



Loan Program Advisory Committee Meeting Packet

February 27, 2020 at 11:30 am

Cascades West Center
1400 Queen Avenue, SE
2nd Floor, Large Conference Room
Albany, OR 97322

**Next LPAC Committee Meeting:
April 23, 2020 at 11:30 am**

The meeting locations are wheelchair accessible. If you need special assistance, please contact Oregon Cascades West Council of Governments at 541-967-8720 or adminGA@ocwcog.org, forty-eight (48) hours prior to the meeting.

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**Loan Program Advisory Committee
AGENDA
Thursday, February 27, 2020**

1. Approval of Previous Meeting Minutes (Attachment A)

Minutes of the December 5, 2019 Loan Program Advisory Committee (LPAC) meeting will be reviewed for approval.

ACTION: Motion to approve the December 5, 2019 LPAC meeting minutes.

2. Economic Development Administration (EDA) Revolving Loan Fund Plan Resolution (Attachment B)

ACTION: Motion to recommend approval of the EDA Revolving Loan Fund Resolution to the OCWCOG Board of Directors.

3. Business Investment Fund (BIF) Work Plan Update (Attachment C)

ACTION: Motion to recommend approval of the Updated BIF Work Plan to the OCWCOG Board of Directors.

4. Program Activities

ACTION: Information only, no action needed.

MEMBER GOVERNMENTS — COUNTIES: Benton, Lincoln, and Linn **CITIES:** Adair Village, Albany, Brownsville, Corvallis, Depoe Bay, Halsey, Harrisburg, Lebanon, Lincoln City, Lyons, Millersburg, Monroe, Newport, Philomath, Scio, Siletz, Sweet Home, Tangent, Toledo, Waldport, Yachats **OTHER:** Confederated Tribes of Siletz Indians, and Port of Newport

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**OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
LOAN PROGRAM ADVISORY COMMITTEE MEETING
DRAFT MINUTES**

Thursday, December 5, 2019

Attendees: Mayor Jim Lepin, Millersburg; Mayor Dann Cutter, Waldport; Commissioner Pat Malone, Benton County; and Economic Development Catalyst Alysia Rodger, Lebanon.

Staff: Executive Director Fred Abousleman; Deputy Director Rachael Maddox-Hughes; Community and Economic Development Director Phil Warnock; and Executive Administrative Assistant Emma Chavez.

1. Call to Order and Agenda Review

Meeting called to order at 11:38 am by Mayor Dann Cutter.

2. Approval of April 25, 2019 LPAC Meeting Minutes

Motion to approve the April 25, 2019 Loan Program Advisory Committee (LPAC) meeting minutes made by Commissioner Pat Malone. Seconded by Alysia Rodgers. Minutes approved by consensus.

3. Loan Activity Report

Community and Economic Development (CED) Director Phil Warnock reviewed the lending activity report with members. He noted that per usual, there are surges in the program. CED Director Warnock went on to note that Senior Loan Officer Sandra Easdale along with OCWCOG Consultant Mike Corwin have been working hard to market the program.

Executive Director Fred Abousleman commented that one of the most important loans has been a collaboration with Lane Council of Governments (LCOG). He noted that OCWCOG and LCOG (COGs) received an exemption to work together on an SBA 504 loan. Executive Director Abousleman advised that the more SBA 504 loans the program makes, the more funds the *Cascades West Business Lending (Business Lending)* receives. He went on to note that COGs are not Certified Development Companies (CDCs), and that it is a priority for Department to expand the business portfolio through SBA 504 loans. To this, Mayor Cutter asked for LPAC to circle back on the discussion in the next couple of months.

4. Other Business

Loan Review Subcommittee (LRS) Membership: Caroline Bauman has indicated that she will be retiring at the end of 2019 and her position on the (LRS) will become vacant. Staff will work to fill her position by early 2020.

Rural Microentrepreneur Assistance Program (RMAP): This is a micro loan program to fund loans of \$50,000 or less. In seven months the first allocation of activities is due, and the program has lent under 50% of its funds. Staff will evaluate the RMAP, however, CED Director Warnock noted that he sees benefit in continuing it as a tool to the *Business Lending* program. Mayor Cutter requested for staff to work on marketing the program

through the local Chamber of Commerce and Small Business Development Corporations (SBDCs).

Executive Director Abousleman advised that the program is missing the resources to do marketing, and marketing can only be done when it makes loans. He suggested talking to the communities that do marketing for assistance. Executive Director Abousleman also noted that the *Business Lending* program is an important piece of the OCWCOG portfolio and members should continue to elevate at the Board of Directors level.

Lincoln City Urban Renewal: *Business Lending* continues to successfully manage the Lincoln City Urban Renewal portfolio. Through this work, the Lincoln City also requested technical assistance and an Intergovernmental Agreement (IGA) is now in place.

Decision: Staff will work to fill the LRS vacancy in early 2020, and will develop a marketing letter to the local Chambers of Commerce and SBDCs for marketing the RMAP.

5. **Adjournment**

Meeting adjourned at 12:03 pm.

**OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
BOARD OF DIRECTORS**

RESOLUTION # _____

Certifying the OCWCOG EDA Revolving Loan Fund (RLF) Plan as consistent with the area’s economic adjustment strategy, and consistent with operating policies and procedures.

WHEREAS, on the ____ day of _____ the Board of OCWCOG was convened upon notice properly given and a quorum was duly noted;

WHEREAS, OCWCOG is the overseeing entity for the area’s Revolving Loan Fund programs;

WHEREAS, the OCWCOG Loan Program Advisory Committee has reviewed and has recommended OCWCOG Board approval of the Administrative Plan prepared for the OCWCOG EDA RLF;

WHEREAS, the Board of OCWCOG has reviewed and approved the Loan Program Advisory Committee recommendation;

NOW THEREFORE, the Board of OCWCOG does certify the RLF Administrative Plan is consistent with and supportive of OCWCOG’s service area’s current economic adjustment strategy, as stated in their current Administrative Plan, and that the RLF is being operated in accordance with the policies and procedures contained in the RLF Plan, and the loan portfolio standards contained therein.

Adopted on this _____ day of _____.

Biff Traber
Chairperson

Dann Cutter
Interim Executive Director

3. Any legitimate business purpose described in C below.

B. Ineligible Projects and Activities

1. Projects involving the relocation of any firm within Oregon that would cause unemployment at the location where such work previously was performed.
2. Projects are located outside the region of Benton, Lane, Lincoln, and Linn Counties.
3. Projects for which funds are otherwise available from private lenders or other public agencies, with terms which will permit the accomplishment of the project.
4. Projects requiring an ongoing perpetual infusion of economic development or other public funds or personnel.
5. Projects that create a conflict of interest for any current or former OCWCOG Board member, Loan Review Subcommittee member, Loan Program Advisory Committee member, employee, or people related to them by blood, marriage, or law.

C. Eligible Use of Proceeds

1. The BIF may be used for long term industry development activities, which include, but are not limited to:
 - (a) Research
 - (b) Product development and marketing
 - (c) Feasibility studies
 - (d) Total quality management and other work force training programs
 - (e) Technical and management assistance
 - (f) Development of industrial parks and facilities
 - (g) Refinancing of loans made by other lenders
 - (h) Purchase of equipment, leasehold improvements, machinery or supplies
 - (g)(i) Business construction, conversion, enlargement, repair modernization or development

D. Ineligible Use of Proceeds

1. Ongoing operating expenses.
2. Reimbursing a business for expenses incurred prior to the award.
3. Assist existing Oregon businesses in relocation, unless an expansion of operations is involved.

LOAN CRITERIAA. Job Creation

A minimum of one (1) full time equivalent (FTE) job must be created or saved for each ~~\$25,000~~50,000 borrowed from the BIF. These jobs shall be created within three (3) years from the date of contract and shall have an option of one (1) additional year extension, subject to the approval of the OCWCOG staff. Job will be defined as a full time equivalent (FTE) position created or saved by BIF funding which is filled for not less than twelve (12) months.

B. Leverage Ratio

The BIF program will attempt to leverage other sources of financing to the maximum extent possible. BIF funds will not exceed 75% of the total eligible cost for any single project for a minimum leverage ratio of 3:1 (three dollars of BIF to one dollar of other investment). A minimum of 10% of the eligible project cost must be in the form of new cash or in-kind equity match. Other project costs must be provided by private financing, borrower equity, and/or Federal, State, or local funds.

C. Security Requirements

All projects shall be collateralized to the greatest extent possible. Funds will be secured by liens, trust deeds, assignments, and/or personal guarantees, as appropriate. As stewards of public funds, OCWCOG may take legal means deemed appropriate to protect the public's financial interest. Funds may be subordinated to other financing sources.

D. Repayment Terms

The length (term) of the award shall be recommended by the Lending Program staff. The term shall be based on the life of the asset securing the loan and the cash flow of the business. Loan terms will generally not exceed the full useful life of the assets being financed, or the assets securing the loan. Generally the term will not exceed more than ten (10) years. For loans financing or refinancing real property the term of the loan will ordinarily not be greater than the useful life of the real property of the project and will generally be made for no more than 15 years. Shorter-term loans will be encouraged in order to accelerate the reuse of BIF dollars. Repayment will normally be accomplished in equal principal and interest installments over the life of the loan. Interest only payments may be permitted for a period of time, as recommended by the Lending Program staff, or Loan Review Subcommittee. Except in cases of loan renegotiation, standard loan repayment terms will be generally be adhered to.

E. Interest Rates

The Loan Program Advisory Committee shall determine the BIF program interest rates.

Generally, interest rates will be set at approximately the Wall Street Journal published prime rate at the time of loan closing and address current market standards. The minimum interest rate will be 5%. Interest rates will be fixed over the life of the loan, except that a rate review will ordinarily be conducted after a period of three years. If the promised number of jobs has not been created by the business by that time, OCWCOG shall have discretion to call the note or raise the loan rate to a market rate. This will ordinarily be done only when OCWCOG staff has reason to believe the borrower has not acted in good faith in making job creation estimates. In the event of a technical or payment default on a note, the interest rate may be increased to 2.5% over the initial note rate for the remaining term of the loan.

F. Fees & Charges

A per payment servicing fee of \$12.00 will be assessed on all loans with ACH payment processing, a requirement of the loan program. In the event the borrower cancels their ACH payment authorization or is canceled by OCWCOG or the bank of account due to rejected item activity, the per payment servicing fee will increase to a total of \$55.00. Payoffs are excluded from this assessment, may be processed with a check or wire transfer and are subject only to the \$12.00 servicing fee.

In the event a payment is returned due to non-sufficient funds a \$25.00 rejected item fee will be assessed per occurrence. Unpaid servicing and NSF fees shall accrue and be added to all payoffs.

OCWCOG will charge and collect a loan application fee of \$500 at the time the application is made. The applicant is responsible for direct costs associated with the loan closing which may include but are not limited to filing and recording fees, escrow fees, title insurance, appraisals, and attorney fees.

In addition, the applicant, immediately upon receiving the loan proceeds, shall pay a loan fee to OCWCOG of one and one-half per cent (1.5%) of the principal amount of the loan. The \$500 loan application fee is credited toward the 1.5% loan fee.

All loan fees are non-refundable.

G. Loan Amount

Awards will generally be limited to no more than ~~\$100,000~~250,000.

LOAN SELECTION AND APPROVAL PROCESS

The loan selection and approval process includes three stages as follows:

A. APPLICATION

Normal and prudent lending standards are used in evaluating the strength and ability-to-repay of both companies and individuals. Loans may be made in cases where the employment and other benefit potential (and the quality of business planning) outweigh

risks that more conservative lenders would likely avoid. This would apply, for example, to viable business startups, which are routinely excluded from consideration by private lenders.

Application Procedure and flow:

1. Lending Program staff provides preliminary review for eligibility and rough fit with BIF loan criteria. If another public lending program is more appropriate, the staff will work with the prospective borrower on an application for that program.
2. Lending Program staff request a written application or decline the request. If negative, applicant is informed in writing of the reasons for the declination. If positive, Lending Program staff review application needs with applicant and provide counseling regarding the applicant's business plan, if appropriate.
3. Formal application process includes a conference with the applicant to review BIF Application Checklist and all subsidiary forms and financial schedules. Also, the applicant principals authorize credit checks, and when necessary, an Environmental Assessment is completed by the staff. The applicant submits a formal application accompanied by loan fees and all supporting documents.

B. REVIEW AND DECISION OF FORMAL APPLICATION

Procedures and flow:

1. Review by staff for completeness and regulatory compliance, submission of additional information by applicant, as appropriate.
2. If recommendation is positive, submit formal credit memo and staff recommendation to Loan Review Subcommittee.
3. Loan Review Subcommittee recommends approval or denial.
4. OCWCOG Executive Director approves or denies the loan.
5. Lending Program staff notifies applicant in writing of the decision.

C. LOAN CLOSING

Procedures and flow:

1. Upon OCWCOG approval, Lending Program staff prepares loan closing documents with attorney consultation as necessary.
2. Loan closing takes place with the applicant by OCWCOG staff. Disbursement of proceeds is determined based on conditions of approval.
3. Filing of liens as available and completion of any remaining legal, regulatory or housekeeping matters, all to be carried out by Lending Program staff.

LOAN SERVICING

Loan Monitoring and Servicing

Policies and procedures for managing and servicing the portfolio of the BIF include: closely monitoring payment performance; periodic review of financial data and employment generation; personal inspections and site visits; and management counseling and/or referral, as appropriate.

The BIF is an "understanding" creditor who is willing to be flexible, but serious in its desire to be re-capitalized by loan repayment in order to re-lend to deserving businesses within the service area, thereby generating jobs.

Loan monitoring, such as financial statement review and employment reporting, insurance premium payments, etc., will be established in a tickler system to assure the activity and regularity. Financial statements will generally be required on either a quarterly or annual basis, with employment verified annually. Site visits will generally be made annually unless circumstances demand greater or less frequency.

Because early problem detection can lead to successful correction, follow-up communication and monitoring of borrowing businesses will be made after loan closing until full repayment. Should payment monitoring indicate a delinquency, a written notice or reminder will be generated and forwarded 15 days after the due date. Thereafter, personal contact will be made, by phone or inspection at the site, for discussion of problems. The follow-up and direction will be driven by an assessment of problems after considering all conditions. Counseling will be offered whenever appropriate.

If allowing additional time to bring any payments current becomes inappropriate, modification or revision of the loan agreement will be considered if workable and beneficial to the health of the business. Modifications will not be approved unless they enhance the borrower's repayment ability without detriment to the BIF. The borrower must make a good faith effort under these conditions. While considering the legitimate special needs of the borrower, the BIF will operate in a manner that also protects its assets. Should default occur which does not show reasonable prospects for remedy, the BIF will move in conjunction with its attorney against the loan collateral and assets of the borrower and guarantors, as appropriate. In any case, where delinquency reaches 90 days, a default will be declared by OCWCOG. Upon such default the loan shall be put on non-accrual status. -The staff will notify the borrower. Within 15 days following the default decision, the borrower may submit a plan to cure the default with a plausible solution to correct the default. -If a plausible plan is not received, liquidation of collateral and other legal remedies will be pursued against the borrower and all guarantors.

A. Servicing Procedures

OCWCOG will be responsible for monitoring the loans and responding to the needs of the borrowers. OCWCOG will provide the following services on each account:

1. ~~Quarterly accounting reports of principal and interest received balances remaining, any fees charged, and OCWCOG compensation for expenses incurred.~~ Monthly Billing Statement reports showing principal and interest received, balances remaining and fess charged.
2. Late payment notices to borrower.
3. Year end statements to borrower showing interest payments made.
4. Any other record keeping or services required for management of the account.
5. Site visits made, if deemed necessary by OCWCOG staff.
6. Quarterly or annual financial statements will be received by every borrower and will be reviewed by Lending Program staff.

B. Problem Loans

To avoid problems with credit delinquency and possible losses, OCWCOG will, when necessary, review with the borrowers those factors that indicate loan payment deterioration. Some of the danger signals include:

1. Delinquency
2. Unanticipated renewal, modifications or extension request
3. Adverse financial trends
4. Improperly prepared or incorrect financial statement information
5. Overly optimistic projections
6. Failure to provide requested information in a timely manner
7. Lost, sold or missing collateral or other assets
8. Borrower(s) reluctant to permit OCWCOG to visit business
9. Inquiries or notices from other creditors and frequent, or sporadic, credit inquiries
10. Antagonistic attitude toward other creditors
11. Tax liens, mechanic liens, or judgments
12. Overdrafts or overdrawn accounts, including missing or lost checks for payment of the BIF loan

C. Delinquent Loans

Loans become delinquent the day after the payment is due. Collection procedures commence if payment is not made within 15 days following payment due date, or if the business exhibits some of the danger signals listed above. OCWCOG determines the seriousness of the problem by a review of:

1. The loan collateral position
2. Availability cash for repayment
3. Extent of borrower's involvement and current situation with other creditors of the business
4. General attitude and willingness to repay by borrower

The collateral position of the loan will be determined by verifying the value of collateral held, by actually locating the collateral, reviewing its condition, checking for correct filing of UCC forms and other security documents, and estimating the BIF equity position based on a liquidation valuation.

OCWCOG will determine the ability for repayment by checking the amount of liquidity in cash flow. The extent of the borrower's involvement with other creditors will be determined after searching public records for liens and judgements, and by asking other creditors only for factual information (amount owed, status of loan, terms of the original loan, current terms of the loan, and security).

OCWCOG will determine the attitude of the borrower after an evaluation of past actions, from any communication with the borrower, and from the borrower's reaction to proposals to correct the delinquency.

After OCWCOG gathers the necessary information to make judgement concerning the magnitude of the problem, OCWCOG will attempt direct contact with the borrower for the purpose of a frank discussion. OCWCOG will attempt to obtain full cooperation in order to avoid loss and financial difficulties to the borrower. OCWCOG and the borrower must be willing to identify the problem and settle upon a solution. To be successful, OCWCOG and the debtor must work toward eventual repayment of the loan from the normal cash flow of the business without liquidation of those assets necessary for the continued operation of the business.

At any conference with the borrower, OCWCOG will inform the borrower that the delinquency is critical and must be resolved immediately.

When a workable solution to the loan delinquency is possible, Lending Program staff may draft recommended modifications of the terms and conditions to the original loan. The modifications must be approved by the Executive Director and will be reported to the Loan Program Advisory Committee (LPAC), if approved.

D. Loans in Default

When no workable solution emerges from the process of meeting with the borrower, the loan will be in default. Loans will be considered in default if any portion of a loan payment is more than thirty (30) days past due. The following actions will then be taken to address default by a borrower:

1. OCWCOG will notify the borrower of default by registered mail. OCWCOG may charge a fee for each notification.
2. Borrower will be given thirty (30) days to correct default.
3. If default is not corrected within sixty (60) days, OCWCOG will act promptly to:
 - (a) Notify the Loan Review Subcommittee and the Loan Program Advisory Committee
 - (b) Begin liquidation proceedings

COMPENSATION FOR LOAN SERVICING AND MANAGEMENT

1. The BIF will compensate OCWCOG for all expenses incurred under the BIF program. The compensation will be paid with all loan and servicing fees, plus the interest earned under the BIF program. Operating expenses shall include but not limited to the following:

*Wages	*Copies	*Accounting
*Postage	*Marketing	*General Administration
*Attorney	*Phone	
2. OCWCOG will provide ~~quarterly~~ reports to the Loan Program Advisory Committee (LPAC) regarding the number of loans made and the status of existing loans.