



Revolving Loan Fund Guidelines (RLF)

A. Goals and Objectives

1. Enhance and retain Skowhegan's Industrial and Commercial Base:

Assist in the financing of projects which maximize private sector investment.

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 of 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 the Revolving Loan Funds with other local assets.
3. Coordinate with other area economic development activities, including:
 - a. Kennebec Valley Council of Government (KVCOG)
 - b. Small Business Development Center Counseling Services
 - c. Community Development Block Grant Community Development Revitalization program and the Development Fund Business Program
 - d. Skowhegan Façade Program



Skowhegan Economic Development Corp

SEDC

225 Water Street
Skowhegan, Maine 04976
207-474-6905

Established 1963

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. Including converting building lighting to energy efficient lighting, upgrading electrical panels, new energy efficient furnaces, geothermal systems, heat pumps, new energy efficient windows, upgrading to insulation to 2009 Energy Code requirements.

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 Loan Review Committee will review loans and make recommendations to the full Board of SEDC, 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 \$100,000.00, 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 recommend 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 20 years unless there are documented extenuating circumstances. If the loan funds are just for Energy Efficient upgrades the term of the loan shall be restricted to no more than 5 years.
 - a. If the applicant has qualified for the rebate program through Efficiency Maine they are eligible to a 2% interest rate on the loan, if we fund the full project, minus rebate.
 - b. If the applicant has qualified for the rebate program through Efficiency Maine they are eligible to a 0% interest rate on the loan, if we fund 50% of the project, minus rebate.
 - c. If the applicant has qualified for the rebate program through Efficiency Maine they are eligible to a 0% interest rate on the loan, if the loan is being used as a match for the 2017-2018 Façade Program, minus rebate.
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 \$10.00 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.



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- 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 of any loan conditions, 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.

6. Security

- a. All loans will be secured with Real Estate where possible.

F. Loan Application and Review Process

1. Loan application will be evaluated on a first come, first serve basis.
2. The applicant must be the owner or have vested authority to apply for financing.
3. Projects will be selected for RLF financing according to the following criteria:
 - a. Consistency with the Fund's overall economic development objectives, strategy and priorities as stated in Sections A, B, and C of the Management Plan. (See Section G.2 for details on the economic development impact analysis of loan applications).
 - b. Demonstrated financial feasibility and repayment ability. (See Section G.1 for details on the financial analysis of loan applications).
 - c. Proven management ability and capacity to complete the project.
 - d. Compatibility with the environment, local ordinances and other community objectives.
4. Initial screening of all applicants will be done by the Economic & Community Development Office based on consistency with RLF objectives as stated in Section A. above. The most important fact 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.



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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. 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 only on errors of fact or procedure. Such a review may not be based on judgments concerning the feasibility of the proposed project or the credit worthiness of 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 conditions and bank and trade credit standing. For Energy application security can be the new equipment installed or other assets.

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.



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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. Completed application form.
- b. Financial statements covering the past three years (tax returns), including a balance sheet, profit and loss statement and a statement of cash flow. If relying on new profits for loan payment then c and d required.
- 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. Owners will provide statement from contractors that project will meet current Efficiency Maine Guidelines.
- g. Description of the product line (s) or service being offered.
- h. An analysis of the market for the products or service.
- i. Names and analysis of the competition.
- j. Number of employees at present, at year end for the last three years, and projected for each of the next three years.
- k. History of the company.
- l. Background information (resumes) and personal financial statements of the principals of the business.
- m. Details of existing bank loans and other financing of the business, including stock pledges.
- n. Details of the capital of the business, including ownership and amounts of investment.
- o. For regulated enterprise, full details of all applicable government regulations.
- p. Bank letter outlining participation.
- q. A listing of accounts receivable and phone number of major suppliers.



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- r. Appraisals of real estate and machinery and equipment.
 - s. Credit report that is within 30 days of application, review board will determine if report is current.

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 those activities that increase value added to local products and natural resources.
 - b. 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.
 - c. Increase the energy efficiency of existing and new businesses.
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. Minimal impact on the environment
 - d. Maximum use of existing vacant properties



H. Loan Servicing

1. Owner will provide proof of rebate before first payment is due to confirm qualifying status for reduced rate.

2. 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.

3. Monitoring of Compliance with Loan Conditions:

Collecting evidence 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.

4. Monitoring of Financial Performance:

Periodic review of updated financial statements will be the responsibility of the Economic & Community Development staff.

5. 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.

If you have any questions, please contact the office at 474-6905 or email us at info@skowhegan.org.

Please mail the application and supporting documents to:

Economic & Community Development

Attn: Jeff Hewett

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RLF Check list (Office Use Only)

Check off	Items	Office comments
	Business located in Skowhegan	
	Taxes Paid (Both Real & Personal Property)	
	Brief description and history about the business and project being financed	
	Application signed by all parties	
	Commitment letter from other source of funds (including terms of any loans)	
	Description of security (copy of deed if applicable)	
	Balance sheet and income statement for the previous 3 years	
	Current balance sheet and income statement	
	Personal financial statement and/or tax returns for last 3 years	
	Personal Guarantee	
	If Corporation, article of Good Standing	
	If LLC, names, address of members, % of ownership, SS #	
	EIN number / Social Security #	
	Letter from Contractor stating project should qualify for rebate.	
	Current Credit Report	https://www.annualcreditreport.com/cra/index.jsp