

Town of Farmington

REVOLVING LOAN FUND

Management Plan

**Amended July 14, 2009
Amended October 26, 2010**

MANAGEMENT PLAN

A. Purposes of the Revolving Loan Fund (RLF)

1. To promote the economic well being of the Town of Farmington by helping to finance projects which maximize private sector investment and benefit low and moderate income people;
2. To stimulate job creation and expand business ownership opportunities for Farmington residents through economic development that is compatible with the Town's physical and social environment;
3. To encourage maximum utilization of existing vacant and under-utilized buildings;
4. To stimulate investment in the renovation and conservation of small business space; and
5. To supplement traditional bank financing, business owner investment, and other business loan and investment instruments.

B. Administration

1. The Town of Farmington shall:
 - a. be responsible for overall RLF administration;
 - b. assist RLF applicants with packaging of development proposals;
 - c. recommend amount and terms of RLF and owner participation for each project; and
 - d. maintain a Loan Review Board to review and either approve or deny RLF loan applications;
 - 1) The RLF Review Board shall consist of five (5) regular members who shall be residents of the Town of Farmington;
 - 2) A minimum of three (3) RLF Review Board members shall constitute a quorum for voting purposes;
 - 3) RLF Review Board members shall be appointed by the Board of Selectmen and sworn in by the Town Clerk; and.
 - 4) The term of each Board member shall be three (3) years, and the members shall serve until their successors are appointed and sworn.

- 5) Upon adoption of this management plan, for transition purposes the initial terms shall be staggered so that as nearly an equal number of terms shall expire annually. Towards this end, initial appointment shall be one member for one year, two members for two years, and two members for three years.
2. The Board of Selectmen may adopt amendments to the Town of Farmington Revolving Loan Fund Management Plan after a public hearing has been held to review proposed changes.
3. The RLF shall be audited yearly as part of the Town's annual audit.

C. Eligibility Criteria

1. The applicant must be a property owner or resident of the Town of Farmington or an owner of a business or organization located within the Town; and the applicant must have the authority to make legal agreements for that business.
2. The applicant must supply documentation of supplemental traditional bank financing, business owner investment, and/or other business loan and investment instruments.

D. Eligible Projects

Eligible project activities include loans for:

1. Business start-ups, expansions and/or building improvements and/or renovations;
2. Real property acquisition; and
3. Capital equipment;

E. Ineligible Loans

Loans secured by out-of-state real estate are ineligible.

F. RLF Terms and Conditions

1. No loan will exceed the maximum length of ten (10) years.
2. Interest rates will be a fixed rate of 5%, except for loans made for façade improvements within the Village Business Historic District (as described in the Town's Zoning Ordinance) which shall be at a fixed rate of 0%.

3. No loan shall exceed the amount of \$25,000.
4. Payments will be made on a monthly basis.
5. Loans will be evidenced and documented per section H. below (which may be subordinated to the primary lender/s).
6. Before any RLF funds are disbursed, all necessary Town, State, or federal permits must be obtained.
7. There will be no prepayment penalty provision on any loan.

G. Fees

All costs associated with legal document preparation and review, recordings and filings shall be borne by the applicant and shall be payable before or at closing of the loan.

H. Loan Closing Document Package

Upon loan approval, a formal loan closing document package will be assembled consisting of:

1. Loan Agreement;
2. Promissory Note;
3. Mortgage Deed (when applicable);
4. Security Agreement;
5. UCC-1 Financing statement (when applicable); and
6. Personal Guarantee and/or Corporate Guarantee (when applicable).

All documents shall be signed by a representative of the Town of Farmington and the applicant, and applicable documents shall be witnessed and notarized by a Notary Public of the State of Maine.