Appendix E. Revolving Loan Fund

A. Revolving Loan Fund Strategy

The primary function of the Lake County Revolving Loan Fund is to provide short term construction and/or machinery and equipment financing to establish or expand eligible industrial or commercial businesses. Loans can be 3, 5, 7, or 10-year terms depending on needs and funding availability.

The participants will seek to obtain the maximum amount of project financing from private and public sources. Loans are intended to fill a funding gap. Our maximum is normally 20% of a total project. It will provide the amount of assistance necessary and appropriate to make the project go forward.

B. Eligible Uses of Funds

Funds from the Lake County Revolving Loan Fund must be used for:

- Acquisition of building(s)
- Acquisition of machinery/equipment
- Acquisition of land only if a structure will be erected
- Leasehold improvements
- New building construction
- Energy conservation
- Pollution control
- On-site infrastructure

C. Ineligible Uses of Funds

- Working capital
- Rolling stock
- Refinancing existing debt
- Land banking
- Mergers
- Inventory

D. Loan Amounts, Terms, Coverage and Interest Rates

Loan Amount

- Maximum: $ 2,000,000.00
- Minimum: $ 151,000.00

Loan Terms

- Construction Loans – There must be a signed commitment, by a responsible financing source, for repayment of the entire loan when an occupancy permit is issued.
- Capital Equipment – Maximum of 10-years.
- Acquisition of Building – Maximum 10-years with optional balloon payoff.

Loan Coverage

- Construction Loan – may be for up to 100%, or limit of repayment (takeout) financing, whichever is less.
- Capital Equipment – may be for up to 100% depending on total financing for the overall project.

Interest Rates

- Fixed Rate
  1) Minimum: 3%
  2) Maximum: 2 ½ points under current rates at local financial institutions.

Within these limits interest determined on a case-by-case basis.

E. Participation and Job Generation

The goal of the Lake County Economic Development Commission is to have one (1) permanent full-time job created, or retained, for each $50,000.00 loaned. Job creation must normally take place within 3-years of project completion. A majority (51%) of the new, or retained jobs must be for low/moderate income persons. These are determined on the basis of pay, required skill level and/or family income. Employee Job compliance shall be done by using Employee Job Questionnaires every three to five years.

F. Other Requirements

Labor Standards

Where assistance is provided for construction, the project must meet the Davis-Bacon prevailing wage requirements under 40 U.S.C. S276a to 276a-7. All projects must meet the State and Federal Equal Opportunity Employment requirements. Most projects must meet the requirements of the National Environmental Protection Act and related legislation.

Debarment Review

Before approving any loans LCCEDD will ensure that the applicant is not suspended or debarred from working on federally funded contracts by searching the System for Award Management (sam.gov).

Environmental Review
LCCEDD will complete an environmental review record (ERR) for all scopes of work to be funded from the Lake County Revolving Loan Fund. Applicants will be notified that any current work plans must be paused once the application is submitted for approval until the ERR is completed. The County may make a conditional approval while the environmental review process is underway, with the option to proceed, modify or cancel the project based upon the results of the review.

Acquisition / Relocation
Any project involving acquisition of property must be voluntary. Funding may not be used for any project involving eminent domain. Any acquisition of occupied property may trigger displacement and will undergo additional review by LCCEDD.

Loan Servicing, Repayment and Collateral

Loan Servicing

LCCEDD will closely monitor the performance of all loans within the loan portfolio in order to improve opportunities for both the repayment of loans and for the success of the borrower. Loan servicing will be performed by LCCEDD or LCEDC hired contractor(s). All contracting and procurement completed by the LCEDC is conducted pursuant to Federal, State and Local procurement regulations.
Staff will provide accounting and loan collection services and provide a financial report to the LCEDC at meetings, including a statement of individual account status.

Loan servicing and accounting are the following:

- Late payment notices to borrowers.
- Accounting to the LCEDC of principal and interest received on all loan accounts during Commission meetings.
- Delinquent account listing.
- Site visits may be conducted on an as needed basis.

Repayment

Repayment is to be made directly to LCCEDD and typically begins thirty (30) to forty-five (45) days after a loan is closed and funds are disbursed. Loan payments will be made monthly, to commence on the first of the month to begin after one full month from the loan disbursement, but may be scheduled in accordance with the needs of the individual borrowers. The standard method of loan payment by RLF borrowers is check. LCCEDD will deposit the checks within the guidelines of the County and Indiana State Board of Accounts. A designated staff member will be in charge of receiving the payments, documenting the payments and depositing the payments. Repayment is considered late if it is received after the 15th day of each month.

Since no notices of regularly scheduled payments are sent to borrowers all borrowers will receive a copy of the loan amortization schedule which will serve as the repayment schedule. Defaults are considered any repayments over 120 days.

Collateral

All loans will be secured by land, buildings, machinery, equipment and, if necessary, by other assets, personal guarantees, letters of credit, etc. Liens may also be required depending on loan repayment history and delinquencies.

H. Fees

A non-refundable fee of $500.00 will be required at the time of application. Applications are available M-F from 9:00 am to 4:00 pm in the LCCEDD offices. Building A of the County Government Center.

Legal Fees incurred by the LCCEDD in making a loan are the responsibility of the Borrower, and are to be paid at the closing of the loan

I. Monitoring, Delinquency Management

Monitoring

The standard procedures for monitoring loan conditions may include required procedures for financial statements, borrower site visiting and any other LCCEDD requirements. All monitoring will be conducted by LCCEDD staff or contractors hired by LCEDC

The collection of financial statements, as required by the loan agreement, will be handled in a manner similar to the collection of payments. Financials may be requested or required per the loan agreement. These will be reviewed for the results of the most recently completed period as well as year to date results.

Delinquency Management

If defaults have occurred and are not cured in a reasonable amount of time, actions can be taken prior to restructuring loan agreements and pursuing legal action to recover the investment. LCCEDD staff will stay in close contact with the business to monitor activity and be immediately aware of further deterioration. Possible activities include:

- Increasing financial reporting
- Require monthly cash flow reconciliation
- Hold monthly meetings with management
- Attend meetings of the board of directors and/or officers.

Default Loans

Any loan that is in arrears up to 120 days is considered to be a defaulted loan.

- Telephone contact will be made 10 days after the due date.
- First notice of delinquent payment will be sent 15 days after the due date.
- Second notice will be sent 30 days after the due date.
- Third notice will be sent 60 days after the due date.
- Fourth notice will be sent 75 days after the due date. A certified, return receipt notice will be sent. During the first 75 days of delinquency, written and oral communication, as well as site visits, will be utilized to resolve the delinquency. Every effort will be made through personal contact to resolve the delinquency.
- After 120 days of delinquency, a loan due demand notice will be sent by legal counsel. If after 120 days a delinquency still exists, and the loan has not been renegotiated or brought current, the loan may be declared in default. LCCEDD may immediately commence procedures to recover the borrower's security. No loan modification will be approved unless it can be demonstrated that modification will improve the borrower's ability to repay the loan.

Restructuring of Loans

If the cash flow of the business is inadequate to make the scheduled payments, it may be necessary to alter the terms of the note in order to cure defaults. If there is no need to formally cure defaults, payment terms may be reached without amending the notes. Restructuring of loans include but are not limited to interest rate amendments, maturity date extensions, or added balloon payment. However, all loan modifications must be reviewed and approved by the LCEDC. Terms and repayment schedules will be defined and agreed upon by the LCEDC.

J. Write-Offs, Loan Forgiveness Program

Write-Offs

A percentage of the loans made through the RLF will be lost due to business failure, inadequate collateral coverage or LCEDC approved Loan Forgiveness. The anticipated percentage of these losses will be approximately 25% of total funds loaned in both the RLF and the CIFI Small Business Loan Program. Loans will be written off when all actions to recover funds as described above have been exhausted or when pursuit of further recovery is no longer considered cost effective. Through monitoring and tracking of the loan portfolio, the LCCEDD staff will work to minimize risk through necessary changes in policies and procedures within the quality control process. LCCEDD will report loans in default and if staff recommends that a loan should be charged off, it will be presented to the LCEDC for recommendation and will require the Commission to approve the write-off.

When the board deems a loan to be a loss, the charged off loan must be in compliance with full and fair disclosure requirements of any relevant rules and regulations pertaining to the funding of the loan.

Loan Forgiveness Program

Loan Forgiveness is possible provided that there are unique circumstances that have affected the businesses ability to repay the loan obligations due to events outside the control of the business. The business shall provide to LCCEDD documentation of the unique circumstances to be reviewed by the LCEDC.

If a business seeks loan forgiveness it must provide a written request signed by all officers of the corporation, LLC, partnership or entity.

The following documents shall accompany the loan forgiveness letter:

- Current financial statements of the business
- Documented unique circumstances such as cancelled orders, supplier or buyer layoffs, market condition changes beyond the control of the business, and any other national or international condition that affected business operations to the extent that repayment of loan obligations could not be made

LCCEDD shall then add all of the documentation taken by it and the business pursuant to the default provisions in this policy and forward all items to the LCEDC and its attorney for review and consideration at Executive Session of the LCEDC. Attendees of the Executive Session shall include the LCEDC, its attorney, LCCEDD staff, and the business representatives. No final decisions can be made during the Executives Session. A public meeting, at a date and time as directed by the LCEDC, shall be held to provide a final decision to the business on the Loan Forgiveness request. The primary purpose of the Executive Session is to allow the business the opportunity to discuss business operations privately that could affect the business negatively if held during a public meeting.

Decisions of the LCEDC shall be final as determined in the public meeting. And the LCEDC will provide a documented reason for the loan forgiveness.

The options available to the LCEDC include but are not limited to the following:

- Deferral of Loan Payments for loan longer than one year;
- Forgiveness of the defaulted loan balance to make the loan current pursuant to the originally approved, or modified, loan repayment schedule;
- Forgiveness of loan balance to get current and deferral;
- Forgiveness of loan balance to get current and the remainder of the loan repayment schedule;
- Requiring liens on property to secure any amount of loan deferral and/or loan forgiveness.

Any loan forgiveness, deferral, or combination should keep in mind the anticipated write-off of 25% of the loan portfolio.

Appendix F. References

HOME

HOME Investment Partnerships Program (HUD)
Compliance in HOME Rental Projects: A Guide for PJs (HUD)
Compliance in HOME Rental Projects: A Guide for Property Owners (HUD)
Building HOME: A HOME Program Primer - Training Manual (HUD)
HOME Subsidy Layering (HUD)
Technical Guide for Determining Income and Allowances for the HOME Program (HUD)

CDBG

Managing CDBG: A Guidebook for Grantees on Sub-recipient Oversight (HUD)
Training CDBG Sub-recipients in Administrative Systems (HUD)
CDBG Basics: Training for Practitioners (NCDA)
Playing by the rules: A Handbook for CDBG Sub-recipients on Administrative Systems (HUD)
Basically CDBG for States (July 2012) Chapter 19 (HUD)

NSP

Neighborhood Stabilization Program (HUD)
NSP Project Feasibility Analysis Template User Guide (HUD)
NSP Homebuyer Program Case File Checklist (HUD)
NSP Multifamily Rental Program Sample Mortgage Assignment of Leases and Rents and Security Agreements (HUD)
NSP Multifamily Rental Program Sample Regulatory Agreement (HUD)
Neighborhood Stabilization Program (NSP) Basics (HUD)
NSP Closeout Guide (HUD)

FEDERAL REGULATIONS

OMB Circular A- 87
OMB Circular A-133
OMB Circular A-122
HOME and CDBG: Working Together to Create Affordable Housing (HUD)
Making it Work: Implementing the Lead Safe Housing Rule in CPD Funded Programs (HUD)
(HUD) HOME & NSP: Creating Affordable, Stabilizing Neighborhoods (HUD)
Affirmatively Furthering Fair Housing (HUD)
Fitting the Pieces Together: Using Private and Public Financing Tools with HOME Assisted Homebuyer Programs (HUD)

INCOME ELIGIBILITY

CPD Income Eligibility Calculator User Manual
CPD Income Eligibility Calculator
Third Party Verification Forms (under templates and forms)
Available forms on this site:

- Verification of Alimony and Separation
- Verification of Assets on Deposit
- Verification of Child Support Payments
- Verification of Employment
- Verification of Income from Military
- Verification of Income from Business
- Verification of Pensions and Annuities
- Verification of Public Assistance Program
- Verification of Recurring Cash Contributions
- Verification of Social Security Benefits
- Verification of Unemployment Benefits
- Verification of Veterans Administrative Benefits

Other

Housing Quality Inspections (NAHRO)
Realizing the American Dream (Neighborhood Reinvestment Corporation)

State of Indiana

CDBG Compliance Manual and Forms (Indiana Housing Community Development Association – IHCDA; this information supplies Indiana specific regulations with federal regulations.)
CDBG, HOME, and HTF Program Manual 4th Edition (State of Indiana) (Indiana Housing and Community Development Authority)
Community Development Block Grants – CDBG Resources (Indiana Office of Community and Rural Affairs)
IDIS Online Training for CDBG Entitlement Communities (Indiana HUD)
Indiana Procurement Regulation found in IC Title 5-22, IC-5-3-1-2, IC-5-16 and IC 36-1-12

Lake County

Lake County Redevelopment Commission

CHAPTER 150: BLIGHTED AREAS; REDEVELOPMENT

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General Provisions
150.01 Purpose
Department of Development
150.15 Creation

Lake County Redevelopment Commission
150.25 Creation
150.26 Appointment of Commissioners; term
150.27 Qualifications; powers of Commissioners
150.28 Designation of members
150.29 Community Development Block Grant Program; approval of applications
150.30 Review, approval of annual budgets and appropriations of Commission by County Council

Lake County Economic Development Commission
31.070 Established
31.071 Appointment of members
31.072 Terms of Commissioners
31.073 Selection; nomination
31.074 Oath of office; certificate
31.075 Meetings
31.076 Removal of Commissioner; review
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