

**JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION  
LENDING/COLLECTION POLICY AND PROCEDURES**

**Adopted 10/07/10  
Amended 09/06/12  
09/04/14  
11/6/14  
3/5/15  
Amended 12/3/15  
12/5/19  
Reviewed 10/1/20**

**1. GENERAL STATEMENT**

The Jefferson County Local Development Corporation (JCLDC) functions, among other activities, as a lending institution, making loans for economic development purposes to qualified applicants. Loan procedures will be reviewed periodically to insure that all rules and regulations are being complied with.

The JCLDC will review applications for need of JCLDC funds, appropriateness of project and ability to attain the stated goals.

The Board of Directors (BOD) has the ability to approve exceptions to the lending policy in order to enhance the agency's ability to stimulate economic development and help spur job creation/retention.

**2. LENDING AREA**

The loans will be made to businesses and industries situated in or having a significant positive economic impact in Jefferson County.

**3. TYPES OF LOANS**

The JCLDC may lend funds to businesses and/or non-profit entities for the following purposes:

Business/real estate acquisition  
Working Capital  
Fixed assets  
Inventory

There must be a positive economic benefit to Jefferson County as defined by:

- a. job creation
- b. job retention
- c. community redevelopment
- d. community enhancement
- e. generate positive net cash flow as defined by businesses that generate a substantial portion of their revenue from sales outside the County

#### **4. DESCRIPTION OF LOAN PROGRAMS**

The loan program is defined in Exhibit A.

#### **5. EQUITY CONTRIBUTION OF BORROWER**

A minimum equity contribution of 10% of the total eligible project costs is required of the Borrower. The equity contribution required for a start-up business may be greater, depending upon the circumstances. The equity contribution can be in the form of cash or substantial equity in collateral being offered.

#### **6. INTEREST RATES AND REPAYMENT TERMS**

Interest rates on the JCLDC loans will be determined by the Board of Directors. The interest rates will generally range from prime minus 3 to prime plus 2 and will generally be on fixed rate basis adjusted every 5 years, when applicable. Staff will review interest rates on January 1 of each year to determine if adjustment should be made. Recommendations will be made to the Loan Review Committee for applicable loans. Repayment terms for real estate loans will generally range from 10 to 20 years; repayment terms for machinery and equipment purchases will generally range from 7 to 10 years.

#### **7. CLOSING FEES**

The Borrower shall pay all costs connected with the issuance of the loan.

Specific fees are outlined in Exhibit A for each loan program.

#### **8. DOCUMENTS**

The JCLDC will require the completed written business plan and application to include three years of personal financial statements, three years of tax returns and/or business financials. Closing documents necessary to perfect its security interest are required by its commitment letter to fully comply with all Federal regulations and will include personal guarantees.

#### **9. RESPONSIBILITY OF LOAN REVIEW COMMITTEE**

The Chairman will appoint a minimum of three representatives of the Board to serve on this Committee for the purpose of initially determining the eligibility of a prospective loan and analysis of the application for presentation to the Board. Upon completion of this analysis, the committee will provide a recommendation to the Board at the next scheduled meeting.

#### **10. RESPONSIBILITY OF BOARD OF DIRECTORS**

The Board will maintain an active Loan Review Committee. The Board will act on the recommendations of the Committee at their regular scheduled meetings. The Chief Executive Officer will prepare a letter advising the Borrower of the Board's decision. If approved, the letter, among other things, will set forth the general and specific terms and conditions under which the JCLDC is willing to grant the loan, such as the interest rate, repayment period, expected collateral, etc. The letter will also advise the proposed Borrower that he/she will be obligated to pay all costs incurred by the JCLDC in connection with his application, even if the loan does not close as expected. The letter must include an acceptance within two weeks. The offer shall expire in 120 days from the date of the letter allowing a reasonable time for the proposed Borrower to meet the terms and conditions of the loan. An extension of the letter must be approved by the Board of Directors. For JCLDC loans for projects which will have construction financing, the commitment shall be for the anticipated construction period plus two months, and the construction must start within 180 days. The Board of Directors must approve an extension of the commitment. The Chief Executive Officer will present to the Board a written report of all delinquent accounts for the Board's review.

## 11. COLLECTION PROCEDURE

The following collection policy will be administered by the JCLDC:

### A. 15 days delinquent

When a loan is 15 days delinquent, a late payment notice is sent by the staff to the Borrower requesting the loan be brought current or may otherwise be placed in default.

### B. 30 days delinquent

When a loan is 30 days delinquent, a telephone call is made to the Borrower from the JCLDC staff in order to define the reason for the delinquency. The regular monthly billing is sent to the Borrower, which will include two months payment due plus a late fee, as stated in the Note. A second delinquent letter will be sent requesting the loan be brought current as is subject to be placed in default. **The JCLDC Staff reserves the right to submit any delinquency to a nationally accredited Credit Reporting Agency if a delinquency has not been cured within 30 days following transmittal of the default letter.**

### C. 60 days delinquent

A third delinquent letter will be sent demanding the loan be brought current immediately; otherwise, the loan is subject to being placed in default and will be turned over to JCLDC attorney within a certain period of time. At this time, the staff will determine the best collection course to pursue.

## 12. REPORTS TO BE KEPT

The original loan documents should be kept in the Office of the JCLDC. In addition to these, the following reports are to be kept and updated as needed:

1. current financial reports to be updated annually

2. evidence of insurance (includes hazard insurance and flood insurance, if required by the loan documents) ó updated annually
3. UCC-1 Financing Statements ó updated every five years
4. Annual Employment Report
5. Periodic site visits
6. Annual financial statements and/or personal financial statements and tax returns

It is the responsibility of the JCLDC staff to attempt to receive and update the above documents.

### **13. ENVIRONMENTAL RISK CONSIDERATION**

To reduce the JCLDC's potential liability the JCLDC will require Environmental Site Assessments which satisfy the standards set forth by the United States Environmental Protection Agency's "All Appropriate Inquiry" Final Rule, 40 C.F.R. Part 312.

### **14. APPRAISALS**

The loan amount cannot exceed the appraisal of real estate or equipment unless approved by the Board. All real estate loan requests will require an acceptable appraisal report determined by the loan review committee.

### **15. RESERVE FOR BAD DEBT**

Customer account balances are considered on a case-by-case basis. Management individually reviews all accounts receivable balances and based on an assessment of current creditworthiness, estimates the accounts, if any, that will not be collected, and uses this amount to establish the annual reserve.

**EXHIBIT A**

**JCLDC Loan Program**

## **Jefferson County Local Development Corporation (JCLDC) Revolving Loan Fund (RLF)**

- Purpose:** The loan fund targets manufacturing and eligible service businesses.
- Area of Availability:** Businesses in Jefferson County.
- Eligible Activities:** Manufacturing businesses either start-up or expanding; however, deviation for service based businesses will be addressed on a case by case basis. Also, entities that will enhance the community and economic development initiatives of the County.
- Employment Eligibility:** None.
- Funding Uses:** Fixed assets, working capital and inventory.
- Funding Limitations:** Loans generally range from \$25,000 to \$250,000 or 40% of the total project costs, whichever is less. Multiple loans can be made with a maximum aggregate amount not to exceed \$500,000.
- Equity Participation:** Equity participation of at least ten (10) percent of the total project costs.
- Interest Rate:** Generally, interest rates range from Prime minus 3% to Prime plus 2%. Rates determined on a project specific basis.
- Repayment Terms:** Will be determined on a case by case basis. Amortization of the loan shall not exceed five (5) years.
- Applicant agrees to provide timely repayment of any loan associated with this application according to the terms and conditions found in Loan Documents and as agreed to by participating parties. Staff reserves the right to submit any delinquency to a nationally accredited Credit Reporting Agency if a delinquency has not been cured within 30 days following transmittal of a default letter.
- Administered By:** Jefferson County Local Development Corporation (JCLDC)  
800 Starbuck Avenue, Suite 800  
Watertown, NY 13601

**Jefferson County Local Development Corporation (JCLDC)  
Revolving Loan Fund (RLF) – Cont.**

**Application Deadline:** Must be submitted by the 15th day of the month.

**Fees:** Application fee of \$250.00 is payable to the JCLDC at the time the application is submitted. A loan closing fee of 1.5% is due at the time of closing. A ½% fee is for any modification request is due at the time of request.

**Point of Contact:** Lyle Eaton, JCLDC, 315-782-5865