

# Management Plan for the Revolving Loan Fund

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## A. Goals and Objectives

1. Retain Skowhegan's Industrial and Commercial Base: Assist in the financing of projects which maximize private sector investment and will benefit low and moderate income people.

2. Create and retain permanent jobs: Expand business employment and ownership opportunities for the benefit of Skowhegan Residents.

3. Diversify the economic base:

Encourage the growth on non-traditional industries and businesses in Skowhegan.

## B. Strategy

1. The main focus will be the creation and retention of permanent, high growth potential jobs.

2. Coordinate with private sector lenders in the use of the revolving loan funds. The RLF will be considered "gap" financing i.e., RLF monies will be utilized to the maximum extent possible to enhance the feasibility of projects that would be marginal or uneconomic if public funds at preferred rates were not available.

3. Coordinate the revolving loan funds with other local assets, including the Skowhegan Industrial Park, vacant buildings and other existing facilities.

4. Coordinate with other area economic development activities, including:

A. Small Business Development Center counseling services.

B. Community Development Block Grant Community Development Revitalization Program and the Development Fund Business Program.

C. Housing and Urban Development (HUD) Programs.

## **C. Loan Criteria**

### 1. Types of Activities:

Uses of Revolving Loan Fund (RLF) financing will include but not be limited to the utilization of existing vacant buildings, the expansion or modernization of plant and equipment, and start-up capital for new firms. RLF monies can be used to finance either fixed assets, inventories or other working capital.

The following types of businesses and activities shall be eligible for RLF financing:

A. The creation of new businesses or the retention or expansion of existing businesses.

B. Locally owned and outside owned businesses.

C. Primarily small businesses. Large companies will be given consideration under special circumstances on a case-by-case basis.

D. Traditional as well as new technology.

### 2. Special consideration will be given to:

A. Existing businesses.

B. Small businesses.

C. Locally owned businesses.

D. Businesses with above average growth potential.

E. Businesses that increase the value added of local products and local natural resources.

F. Businesses that employ low and moderate income people.

G. Women and minority owned businesses.

H. Commercial businesses located in the downtown area

I. Industrial businesses located in the Industrial Park.

### 3. Standards for the Revolving Loan Fund:

A. RLF financing will, in general, not exceed \$10,000.00 per job created or retained. In advance of approval, the application shall include an estimated time frame of new jobs to be created or retained.

B. The ratio of private funds to RLF funds will be targeted at a minimum of 2:1 for businesses located in the downtown area or the industrial park, and 4:1 in other areas.

#### **D. Administration**

The Town of Skowhegan will:

1. Be responsible for overall RLF administration through the Economic/Community Development Office.
2. Assist RLF applicants with packaging of development proposals through the Economic/Community Development Office.
3. The Board of Directors of the Skowhegan Economic Development Corporation will serve as the Loan Review Committee. The Loan Review Committee will review loans and make recommendations to the Board of Selectmen for approval or denial. The Board of Selectmen will make the final decision to approve or deny the application.
4. Annually monitor the administration of the RLF to insure that operations are in accordance with the management plan.
5. The Board of Selectmen may adopt amendments to the Management Plan when requested to do so.
6. The RLF will be audited yearly as part of the Town's external audit.
7. The Town will comply with Title 1 requirements and 24 CFR 570.200 ET AL.

#### **E. Operational Guidelines**

1. The maximum loan amount will be \$50,000.00, depending on the loan fund balance. The actual amount of each loan will be based on the amount that is cost-effective to package the loan.
2. The rate of interest for each loan will be recommended by the Loan Review Committee, subject to the confirmation by formal vote or final determination of the Board of Selectmen.

3. The term of each loan will be set by the loan Review Committee subject to confirmation by formal vote of the Board of Selectmen. The loan duration shall not exceed 10 years unless there are documented extenuating circumstances.

4. Loan fees:

A. A 1.5 percent package fee will be charged to cover the costs of assembling the application and administering the loan.

B. A \$5.00 monthly service charge will be included in the billing.

5. Late payments and delinquencies:

A. When a loan is 15 days in arrears, a late payment charge of 5 percent of the loan payment will be added.

B. A loan will be considered delinquent if payment is not made within 15 days of the due date.

C. If the borrower is more than 30 days in arrears and has not notified the servicing agent of a plan to become current which the Town of Skowhegan has approved, the borrower will be considered in default. If a borrower defaults, whether through non-payment of scheduled loan payments or through breach on any loan condition, appropriate legal or other action will be taken to assure that some or all of the amount will be recovered and returned to the RLF. The Town of Skowhegan will have the responsibility of taking action to cure delinquent accounts.

## **F. Loan Application and Review Process**

A. Loan applications will be evaluated on a first come, first serve basis.

B. The applicant must be the owner or have vested authority to apply for financing.

C. Projects will be selected for RLF financing according to the following criteria:

1. Consistency with Fund's overall economic development objectives, strategy and priorities as stated in Sections A, B and C of this Management Plan. (See Section G.2 for details on the economic development impact analysis of loan applications).

2. Demonstrated financial feasibility and repayment ability. (See Section G.1 for details on the financial analysis of loan applications).

3. Proven management ability and capacity to complete the project.
4. Compatibility with the environment, local ordinances and other community objectives.
4. Initial screening of all applicants will be done by the Community Development Office based on consistency with RLF objectives as stated in Section A. above. The most important factor will be the number and quality of jobs created or retained.
5. Recommendations to the Board of Selectmen for approval or denial of loan applications will be made in writing by the Secretary of the Loan Review Committee. In the case of disapprovals, the reasons for such action will be stated.
6. After a loan application has been approved, a formal Loan Agreement will be drawn up. The Loan Agreement will state clearly all of the terms of the loan, including any special conditions that may be required. The loan agreement will be signed by a representative of the Town of Skowhegan and the applicant after all details have been resolved to the mutual satisfaction of both parties. All loan agreements shall be contingent on adequate funds from loan payments being available to the RLF.
7. An unsuccessful applicant for a loan may request a review of the decision based on errors of fact or procedure. Such a review may not be based on judgements concerning the feasibility of the proposed project or the credit worthiness on the applicant. An applicant may submit a new application at any time.
8. The Town of Skowhegan may issue requests for proposals when the Fund exceeds \$10,000.00. These requests will be posted in public places and in two newspapers 45 days before proposals are due.

## **G. The Analysis of Loan Applications**

The loan review process will involve two types of analysis: financial analysis and impact analysis.

### **1. Financial Analysis**

The financial analysis will have three components:

A. Credit Analysis: Review of the history of the business, the principals of the new enterprise, management personnel, financial condition and bank and trade credit standing.

B. Collateral Analysis: Review of ownership and effective value to the creditor of any asset pledged as collateral for the loan.

C. Cash Flow Analysis: Review of the financial projection describing the projected future condition of the business subsequent to the placement of the loan and all factors affecting the future condition of the business including market and economic trends.

The Skowhegan Economic Development Corporation will accept the same financial package as most of the area banks require. The financial requirements will normally include the following:

A. A completed application form.

B. Financial statements covering the past three years, including a balance sheet, profit and loss statement and a statement of cash flow.

C. Annual projections of the balance sheet, profit and loss statement and the statement of cash flow, including a summary of assumptions used, for the next 3 years.

D. Monthly cash flow projections and the profit and loss statement for the first year and annually for the second and third year.

E. Amount of financing required and the purpose for which the funds will be used.

F. Description of the product line(s).

G. An analysis of the market for the products.

H. Names and analysis of the competition.

I. Number of employees at present, at year end for the last three years, and projected for each of the next three years.

J. History of the company.

K. Background information (resumes) and notarized personal financial statements of the principals of the business.

L. Details of existing bank loans and other financing of the business, including stock pledges.

M. Details of the capital of the business, including ownership and amounts of investment.

N. For regulated enterprises, full details of all applicable government regulations.

O. Bank letter outlining participation.

P. A listing of accounts receivable and phone number of major suppliers.

Q. Appraisals of real estate and machinery and equipment.

## **2. Impact Analysis**

The purpose of the impact analysis is to determine the extent to which the proposed loan meets the previously stated economic development objectives and priorities of the RLF

1. The project must have a significant impact on one or more of the following overall objectives:

A. Expansion or retention of the industrial and commercial base. This involves assessing the impact on economic activity in the Skowhegan area. Special efforts will be made to encourage the increase value added to local products and natural resources.

B. Creation or retention of jobs. The program will aim at maximizing the employment impact of the RLF. At least one job will have to be created or retained for \$10,000.00 of RLF financing.

C. Diversification of the economic base. Favorable consideration will be given to industries, modern technologies and commercial services that do not currently exist in the area.

2. In addition, the impact of the loan on the following specific objectives and concerns will be analyzed:

A. The encouragement of existing businesses.

B. The encouragement of small businesses.

C. The encouragement of woman-owned and minority-owned businesses.

D. The employment of low and moderate income people.

E. Minimal impact on the environment.

F. Maximum use of existing vacant buildings.

G. Promotion of the downtown area for commercial businesses

H. The use of RLF monies in conjunction with Skowhegan Industrial Park whenever possible.

## **H. Loan Servicing**

1. Collections: The billing of borrowers for amounts due, the receiving and posting of payments and the notification of borrowers in a timely fashion of past due accounts will be the function of the Economic/Community Development staff.

2. Monitoring of Compliance with Loan Conditions: Collecting evident on on-going compliance with loan requirements, counseling of delinquent accounts and the initiation of collection procedures for delinquent accounts will be the responsibility of the Economic/Community Development staff.

3. Monitoring of Financial Performance: Periodic review of updated financial statements will be the responsibly of the Economic/Community Development staff.

4. Technical Assistance: Provisions of additional assistance will be the responsibility of the Economic/Community Development staff.

## **I. Sources of Funding to Cover Administrative Costs**

Funds to cover administrative costs of the RLF may be provided from the interest earned from Revolving Loan funds, profits from the sale of RLF loans, RLF fees and other general revenues from State and Local governments as needed.

For more information contact the office at 207-474-6905 or [e-mail us](#).