

**FRUITLAND ECONOMIC DEVELOPMENT COMMISSION
PROGRAM GUIDELINES
REVOLVING LOAN FUND**

PURPOSE

The purpose of the Fruitland Economic Development Commission Revolving Loan Fund is to foster the growth of new business and to assist expanding existing businesses in the City of Fruitland. Its objectives are to increase the City's tax base, provide needed services to local residents and to increase the number of jobs in our area. Applicants are encouraged to employ low and moderate income persons residing in the City of Fruitland.

ADMINISTRATIVE RESPONSIBILITIES

It is understood that the City is the grantee of the RBEG funds. The City will administer the program and provide the required reports to the Rural Development Administration. The City of Fruitland will also provide in-kind contributions such as office space and staff assistance in addition to loan servicing.

PROGRAM MARKETING

Upon receiving notice of the grant award, the FEDC will undertake a marketing program aimed at calling the fund to the attention of potential loan recipients. The commission will notify all businesses which have recently expressed interest in such assistance, and will issue a press release detailing the availability of these monies. The Commission will also notify other area economic development agencies.

FORMS AND INFORMATION NEEDED

The FEDC will develop a standard form to be completed by all applicants. This form and supporting information will be detailed enough to permit FEDC to make a sound judgment regarding the feasibility of various loans. This package will be similar to that used by local commercial lending institutions. Forms may be obtained by mail from the City Manager, City of Fruitland, P.O. Drawer F, Fruitland, Maryland 21826 or by telephone at 410-548-2809. Applications may also be obtained on the City's web site at www.cityoffruitland.com.

APPLICATION SUBMITTAL

All applications are to be submitted and will be first reviewed for completeness by the City Manager. Applications will not be considered to be complete and ready for action until the complete application for and all required attachments are submitted. Required attachments include: a start-up business plan with three years' pro forma statements, personal and company income tax returns for the past two years, a personal financial statement, company financial statement, and a non-refundable \$100 application fee. A Notice of Adverse Action will be sent to those applicants whose applications are denied.

BANKERS' REVIEW COMMITTEE

The Bankers' Review Committee will review applications in the order in which they are received. The FEDC reserves the right, however, to fund applications received later

in the process if it finds that a particular project will better meet the goals and objectives as stated above. A personal interview may be required at the discretion of the Bankers' Review Committee.

The Bankers' Review Committee will make a written recommendation regarding the soundness of the loan, the credit worthiness of the applicant, the amount of the loan, and the terms of the loan.

All applications will be submitted to the full active membership of the FEDC for action. A majority vote of the commission members present and voting, provided there is a quorum, will be required in order to approve a particular application. The FEDC will refer to the attached rating and ranking system in considering its action.

It is the goal of this program to take action upon each application within 45 days after receipt of all required information. Once the initial funds have been lent, applications will be held on file without evaluation and the applicants will be so notified.

ELIGIBLE ACTIVITIES

Loan funds may be used for the acquisition of land and/or buildings; the construction of buildings; equipment or machinery; access streets and roads, parking areas, utility and service extensions, refinancing, fees, technical assistance, start-up costs, and working capital.

INELIGIBLE ACTIVITIES

In keeping with the guidelines of the Rural Development Administration, the following activities are ineligible; the production of agricultural products except for commercial nurseries or timber operations; comprehensive area type planning; projects that may result in the transfer of jobs or business activity within the trade area, except to keep a business in the area which is going to leave the area; or development of a business which will produce goods and commodities for which there is not sufficient demand.

PRIORITY

Priority will be given to those applicants who will provide additional jobs, provide a needed commodity within the community, or generate additional tax base. Requests for funds to undertake cosmetic work will generally not be funded.

LOAN SERVICING

Actual loan servicing will be provided by the City of Fruitland. At the time of closing the applicants will be charged a one-time fee of 1% of the loan to cover the costs of loan servicing. A check for this amount will be made payable to the *City of Fruitland*. Program income in the form of interest payments received may also be used to cover the costs of loan servicing. If no mortgage is involved closing will be conducted by the City Manager using documents recommended by the Bankers' Review Committee. If a mortgage is required, the City Attorney will conduct the settlement. Interest earned from this fund may be used to defray administrative costs. All loan installment payments

shall be due on the same day of the month to provide for ease of administration.

TERMS OF LOAN

The FEDC reserves the right to evaluate each case on its own merits, and to maintain some flexibility in loan terms. This latitude is given in recognition of the fact that the purpose of the fund is to provide an incentive for businesses to locate or expand in Fruitland.

In order to meet the guidelines developed by the Rural Development Administration, the FEDC will require that at least 50% of the funding for a particular project be provided from other sources. This may be in the form of cash, commercial bank loans, or other similar programs.

The minimum loan amount will be \$5,000. The maximum will be \$50,000.

Interest rates will be set, as of the day of loan approval, at two points below the New York prime rate as published daily in the *Wall Street Journal* and will be fixed for the term of the loan.

The term of the loan will be flexible and will be subject to the recommendations of the Bankers' Review Committee. Factors to be considered are the purpose of the loan, and the security provided for the loan. The FEDC will take into consideration that a greater public purpose will be served by expeditious repayment of the loans in order to lend the repaid funds to other qualified applicants. The maximum loan term will be five years. In cases of larger loans, however, FEDC will consider up to a 15-year amortization. At the end of five years, the loan can be called or renegotiated.

EQUAL OPPORTUNITY STATEMENT

All applications are considered without regard to race, color, religion, sex, national origin, age, marital status, or physical or mental disability (provided applicants have the ability to enter into a legal contract).

DESIGNATION OF SUCCESSOR

As stated above, the City is the grantee of the RBEG funds. The City has delegated certain duties to the FEDC. In the event that the FEDC shall change its legal corporate status or cease to exist or otherwise as the City may deem necessary, the City may designate another entity or department to carry on such delegated functions.