
SCOPED+ARC Loan Policy Overview

1. **Eligible applicants:** For-profit sole proprietorships, partnerships, corporations, and limited liability companies; Small businesses that demonstrate severe negative impact of COVID-19; Seasonal businesses that demonstrate a need for capital for business transition.
2. **Ineligible applicants:** SCOPED board members, staff and immediate family.
3. **Eligible projects:** Local business severely impacted by COVID-19; Small business development, including the start-up or expansion of locally owned businesses; Business (and job) retention related projects; Support for the use of new technologies, growth industries and/or high-tech firms; Development of businesses owned and operated by minorities, women, and members of other economically disadvantaged groups; Tourism related projects; Site of investment must be located in Schuyler County.
4. **Eligible activities:** The top priority for the SCOPED+ARC Loan Fund is to mitigate negative impact caused by COVID-19. Seasonal businesses that were severely impacted by COVID-19 is on the top of the priority list; Applications for loans for business transition and expansion in Schuyler County; The SCOPED+ARC Loan Fund will finance working capital of a small business; Loan activities will emphasize direct job creation/retention by providing capital for the start-up, expansion, or retention of businesses.
5. **Ineligible activities:** Speculative activities, such as land banking and the construction of speculative buildings; Any activities located outside of Schuyler County; Loans for the purpose of investing in high interest accounts, certificates of deposit or other investments, or furnishing surety bonds, deposits, or other securities for project activities; Loans which assist in the re-location of jobs from one labor market to another; Loans which would create a potential conflict of interest or the appearance of one; Loans cannot be used to purchase or finance equity in private businesses; subsidized interest payments on existing loans; refinance existing commercial loans; or provide the equity required to qualify for loans from other programs.
6. **Maximum/minimum loan amount:** \$25,000 maximum based on the availability of funds. \$5,000 minimum.
7. **Private investment match:** There is no requirement for financing from private sources. However, matching private investment for a regular loan is strongly encouraged.
8. **Project Owner Equity requirement:** SCOPED requires a minimum of one (1%) percent cash equity investment. However, this is not required for emergency loan.



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9. **Financing requirement:** This loan program is for applicants unable to secure traditional financing or in need of gap financing.
 10. **Interest Rate:** 1% for the 1st year, 2% for the 2nd year, 3% for the 3rd year, 4% for the remaining loan period. The loan interest cap is 4%.
 11. **Terms:** Five Years
 12. **Collateral:** SCOPE will work with the applicant to determine collateral
 13. **Job Impact:** Recommended - One full-time (37.5 hours) equivalent employee for \$25,000 borrowed
 14. **Relocation:** No business planning to relocate outside of Schuyler County will be funded.
 15. **Fees:** \$150 non-refundable application fee and all loan closing costs.
 16. **Payment schedule:** All payments are made using ACH withdrawals and are due the first day of each month; a late fee will be assessed for payments made more than ten days late.
 17. **Environmental assessment:** All applicants must demonstrate compliance with local, State and Federal Environmental regulations. Projects involving real estate may require a current environmental review and SEQR.
 18. **Targeting criteria:** startups, COVID19 impact mitigation, and seasonal business transition and succession.

SCOPED+ARC REVOLVING LOAN FUND

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Program Description

The SCOPED+ARC loan program is a revolving loan fund, which was created to provide 1) emergency financing to seasonal businesses severely impacted by COVID-19; and 2) “gap financing” to transitional businesses located in Schuyler County. All loan applications must demonstrate a need for SCOPED+ARC financing and the project must involve direct job retention/creation, which will strengthen the economic base of Schuyler County.

As loans are repaid by the borrowers, the money is returned to the loan pool to provide loans to other potential loan clients. Thus, the nature of this SCOPED+ARC loan fund is a revolving loan fund.

The SCOPED+ARC loan program is not meant to be used as a substitute for conventional funding sources. Rather, its purpose is to meet emergency financing needs and to fill the financing gaps, which exist in the local lending community, and to provide financing which would not otherwise be available for economic development projects.

The SCOPED+ARC loan program is initially established through a 50% matching grant from Appalachian Regional Commission (ARC). The program encompasses a COVID-19 relief loan program and a short-term working capital program. The initial amount is \$385,000.

The SCOPED+ARC loan program will be administered in accordance with the RLF Plan by Schuyler County Partnership for Economic Development (SCOPED).

Goals and Objectives

SCOPED recognizes that one of the major obstacles of business development in Schuyler County is affordable financing. Generally, the conservative nature of banks, and the regulatory environment they have to operate in, inhibits their ability to encourage business start-ups, transitions, and expansions, which create jobs. As a result, the County's economic base suffers through loss of jobs, tax revenues and private investments.

The primary goal of SCOPED+ARC Loan Fund is to provide financing to business development projects that directly impact employment and strengthen the economic base. The proposed projects will support and complement economic development activities which exist or are planned in the County.

The economic development activities may include, but are not limited to the following:

- 1.) COVID-19 impact mitigation on seasonal businesses in the county.
- 2.) Small business development, including start-up, transition and expansion of locally owned seasonal businesses.
- 3.) Development of businesses owned and operated by minorities, women, and members of other economically disadvantaged groups.
- 4.) Business and job retention.
- 5.) Support for the use of new technologies, growth industries and/or high-tech firms.
- 6.) Other economic adjustment activities, as appropriate.

SCOPED recognizes that the effectiveness of the loan program also depends on its lending policies, which may include, but are not limited to the following:

- 1.) Providing flexible repayment terms, such as deferral of initial principal or interest payments, or scheduling repayments based on the seasonality of the business.
- 2.) Taking greater risks than banks traditionally take, especially if substantial economic development benefits will result if the project succeeds.
- 3.) Providing attractive interest rates.
- 4.) Providing flexible loan terms.
- 5.) Providing a short turn-around time for processing loan requests.
- 6.) Reducing the risk for the commercial lender by taking a subordinate lien position.

1. Eligibility

1.1 Eligible Borrowers

The following types of businesses are eligible for the SCOPED+ARC Loan Fund financing:

- For-profit sole proprietorships, partnerships, corporations, and limited liability companies.
- Small businesses that demonstrate severe negative impact of COVID-19.
- Seasonal businesses that demonstrate a need for capital for business transition.

1.2 Eligible Projects

- Local business severely impacted by COVID-19.
- Small business development, including the start-up or expansion of locally owned businesses.
- Business (and job) retention related projects.
- Support for the use of new technologies, growth industries and/or high-tech firms.
- Development of businesses owned and operated by minorities, women, and members of other economically disadvantaged groups.
- Tourism related projects.
- Site of investment must be located in Schuyler County.

1.3 Eligible Activities

- The top priority for the SCOPED+ARC Loan Fund is to mitigate negative impact caused by COVID-19. Seasonal businesses that were severely impacted by COVID-19 is on the top of the priority list.
- Applications for loans for business transition and expansion in Schuyler County.
- The SCOPED+ARC Loan Fund will finance working capital of a small business.
- Loan activities will emphasize direct job creation/retention by providing capital for the start-up, expansion, or retention of businesses. The SCOPED+ARC Loan Fund shall reserve available loan funds for loan activities in such amounts, as the Board of Directors shall determine from time to time, if deemed necessary.

1.4 Ineligible Activities

- Speculative activities, such as land banking and the construction of speculative buildings.
- Any activities located outside of Schuyler County.
- Loans for the purpose of investing in high interest accounts, certificates of deposit or other investments, or furnishing surety bonds, deposits, or other securities for project activities.
- Loans which assist in the re-location of jobs from one labor market to another.
- Loans which would create a potential conflict of interest or the appearance of one.
- Loans cannot be used to purchase or finance equity in private businesses; subsidized interest payments on existing loans; refinance existing commercial loans; or provide the equity required to qualify for loans from other programs.

2. Standard Loan Conditions

2.1 Loan Types

- All loans will be secured loans.
- Working capital loans for the start-up of new businesses or conduct of ongoing businesses.

2.2 Borrowing Limits

- There is a \$25,000 maximum per loan.
- There is a minimum loan amount of \$5,000.
- A borrower is eligible for the more than one loan from the SCOPED+ARC Loan Fund, but only subsequently.
- Regardless of the number of SCOPED+ARC loans a business has, a borrower may not have more than \$25,000 outstanding in the SCOPED+ARC loans at any one time, unless the Loan Committee determines the economic benefits of a project to be substantial.

2.3 Loan Terms

Generally, loan terms will not exceed five (5) years for working capital. Loan term may be blended if funds are used for more than one use.

2.4 Interest Rate

- Interest rate on each individual loan will be incremental for the length of the loan.

Year	1st	2nd	3rd	4th	5th
Interest Rate	1%	2%	3%	4%	4%

- SCOPED has established an interest rate cap at 4% for the SCOPED+ARC Loan Fund.

2.5 Equity Investment

- SCOPED requires a minimum of one (1%) percent cash equity investment.
- The Loan Committee, may, at its own discretion, require more than 1%, or accept equity in form other than cash, subject to approval of the Board of Directors.
- For emergency loan, there is no requirement for owner cash equity.

2.6 Matching Private Investment

- There is no requirement for financing from private sources. However, matching private investment for a regular loan is strongly encouraged.
- As a general rule, the SCOPED+ARC Loan Fund loan combined with other public financing sources will not participate at a higher level of participation than private financing sources.

- Private investment, which includes but is not limited to bank financing and stock issues, will be considered as private sources of debt financing, but will not be considered eligible equity investment. A borrower may not borrow funds from any lender for the purpose of meeting the equity requirement of a project.

2.7 Collateral

- All SCOPED+ARC Loan Fund loans will be secured by collateral and SCOPED will negotiate collateral positions to secure the loan.
- Collateral will generally be based on the use of ARC Loan Fund and may include, but is not limited to, mortgages on real estate; liens on business assets including furniture, fixtures, and equipment; inventory; accounts receivable; and general intangibles.
- SCOPED will accept a subordinated lien position, when deemed necessary.
- SCOPED will require personal guarantees of principals with 20% or more ownership; and spousal guarantees as allowed by law under the Equal Opportunity Act.
- Loans provided to businesses which are dependent on certain individuals for their continuing success, will ordinarily be required to provide and assign to SCOPED life insurance on these key individuals.

2.8 Repayment

- Generally, SCOPED+ARC loans will be amortized in equal monthly installments, with loan payments due the first day of each month.
- Payments will be applied first to interest and any late fees, and then principal, until both interest and principal are fully paid.
- There is no penalty for early loan repayment and borrower may pay a greater sum against the principal indebtedness at the time of any scheduled payment.
- Prompt repayment is the responsibility of the borrower. SCOPED will not provide borrowers with booklets or payment coupons.
- Borrowers must establish an automatic transfer payment to SCOPED's bank.
- Monthly payments may be made through ACH. Any payment received later than ten (10) days after the due date will be assessed a late fee of 5% of the loan payment, or \$25.00, whichever is less.
- Any payment which is returned by SCOPED bank due to insufficient funds, a penalty of \$20.00 plus the overdraft fee charged by the bank shall be imposed.

2.9 Loan Closings

- All closing costs and attorney fees are the responsibility of, and shall be paid by the borrower.
- Closing costs must be paid at the time of closing. The borrower may elect to deduct the closing costs from the proceeds of the loan.
- No loan funds will be disbursed until the loan has been formally closed.

2.10 Mentors

- All SCOPED+ARC borrowers will have an assigned mentor to assist with business growth and continuance. It is the responsibility of the borrower to avail themselves to the advice of the mentor.

3. Loan Application Process

3.1 Loan Application

- Loan applicants must submit a signed and completed loan application, accompanied by supporting documentation, including a written business plan.
- Completed loan applications must be submitted by ten (10) business days before the next regular Board of Directors meeting, which are regularly held on the second Tuesday of every other month. A loan review committee meeting will be held prior to the Board of Director meeting.

3.2 Loan Application Fee

There is a \$150 loan application fee, which must be paid at submission of the loan application.

3.3 Loan Application Review Process

- SCOPED performs an analysis of each loan application which consists of the following: an analysis of the financial statements to determine if the project is financially sound; and an analysis of the business and the proposed project to ensure the loan requests meets the established guidelines.
- The analysis includes the following:
 - Financial Analysis- review of balance sheets and income statements to determine if potential problems exist relating to the company's long-term profitability and ability to take on new debt; to detect unusual increases or decreases in revenues and expenses on comparison of past, present, and projected financial statements; and comparison of debt/equity and profitability ratios to industry standards.
 - Cash Flow Analysis- to determine if the projected condition of the business will enable the company to afford the new debt service; and if market and economic trends support the projections.
 - Collateral Analysis- determination of value of assets offered as collateral and verification of ownership; including identification of any circumstances which would preclude immediate foreclosure on pledged assets in event of default.
 - Employment Analysis- includes a listing of current employment and projected job creation and/or retention.
 - Credit Analysis- review of history of the business, principals and management personnel; credit reports on principal owners; and review of other financing sources.
- After staff review, staff prepares a written loan summary which outlines the loan request, proposed project and analysis.

3.4 Loan Review Committee

- Complete loan application and written loan summary are provided to the Loan Review Committee generally one week prior to the Loan Review Committee meeting.

- The Loan Review Committee reviews the loan application to determine the viability of the project; the credit worthiness of the business; and the economic impact of the project.
- The Loan Review Committee makes a recommendation to the Board of Directors outlining the proposed terms and conditions of the loan.
- A loan must have a majority vote to be recommended by the Loan Review Committee.

3.5 Board of Directors

- The SCOPED Board of Directors act on all loan applications.
- The Board of Directors does have the authority to amend the terms and conditions of any loan that has been recommended for approval by the Loan Review Committee.
- The Board of Directors may approve a loan, which is contingent upon receipt and review of a specific designated item.
- A loan must have a majority vote to be approved by the Board of Directors.

3.6 Confidentiality

All SCOPED directors and employees are prohibited from disclosing to any unauthorized persons confidential information, data or records pertaining to or concerning the affairs of SCOPED, its customers or potential customers, except as otherwise provided pursuant to a court order or other legal process. Within SCOPED, disclosure of such information, data or records is to be limited to a “need to know” basis to those whose duties require and permit them to have access to the information to make accurate and informed decisions. Such persons are responsible for maintaining its confidentiality.

3.7 Conflict of Interest

Any Loan Review Committee or Director on the Board having actual conflicts of interest, or where the appearance of conflict is present, must declare the conflict, remove themselves from the discussion, and abstain from voting on the loan request.

3.8 Loan Decision

- Loan approvals are recorded in the minutes of the Loan Review Committee and Board of Directors minutes. The terms and conditions of the approval are outlined in the minutes and the minutes are approved at the next meeting.
- Any loan applicant whose loan request is denied is provided with written notification of the denial and reasons for the loan denial.
- The borrower of a loan, which has been approved, is generally notified by telephone the same day of the loan decision. The loan client is then provided with two (2) original written commitment letters. The loan client has thirty (30) days to sign and return one of the commitment letters. The loan client has ninety (90) days to close the loan once a commitment letter has been issued.

- The SCOPED+ARC loan commitment will remain in effect for thirty (30) days after receipt of the signed commitment, after which time it will expire unless an extension has been requested and provided.

4. Loan Closing and Disbursement Process

4.1 Loan Closing Process

- General closing requirements include naming SCOPED as a beneficiary on a life insurance policy equating value to the loan amount. These conditions must be met prior to or at loan closing.
- SCOPED staff prepares the following draft closing documents: promissory note, security agreement, statements and assurances form. These documents, together with the loan commitment letter are forwarded to SCOPED's legal counsel for review.
- SCOPED legal counsel conducts abstract title search, coordinates with bank and/or client attorney; and prepares any additional documentation which may be needed such as: mortgage, subordination agreement, intercreditor agreement, credit agreement, etc.
- The borrower is responsible for all closing costs, including attorney fees.
- SCOPED will file UCC-1 liens electronically.

4.2 Loan Disbursement Process

- Based on the project and use of SCOPED+ARC funds, loan proceeds are either disbursed in full at loan closing.
- Documentation of the use of loan funds must be provided to SCOPED within a specified period of time after loan closing.

5. Loan Repayment and Collection Procedures

5.1 Loan Repayment Procedure

- SCOPED's standard loan repayment policy is that all loan payments, must be made through ACH, are due on the first day of each month. SCOPED may, at the request of the borrower change the due date.
- Borrowers will be charged interest only with payments due the first day of each month on loans that have been partially disbursed, until the loan has been disbursed in full.
- There is a ten (10) day grace period for loan repayments. Any loan payment received after the 10th day will be assessed a late fee of 5% of the loan payment, or \$25.00 whichever is less.

5.2.0 Loan Collection Procedures

- SCOPED monitors loan repayments on monthly basis. Borrowers are notified in writing when a payment is ten (10) days past due. The past due notice includes the loan payment and late fee which are due.
- The loan administrator follows up the late notices with either a telephone call or email.
- If SCOPED does not receive a response from the borrower after written notification and attempt to contact them by telephone, the mentor is notified, and a site visit may be deemed necessary.
- The Loan Review Committee and Board of Directors are provided written bi-monthly updates on the status of each active loan and any corrective actions taken during the two months.
- SCOPED Loan Administrator monitors active loans on a monthly basis and looks for any negative trends that may be occurring. Contact is also maintained with the participating bank, when warranted.
- SCOPED Loan Administrator makes every effort to work with delinquent borrowers so that an equitable solution can be worked out to realize full repayment.
- SCOPED Executive Director, with board approval, restructure the loan including, but not limited to; interest only payments for a specified period of time, and extending the term of the loan, if viability of repayment is documented.
- In the event of restructuring, SCOPED, may at its discretion, request additional collateral.
- In the event SCOPED is unable to negotiate a workable solution or a borrower is unresponsive, the loan will be declared in default.
- When a loan is declared in default, SCOPED will initiate legal action, with the assistance of legal counsel.

6. Default

Conditions outlining what constitutes a default of the SCOPED+ARC loan are outlined in the promissory note and/or credit agreement.

7. Compliance

7.1 Matching Private Investment

- With exception of emergency loans, all loan applicants must demonstrate the need for SCOPED+ARC funds and that credit is not otherwise available on terms and conditions that would permit the successful completion of the project.
- Loan applicants must provide documentation, which may include:
 - Commitment letter from a bank or other private financing source which outlines the terms and conditions of the loan.
 - Bank turndown letter, if obtainable, which lists the reasons for denial.

7.2 Job Impact

- SCOPED monitors job impact on an annual basis and requires the borrower to provide documentation of employment level on an annual basis.
- A borrower's project must result in private sector job or retention, which contributes, to the economic development or stabilization of the region.

7.3 Federal and State Compliance

- All loan borrowers must comply with federal and state regulations.
- SCOPED will maintain current information on Davis-Bacon wage rate for the region, and ensure that borrowers are complying with Davis-Bacon.

8. Loan Servicing

8.1 Request for Financial Information

- SCOPED requires that borrowers provide copies of annual financial statements or tax returns. SCOPED may, at its discretion, request financial statements on a more frequent basis (i.e. semi-annual, etc.).
- SCOPED performs an analysis of the financial statements using a spreadsheet format.

8.2 Site Visits

SCOPED Executive Director and/or Loan Administrator conduct, as a minimum, annual site visits of all active loan clients to monitor performance, job impact, and collateral determination.

8.3 Insurance Requirements

The SCOPED+ARC Loan Administrator maintains a database of insurance requirements of each borrower and notifies borrower and/or insurance company when insurance has expired or cancelled.

8.4 FDIC

SCOPED maintains all of its bank accounts in financial institutions, which are FDIC insured. SCOPED and its accountants monitor the accounts on a monthly basis to ensure to the best of its ability, that accounts do not exceed the FDIC limit.

8.5 UCC-1 Financing Statements

The SCOPED+ARC Loan Administrator maintains a database of all UCC-1 filings and renews the UCC-1 as required by the New York State Department of State. The UCC-1 filing maintains SCOPED collateral.

9. Loan Administration

9.1 Reports to Federal Agencies

- SCOPED will submit financial reports on a timely basis, as required by the Appalachian Regional Commission.
- SCOPED will submit annual financial statements prepared by a certified public accountant, to all of its respective federal agencies.

9.2 Local Share

For programs which require a local share contribution, all local share contributions shall be verified and documentation provided in an acceptable form.

9.3 Records and Retention

- SCOPED+ARC loan files and related documents and records are retained during the active term of the loan and for a seven-year period from the date of final disposition of the loan. The date of final disposition is defined as:
 - Full payment of the principal, interest, fee, penalties, and other costs associated with the loan; or
 - Final settlement or write-off of any unpaid amounts associated with the loan.

9.4 Accounting

- SCOPED will maintain adequate accounting records and source documentation to substantiate the amount and percent of RLF income expended for eligible RLF administrative costs.
- SCOPED will maintain a bank account for the ARC fund
- The time sheet of the Loan Administrator is used to determine which administrative expenses are to be charged to each program.
- The SCOPED Finance Committee is provided, on a monthly basis, with copies of income and expense statements for the ARC fund, as well as view and approve each expense incurred during the prior month.
- SCOPED prepares an annual budget, which is reviewed by the Finance Committee and presented to the Board of Directors for final approval. Copies of the annual budget are submitted to each funding agency on an annual basis. An expense item, which is not included in the annual budget, must receive approval from the Finance Committee and Board of Directors.
- SCOPED accounting records and documentation will be available for inspection, as required.

10. Administrative Costs

- SCOPED+ARC RLF interest and fee income can be used to pay for eligible and reasonable administrative costs.
- All principal repayments on loans will be returned to the RLF for future lending.
- For SCOPED, income (interest earned and loan processing fees) that is not used for administrative costs during its fiscal year in which it is earned must be added to the RLF capital base for future lending.
- In the event of the sale, collection, or liquidation of a defaulted loan, proceeds will be applied to loan interest and unpaid principal. Any proceeds in excess of the unpaid principal will be treated as income.
- SCOPED will comply with applicable OMB cost principles and with ARC RLF audit guidelines when charging costs against ARC RLF income.
- SCOPED will maintain records to document administrative costs are paid from interest earned, loan processing fees, and/or excess proceeds as the result of sale, collection, or liquidation of a defaulted loan.

11. Variances

The terms and conditions contained in these policies shall be applied uniformly to all applicants and/or borrowers and based on the guidelines of each respective funding agency.