

Community Development Authority

Economic Development

Revolving Loan Fund Manual

City of Mayville

Revolving Loan Fund Program

Program 11/18

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SECTION 1. GENERAL PROVISIONS

1.1 PURPOSE

The purpose of the policies and procedures contained within this manual, which may be referred to as the Community Development Authority Economic Development Revolving Loan Fund Manual (“RLF Manual”), is to present the criteria which govern the economic development activities assisted with funds made available through the City of Mayville Revolving Loan Fund Program (“RLF Program”).

1.2 OBJECTIVES

Economic development activities assisted with funds made available through the RLF Program are intended to meet the following objectives:

- (1) To encourage the leveraging of new private investment into the City of Mayville in the form of fixed asset investment, particularly in land and buildings.
- (2) To perpetuate a positive and proactive business climate which encourages the retention and expansion of existing businesses and helps to attract desirable new businesses.
- (3) To implement the City of Mayville Economic Development Plan goals and objectives.
- (4) To encourage rehabilitation of commercial properties.
- (5) To encourage the development and use of modern technology and create safe work environments.
- (6) To retain Mayville’s business climate and improve new economic growth.

1.3 AMENDMENTS and MODIFICATIONS

The City of Mayville may from time to time amend the provisions imposed by the policies and procedures contained within the RLF Manual. Such amendments are subject to prior written approval by the Mayville Common Council.

SECTION 2. ADMINISTRATION

2.1 REVOLVING LOAN FUND ADMINISTRATOR

The administrator of the RLF Program shall be the City Treasurer. The City Treasurer may be referred to herein as the “RLF Administrator” for purposes of the RLF Program.

2.2 LOAN REVIEW COMMITTEE

- (1) The City of Mayville shall establish a formal Loan Review Committee (the “Committee”) which may consist of individuals representative of broad community interests and having special expertise and knowledge of commercial lending and economic development processes. Expertise on the Committee may include representation from the City of Mayville Common Council, the City of Mayville Planning Commission, the Community Development Authority, the local chamber of commerce, the local banking community, a

business law attorney, a local accountant, and the RLF Administrator. Members of the Committee shall be appointed by the Mayor of the City of Mayville. The Mayor shall appoint the initial members of the Committee to serve staggered terms, as follows: the first committee member appointed shall serve a term of one (1) year, and the next committee member shall serve a term of two (2) years, with additional initial committee members appointed to serve initial terms of one (1) and two (2) years, respectively. Following the expiration of each committee member's initial term, each committee member appointed by the Mayor to fill the same position shall serve for a term of two (2) years.

- (2) The Committee shall have the authority to review, select and recommend loan applications to the governing body for final approval. The Committee shall also have the authority to make policy recommendations for the administration of the program. Periodic activity reports prepared by the RLF Administrator shall be provided to members of the City of Mayville Common Council.
- (3) The RLF Administrator, working in conjunction with the City Clerk, shall explain the Program to prospective applicants, provide written information, assist applicants in completing applications, and process requests for financing. The RLF Administrator, where necessary and appropriate, shall counsel or guide loan applicants to other more appropriate technical and financial resources when the loan applicant has needs beyond those available from the RLF program.
- (4) The RLF Administrator, working in conjunction with the City Clerk, shall periodically review all financial statements and loan amortization schedules of RLF loan recipients, review and approve documentation of business expenditures financed with RLF proceeds, record RLF security instruments, maintain the RLF accounting records which shall be segregated from other community accounts, and report semi-annually to the City Common Council regarding the use of the RLF funds.
- (5) The City of Mayville attorney shall prepare all loan agreements, review all promissory notes and mortgage or lien instruments, and counsel the City of Mayville on default and foreclosure matters.
- (6) The City of Mayville shall utilize a loan underwriter to process and secure all loan documents under this program.
- (7) The RLF Administrator shall be responsible for the maintenance of all other records for the local RLF, particularly those related to the expenditures of the RLF monies for program administration purposes.

2.3 MEETINGS

Committee meetings shall be held on an as-needed basis. Committee members and the general public shall be given prior notice of each meeting in compliance with the Wisconsin Open Meetings laws. A majority of the Committee must be in attendance at a meeting to constitute a quorum and take official action. Official actions must have the support of the majority of the total Committee. Vacant positions on the Committee shall be counted in determining the total number of Committee members.

2.4 RECORDS

Written records of all program activities, including program meetings, loan applications, and related

documents, shall be maintained in appropriate files. All files shall be maintained in a secure place with limited access by authorized personnel. The City of Mayville's legal counsel shall be consulted in regard to compliance with federal, state and municipal open records laws.

The following files shall be established and maintained for each loan recipient:

- (1) Loan Application File: This file contains all applications, business financial statements, personal financial statements, credit reports, business plan documents, and other supporting loan information submitted to the City of Mayville, including all applicable correspondence.
- (2) Loan Recommendation File: This file contains a summary of the analysis, recommended actions for the application, and a copy of the minutes for the Loan Review Committee meeting summarizing the action taken on the loan request.
- (3) Loan Closing File: This file contains copies of all loan closing documents. All legal documents from the loan closing, including security instruments, the note and other applicable correspondence shall be placed in a locked, fireproof safe. The City of Mayville's legal counsel shall be involved in helping create and complete this file to ensure complete loan documentation. Copies of the loan closing documents and an amortization schedule will be provided to the loan recipient, along with an invoice, if applicable, for loan closing and servicing fees.
- (4) "Tickler File" System: A tickler file system shall be established and maintained to ensure that loan repayments, financial information, the loan agreement, UCC updates, and other time sensitive documentation requirements are tracked and obtained as required. The system shall include the following monthly coded index files:
 - (A) Expiration dates for property, casualty and life insurance policies.
 - (B) Due dates for all financial statements.
 - (C) Expiration dates for UCC financing statements, the reminder to update being at least 45 days prior to the expiration of the UCC filing on hand.
 - (D) Scheduled dates of annual loan performance and covenant reviews.
 - (E) Dates for site visits.
 - (F) Due dates for property tax payments and dates by which the community expects to hear from the borrower regarding confirmation of payment of taxes.
 - (G) Dates on which loan recipients will be notified of scheduled changes in the loan amortization scheduled per loan agreements.
- (5) Financial Statement File: This file contains the business's periodic financial statements as required by the loan covenants with a statement indicating that the RLF Administrator reviewed the data.

- (6) Progress Report File: Loan recipients are required to submit periodic progress reports during the outstanding term of the loan. The City of Mayville shall make periodic site visits to verify information in the progress report and financial statements. These site visits shall be documented for the file.
- (7) Site Visit File: Site visits shall be conducted periodically to each loan recipient, the scheduling of which depends on the nature of the project. A summary of the site visits will be placed in the file, particularly highlighting any information that can help in rating the overall condition/risk of the loan.
- (8) Repayment Monitoring File: This file includes the loan amortization schedule, status of payments, and the outstanding balance of the loan. Observations suggesting concerns or problems shall be reported to the Committee and notations shall be placed in the tickler file to remind the RLF Administrator of the need to provide continued monitoring. If payments are made to an office (i.e. City Treasurer's or City Clerk's office), the file will contain receipts of payments. There shall be a software-based system in place to ensure the timely notification of payments to the RLF Administrator.

If any payment is not timely made, the City of Mayville will notify the loan recipient in writing of the default and the action that will be taken should the default not be cured. Should there be a late payment, the City of Mayville will contact the loan recipient to determine the reason for the delayed payment. Contact may need to be made with other participating lender(s) to determine if their loans are current and to alert the lender of a potential problem. All payments shall be applied first to accrued late payment penalties, then to interest accrued and then to principal.

- (9) Loan Review File: All loans are to be reviewed on an annual basis, and at such other times as may be deemed necessary by the City of Mayville. The review shall follow receipt of the fiscal year-end financial statements, the year-end progress reports, and site visits. A report on the loan review shall be in the file and address the following: timeliness of monthly payments; condition of collateral securing the loan and status of security documents (i.e. mortgages, UCC filings); overall financial condition of the business; the presence of material liens or lawsuits; and violations of loan covenants and suggested corrective actions.
- (10) Confidential Records Exempt from Disclosure: The following records shall be considered confidential and shall be exempt from disclosure to the public to the greatest extent permitted under Wisconsin's Open Records Law, Wis. Stat. § 19.31 ("Open Records Law") and any applicable federal and municipal open records laws:
 - (A) An applicant's financial and accounting records.
 - (B) Credit Scores.
 - (C) Employer Identification Numbers (EINs).
 - (D) Social Security Numbers (SSNs).
 - (E) Home street addresses, email addresses, and telephone numbers of private business employees.
 - (F) Bank account numbers.

- (G) Customer and client lists.
- (H) Business trade secrets or intellectual property.
- (I) Any other confidential information exempt from public disclosure under the Open Records Law.

If the business is experiencing problems with any of the criteria in 1-9 above, the RLF Administrator is to work with the loan recipient to identify actions that are needed to correct the identified deficiencies, including possible restructuring of the loan to protect the City of Mayville's interest and meet the needs of the business. If appropriate, the RLF Administrator will arrange for business assistance, including services available through the University of Wisconsin-Extension, Small Business Development Center (SBDC), the Service Corp of Retired Executives (SCORE), and other entities having an interest in serving the needs of businesses.

In the event the findings of the loan review suggest serious problems, particularly if the loan is at risk for default, the account shall be turned over to the City of Mayville attorney for legal action in order to initiate steps necessary to protect the loan and to ensure the maximum repayment of the balance due. Again, corrective actions may be achieved through restructuring or if necessary, foreclosure actions.

2.5 ADMINISTRATION/FEEES

Applicants will be required to pay a nonrefundable application fee of \$350 before the Committee can process the application. In addition to paying these fees for RLF administration, these fees may be used for the following:

- (1) Legal costs.
- (2) Consulting fees for credit analysis, business plan reviews and technical assistance.
- (3) Office supplies, copying, typing, mailing, and related costs.
- (4) Training costs.

To generate additional revenue to cover administrative costs, the City of Mayville shall also establish loan origination fees, closing fees, servicing fees, and other fees to cover charges directly related to either processing an application or servicing a loan. All fees collected go to the RLF Program. The accounting of the fee revenue placed in the RLF shall include separate line items to track administrative expenses recovered.

SECTION 3. ELIGIBILITY CONSIDERATIONS

3.1 ELIGIBLE AREA

The area served by the RLF Program shall be within the corporate limits of the City of Mayville.

3.2 ELIGIBLE APPLICANTS

- (1) Applications may be submitted by the sole proprietor or Chief Executive Officer of any established Mayville business wishing to expand an existing operation in the City of Mayville. Businesses must be in good standing with the City of Mayville, including, but

not limited to, the following conditions: no delinquent tax balances, unpaid forfeitures for ordinance violations, or pending prosecutions for ordinance violations, and no unpaid municipal utilities.

- (2) No member of the governing body, Loan Review Committee, or any other official, employee, or agent of the City of Mayville who exercises decision-making functions or responsibilities in connection with the implementation of this program is eligible for financial assistance under this Program.
- (3) No program loans will be made which are in conflict with Section 946.13 of the Wisconsin Statutes (Private Interest in Public Contract Prohibited).
- (4) Applicants shall not be disqualified based on age, race, religion, color, handicap, sex, physical condition, development disability as defined in s. 51.01(5), Wis. Stats., sexual orientation, or national origin.

3.3 ELIGIBLE ACTIVITIES

Program loans shall be available to eligible applicants for the following activities:

- (1) The acquisition of land, buildings, and fixed equipment.
- (2) Site preparation and the construction or reconstruction of buildings or the installation of fixed equipment.
- (3) Clearance, demolition, or the removal of structures or the rehabilitation of buildings and other such improvements.
- (4) The payment of assessments for sewer, water, street, and other public utilities if the provision of the facilities will directly create or retain jobs.
- (5) Working capital (inventory and direct labor costs only).
- (6) Remodeling and FACADE improvements to business.
- (7) Gap financing.
- (8) Machinery, equipment and fixtures.

3.4 INELIGIBLE ACTIVITIES

Program loans shall not be available for the following activities:

- (1) Refinancing or consolidation of existing debt.
- (2) Reimbursement for expenditures prior to loan approval.
- (3) Specialized equipment that is not essential to the business operation.
- (4) Residential building construction or reconstruction (unless such reconstruction is intended to convert the building to a business or industrial operation).

- (5) Professional services such as feasibility and marketing studies, accounting, management services, and other similar services. Legal services incurred in the closing of a RLF Program loan are eligible.
- (6) Other activities that the Loan Review Committee may identify during the administration of the program as inappropriate for inclusion in the RLF Program.

3.5 INELIGIBLE BUSINESSES

Program loans shall not be available for the following businesses:

- (1) Speculative investment companies.
- (2) Real estate investment companies.
- (3) Lending institutions.
- (4) Gambling operations.
- (5) Non-public recreation facilities.
- (6) Other businesses not serving the interests of the City of Mayville.
- (7) Nonprofit business is prohibited from the RLF Program.
- (8) Adult entertainment establishment such as gambling, tattoo parlors, tobacco stores, and adult dancing businesses and adult magazine stores (including, but not limited to, those establishments defined in Mayville City Code § 430-67).
- (9) Not to be used in conjunction with any other City of Mayville incentive programs.

3.6 MINIMUM REQUIREMENTS

To be eligible for funding, a proposed project must meet all of the following minimum requirements:

- (1) Private Funds Leveraged. The applicant must leverage a minimum of one dollar (\$1.00) of private funds for every one dollar (\$1.00) of loan funds requested. Higher leverage may be required at the discretion of the Loan Review Committee.
- (2) Financial Feasibility and Business Viability. The applicant must demonstrate that the proposed project is viable, and the business will have the economic ability to repay the funds.
- (3) Good Standing. Applicant must not have any outstanding debt to the City of Mayville and State of Wisconsin within the last three (3) years.
- (4) Compliance with Applicable Laws. Applicants shall comply with all applicable local, state, and federal laws and codes.

- (5) Project Completion. Projects shall be completed within 12 months from the date of the loan approval. Applicants shall provide the City of Mayville a project implementation schedule not exceeding 12 months for project completion and job creation, and maintain the positions created for 12 months.

SECTION 4. TERMS AND CONDITIONS

4.1 TERMS AND CONDITIONS

Loan terms and conditions shall be structured on need and ability to repay. Minimum standards shall include the following:

- (1) Loan Amount. The minimum loan amount is \$5,000.00. The maximum loan amount is not to exceed \$40,000.00.
- (2) Interest Rate. A minimum 2% interest rate shall be established by the Loan Review Committee up to a maximum of market rate (defined as the federal prime rate of interest plus two percent).
- (3) Terms for Loans.
 - (A) Working capital loans shall have a maximum term of two (2) years.
 - (B) Loans for machinery, equipment and fixtures shall have a maximum term of five (5) years.
 - (C) Real estate loans shall have a maximum term of five (5) years.
 - (D) In any case, the loan shall not have a term longer than the terms of the other private financing in the project.
- (4) Period of Payment. Terms may include longer amortization schedules with balloon payments. Amortization schedules shall be set up for equal quarterly payments.
- (5) Repayment. Payment of interest and/or principal may be deferred during the implementation period of the assisted activity if merited in the loan application. Interest shall accrue during the deferment period and may be paid in full or added to the principal amount of the loan. Following the deferral period, interest and principal shall be paid for the remaining term of the loan.
- (6) Prepayment. There shall be no prepayment penalties.
- (7) Collateral. The community will seek to have the best possible collateral position possible to ensure that RLF loans are adequately secured.

SECTION 5. APPLICATION PROCEDURES

5.1 DISCUSSION OF REQUIREMENTS

Prior to submitting an application, the applicant shall discuss the Program with the RLF Administrator. The RLF Administrator shall assist the applicant, as is reasonably necessary, in completing the application. All financial information shall be kept in a secured place with limited access by authorized personnel only.

5.2 TIMING

Applications may be submitted at any time during the calendar year.

5.3 PRIORITY

Applications shall be reviewed in the order received and based on readiness for the proposed project to proceed. In the event that loan funds requested exceed available funds, the following criteria will be used to determine which business(es) will be awarded the loan(s):

- (1) Eligibility of the applicants.
- (2) Eligibility of the project to be undertaken.
- (3) The extent to which private funds are to be leveraged.
- (4) The extent to which the loan can be secured.
- (5) Evidence of ability to repay the loan.
- (6) Size of the loan requested.
- (7) Timing of the proposed expenditures.
- (8) Completeness of application.
- (9) Other factors as deemed appropriate.

5.4 LOAN APPLICATION

Applicants shall submit an application using the form available from the RLF Program and that includes the following:

- (1) **Business Description.** A written description of the business, including the following:
 - (A) A brief history of the existing or proposed business, including when it started or is to start, type of operation, legal structure, markets, and products.
 - (B) Key customers and clients.

- (C) A personal resume of each principal associated with the business, including: number of years of experience in the business, educational background, and role in the proposed or existing business.
 - (D) Three years of financial history including balance sheets, profit/loss statements, cash flow statements and accountant notes.
- (2) Project Description. A description of how the business plans to use the requested funds.
 - (3) Commitments from Private Lenders. This consists of commitments from all private lenders making loans to the project. Lender commitment letters should include:
 - (A) Description of the type of loan being made by the lender (first mortgage, permanent financing, construction financing, etc.)
 - (B) The amount of the loan, interest rate, term, and security, availability, and repayment schedule and amounts.

These commitments shall be obtained concurrently with the negotiation of the terms and conditions of the RLF Program loan to ensure the interest of the City of Mayville are secured.

- (4) Projections. Provide proformas (a balance sheet & income statement and cash flow statement). These should cover a three-year period and should be based on the assumption that the business will receive the requested loan.
- (5) Additional Information. Additional information as may be required by the Committee, or the RLF Administrator.

5.5 REVIEW PROCESS

Specific steps in the review process include the following:

- (1) Preliminary Review. The RLF Administrator will review the application for completeness and verify that the proposed project meets the minimum requirements provided in Section 3.6. If the application is not complete, the RLF Administrator will inform the applicant of the deficiencies.
- (2) Formal Review. The Loan Review Committee will meet to review an application within thirty (30) days of the receipt of a completed application or at some other predetermined schedule. Once the review is completed and the proposal is acceptable for funding, the Committee will forward the proposal to the governing body for final approval or to whatever other body has been authorized to act on loan requests.
- (3) Negotiation of Terms. Upon the tentative acceptance by the governing body, the RLF Administrator will contact the business in writing to review and explain the terms of the loan.
- (4) Notice of Award. If the application is approved, a closing will be scheduled to execute the necessary loan documents.

- (5) Rejection of Award. If the application is not approved, the RLF Administrator will send a letter to the applicant stating the reasons for rejection and offering to meet with the applicant to explore ways to strengthen the loan request or to identify alternative funding sources.

SECTION 6. DISTRIBUTION OF FUNDS

6.1 LOAN PROCEDURES

Prior to releasing funds, the following documentation must be in place or provided at the appropriate time during the term of the loan.

- (1) Notice of Award. The Loan Review Committee must have reviewed and approved a complete application for an eligible applicant.
- (2) Loan Agreement. The City of Mayville attorney shall prepare a loan agreement, which shall be executed by the City of Mayville, City Clerk and the Chief Executive Officer of the business.
- (3) Promissory Note. A promissory note shall be prepared by the City of Mayville attorney and signed by the Chief Executive Officer at the time of loan closing. The note must be dated; it must reference the agreement between the City of Mayville and the business; and, it must specify the amount and terms of the loan funds delivered.
- (4) Security. Mortgage or lien instruments or personal guarantees provided as security for all loans shall be prepared by the City of Mayville attorney and executed at the time of the loan closing. The City of Mayville attorney, or RLF Administrator, shall record the instrument and place a copy in the project file to include:
 - (A) Mortgage and/or security agreement.
 - (B) UCC searches and filing.
 - (C) Guarantee agreement.
 - (D) Title insurance or Abstract.
 - (E) Assignment of Life Insurance.
 - (F) Casualty Insurance binder.
 - (G) Personal guarantee.
 - (H) Other documentation as may be appropriate.
- (5) Repayment Schedule. A loan repayment or amortization schedule shall be prepared by the RLF Administrator after the loan proceeds are fully disbursed. The repayment schedule shall be dated and signed by the Chief Executive Officer of the business. At that time, the repayment schedule shall be attached to both parties' copies of the agreement.

- (6) Evidence of Permits, etc. Documentation must be provided by the applicant that all necessary permits, licenses, and any other registrations required have been obtained by the applicant prior to the release of program funds.
- (7) Evidence of Program Expenditures. Documentation must be provided by the business to evidence program expenditures prior to the release of funds. Documentation shall include bills and invoices or receipts for materials, final bills of sale or canceled checks. All documentation shall be reviewed and approved by the RLF Administrator.
- (8) Fixed Equipment. Fixed equipment financed with program funds must have been purchased, delivered, and installed. The RLF Administrator shall verify the installation of fixed equipment.
- (9) Other Documentation. As appropriate or necessary, the borrower may be asked to provide the following:
 - (A) A certificate of status from the Department of Financial Institutions.
 - (B) The Articles of Incorporation or Organization and by-laws.
 - (C) A Board resolution and Secretary's certificate or other written authorization from the borrower's owners, shareholders, or members evidencing that the business has the requisite authority to borrow the necessary funds.
 - (D) Current financial statements.
 - (E) Evidence of having secured other funds necessary for the project.
 - (F) An Environmental Assessment for real estate loans which may either be a Phase I, II, or III analysis, depending on the environmental condition of the site.

With the above documentation in place, the RLF Administrator will schedule a loan closing. All documents will be executed before funds are disbursed, and mortgages and UCC Statements shall be recorded with the Register of Deeds or Department of Financial Institutions, as applicable. (The Appendix contains a model Loan Closing Documentation Checklist).

SECTION 7. POST APPROVAL REQUIREMENTS

7.1 OBLIGATION OF LOAN RECIPIENT

In addition to the terms and conditions of the loan, all borrowers shall agree to comply with the following:

- (1) Not to discriminate on the basis of age, race, religion, color, handicap, sex, physical condition, development disability as defined in s. 51.01(5), Wis. Stats., sexual orientation, or national origin in any employment or construction activity related to the use of the business loan funds.
- (2) To use the loan money only to pay the cost of services and materials necessary to complete the project or activity for which the loan funds were awarded.

- (3) To permit inspections by persons authorized by the City of Mayville of all projects and properties assisted with loan funds. Related project materials shall also be open to inspections, which include, but may not be limited to, contracts, materials, equipment, payrolls, and conditions of employment. Requests for inspection shall be complied with by the borrower.
- (4) To maintain records on the project as may be requested by the City of Mayville. These files shall be maintained as long as the loan is active or for at least three (3) years after completion of the work for which the loan has been obtained, whichever is longer.
- (5) To submit periodic progress reports to the RLF Administrator in accordance with the schedule in the loan agreement. These reports shall report on project progress including number of jobs created or retained during the loan agreement.
- (6) To maintain fire and extended coverage insurance on the project property required during the term of the loan. The City of Mayville shall be listed as Loss Payee, Mortgagee, or "additional" insured on the policy. Term life insurance may be required of the applicant to cover the loan balance through the life of the loan.
- (7) To abide by all federal laws, when applicable. These include, but may not be limited to: The Civil Rights Act of 1964; the Age Discrimination Act of 1975; the Davis-Bacon Act, as amended; the Contract Work Hours and Safety Standards Act; the Copeland "Anti-Kickback" Act; and, all regulations pursuant to these Acts.

SECTION 8. PERFORMANCE MONITORING

8.1 PRIVATE LEVERAGE COMMITMENTS

The RLF Administrator shall monitor the use of the funds and expenditure of private leverage commitments. Documentation may include invoices or receipts for materials and supplies, letters from lenders, final bills of sale, and canceled checks.

8.2 DEFAULT

In the event the business is in default on any of the terms and conditions of the loan agreement, all sums due and owing, including penalties, interest, and all costs and fees, including attorney's fees incurred by the City, shall, at the City of Mayville's option, become immediately due and payable. To exercise this option, the City of Mayville's attorney shall prepare a written notice to the business. The notice shall specify the following:

- (1) The default.
- (2) The action required to cure the default.
- (3) A date, not less than thirty (30) days from the date of the notice, by which the default must be cured to avoid foreclosure or other collective action.
- (4) Any penalties incurred as a result of the default, jobs, etc.

SECTION 9. USE OF LOAN REPAYMENTS AND REPORTING

9.1 RLF PROGRAM

Repaid loans shall be re-deposited into the Revolving Loan Fund account and used in a manner consistent with the RLF Manual. A separate accounting record for each loan shall be kept to account for all funds loaned. The RLF account shall be audited on an annual basis and the RLF Administrator shall provide reports at times and on forms as required by the state of Wisconsin.

SECTION 10. LOAN SERVICING

10.1 MONITORING

The RLF Administrator shall monitor each loan to ensure compliance with the loan terms and conditions and to monitor the financial health of the business to ensure continued repayment of the loan. The monitoring will also ensure that all recordkeeping requirements are met particularly in regard to job creation and expenditures of matching funds.

A loan servicing file shall be established and maintained for each loan recipient that includes all written correspondence; a record of important telephone conversations; a list of applicable loan covenants; certificates of insurance for builder's risk, property-casualty, and life insurance, as applicable.

10.2 RECORDKEEPING

In addition to the above, the RLF financial management records must be comprehensive and designed to provide the following information:

- (1) A Revolving Loan Fund Register that records all deposits and disbursements to and from the RLF document, including funds used for RLF Program administration.
- (2) A Collection Register for every loan made. Each register contains the business name, loan date, loan amount, terms, and date repayment begins. Payments are divided into principal and interest payments with a declining principal balance.
- (3) RLF Loan Repayment Registers that record repayments made by each business that has received a loan from the RLF. It also tracks the balance of repayments from all loans from the RLF.