS FOR REVOLVING LOAN FUND ASSISTANCE

For each new full time equivalent job available to low/moderate income persons
For each new job which pays better than 110% of LMA wage for its SIC classification
For each unit of affordable housing created or rehabilitated
If project is located in Main Street target area defined in original Community Improvement Grant agreement
If project will enhance the economic vitality, historic character or appearance of the Village center
If company is in a basic industry such as manufacturing, producer services or tourism (75% of revenues)
If project improves supply lines or marketing channels or provides specific spinoff benefits for other Bristol area businesses (supporting letter(s) required)
Extent of match by private or other public sources
Demonstrated need for funds to make project work, secure other funds, etc.
If project uses Vermont products or agricultural resources, recycled materials, renewable energy resources, produces recyclable products, or improves the environment
If project will have an adverse effect on/ disproportionate demand for Town or Village services
If project will have adverse environmental impacts or negative effects on rural character of Town and integrity of historic Village center