

**TOWN OF CANAAN**  
**Office of the Revolving Loan Committee**  
**Po Box 159**  
**318 Christian Hill**  
**Canaan, VT 05903**

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**TOWN OF CANAAN REVOLVING LOAN FUND**  
**POLICIES AND GUIDELINES**

**PURPOSE:**

The Revolving Loan Fund is intended to enhance the quality of life in Canaan and the Towns of Norton, Averill, Warren's Gore, Avery's Gore, Warner's Grant, Lewis, Lemington, Bloomfield, and Brunswick, by increasing economic activity, creating jobs, providing additional affordable housing, rehabilitating existing housing and improving public facilities. To the greatest extent feasible, all of these activities are to be achieved by providing loan assistance to individuals and organizations that will benefit individuals, families and households that are of low and moderate income.

**REVOLVING LOAN FUND COMMITTEE:**

The Town of Canaan will establish a Revolving Loan Fund Committee. The Committee will be comprised of seven (7) individuals, including the Town Selectboard, three individuals from the community at-large with either accounting, banking, and/or business background and the Town Treasurer. The members will be appointed by the Selectboard with staggered three (3) year terms with one member term ending each year.

The committee will be responsible for the adoption, approval, and amendments to the Policies and Guidelines, the evaluation of loan applications, and the recommended approval or denial of loans. The committee will also be responsible for the administration of the Revolving Loan Fund (RLF) and the hiring of consultants or personnel to assist in the analysis of applications and projects.

RLF Committee members will make every effort to avoid conflict of interest in regard to benefiting or potential benefiting from a loan. The RLF committee shall not make any loan that directly benefits a Committee member, and Committee members shall disclose any potential conflict of interest and refrain from participating in any discussion or decision about a loan in which they may indirectly benefit.

**ELIGIBILITY:**

- A. Any individual, partnership, for profit or nonprofit organization proposing to undertake an activity in the participating Towns that will provide and protect jobs in the participating Towns, create or improve affordable housing in the participating Towns, enhance public facilities or provide valuable public services is eligible to apply for loan assistance/
- B. Applications from individuals or organizations who are delinquent with property taxes, water or sewer fees, or any amounts due to the participating Towns will not be evaluated until all past due amounts are paid.

- C. Speculative real estate development is not an eligible activity unless it is a commercial building owned by a nonprofit development organization built for the purpose of attracting business and industry that will employ low- and moderate-income persons.

### **LOAN APPLICATION PROCEDURE:**

- A. The Applicant will be required to complete the Town of Canaan Revolving Loan Application and pay the application fee of \$100.00 prior to loan review. The application fee is non-refundable.
- B. The RLF Committee, its Chair, or its Administrator will review the application, ensure that the information is complete, and meets the benefit criteria prior to submitting it to a qualified professional or the full committee. Ideally an Applicant will meet with the chair of the committee or its administrator to ensure that all criteria is met, and all information is provided prior to submitting the application to the full committee.
- C. The RLF Committee may contract with an organization such as a local or regional development corporation or a private lending institution who have qualified loan officers, or with a professional specializing in small business counseling or financial consulting to undertake an analysis of the loan application. This analysis will include an assessment of the Applicant's financial, operating, and marketing plans and an opinion regarding the ability of the Applicant to repay the loan and meet the benefit criteria of the RLF.
- D. The RLF Committee will review the application and the professional analysis of it. At any time during the review process, opportunity may be afforded for the Applicant to meet with RLF Committee or the Selectboard. At any time during the review, more information may be requested and is welcomed at any time should the Applicant see fit.

### **LENDING CRITERIA:**

- A. Terms:
  - a. Up to **Three (3)** years for working capital, subject to a yearly review.
  - b. Up to **Seven (7)** years for machinery and equipment.
  - c. Up to **Twenty (20)** years for commercial property.
  - d. Up to **Thirty (30)** years for affordable housing owned by a nonprofit organization.
- B. Interest Rate: Interest rates between **3% and 8%** to be determined by RLF Committee based on the financial needs of the Applicant, ability to repay, and overall evaluation of the application.
- C. Deferral of Principal: The RLF Committee has the option of deferring principal payments on any loan for as long of a period as necessary if the deferral is essential to achieve the benefit that the Town of Canaan is intending to receive by making the loan.
- D. Collateral: No unsecured loans will be made. Loans shall be secured by fixed assets. The Town of Canaan RLF shall hold a first-priority security interest in all collateral. Security shall not be subordinate to other Lenders.
- E. Other Sources of Capital: Loans shall be matched by a minimum of 25% of other sources of capital. Evidence of the required capital match must be provided to the Committee, its Chair, or its Administrator prior to the release of Revolving Loan funds.

- F. Title Opinion: The RLF requires a title search and certificate of title on real estate and/or personal property. The RLF may also require title insurance in an amount equal to the loan. All costs associated with title searches, certificates, title insurance, and related documentation shall be borne by the Borrower.
- G. Permits: The Borrower must provide evidence that all Federal, State, and local permits/licenses for the construction/operation of the business have been received prior to disbursement of loan funds.
- H. Insurance: The Borrower shall be required to maintain all risk insurance equal to the amount of the Town's RLF loan(s) but not less than 80% coinsurance coverage with the Town of Canaan Revolving Loan Fund named as loss payee and mortgagee on real property and as Lender's loss payable on personal property. On real estate, the Borrower must obtain National Flood Insurance if mortgaged premises are located in a special flood hazard zone. Evidence of proper insurance coverage shall be forwarded annually to the Town of Canaan.
- I. Appraisal: The RLF may require an appraisal of any real estate pledged as collateral. The appraised value must support a maximum loan-to-value (LTV) ratio of eighty percent (80%), although lower loan-to-value ratios may be accepted. All appraisal costs shall be borne by the Borrower.
- J. Documents: The RLF Administrator will prepare a Letter of Commitment and/or Loan agreement on behalf of the Town of Canaan. The Town of Canaan will also prepare all other loan documents, including but not limited to, promissory note, mortgage deed(s), security agreement, and UCC-1(s). All drafting costs shall be borne by the Borrower.
- K. Legal Costs: The Borrower shall be responsible for all costs associated with the loan, including but not limited to legal representation, preparation of loan documents, title searches, appraisals, recording fees, and other related expenses. The Town of Canaan Revolving Loan Fund (RLF) may pay these costs in advance and will invoice the Borrower for the full amount incurred in connection with administering the loan.
- L. Penalties: In the event of default of payment or any other conditions of a Loan Agreement, the Town of Canaan reserves the right to foreclose on the loan, and the balance of the principal and accrued interest will become due and payable.

#### **LOAN CLOSING:**

- A. The RLF, its Administrator, or an attorney, will see that all documentation is prepared. The Chair of the Selectboard will represent the Town and its RLF at closing and will be authorized to sign all necessary documents.
- B. The Selectboard will approve the disbursement of loan funds, which will be performed in accordance with the terms of a Loan Agreement.

#### **SERVICING:**

- A. As may be required in a Loan Agreement, a Borrower will submit to the RLF Committee financial statements, documentation of employment or other information relevant to the evaluation of the RLF.

- B. The Town of Canaan reserves the right to contract with a third party to service the loan and/or sell the loan to a third party. Proceeds of the sale of a loan will be deposited to the RLF.

#### **U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT REGULATIONS:**

The Town of Canaan's Revolving Loan Funds originate from a loan made from U.S. Department of Housing & Urban Development funds through a grant from the Vermont Community Development Program. As a result, Borrowers of Revolving Loan Funds will have to comply with rules regarding conflict of interest, access to records, equal employment opportunity, non-discrimination, federal wages and hours standards and environmental assessment requirements.

The applicable rules for each loan will be identified and become conditions of the Loan Agreement between the RLF and the Borrower.

#### **LOANS OR GRANTS TO LOCAL OR REGIONAL DEVELOPMENT CORPORATIONS:**

In establishing the RLF, the Town of Canaan's Selectboard reserves the option of loaning or granting the funds to a local or regional community development or economic development corporation for the same purposes identified in these policies and guidelines. Any other entity lending RLF funds shall submit its operating procedures to the Town of Canaan for its review and approval, and the approval of any State or Federal agencies whose rules regulate the use of revolving loan funds.