

CLAREMONT REVOLVING LOAN FUND

The Community Reinvestment Program is designed to facilitate borrowing opportunities for qualified new or expanding businesses in Claremont. Job creation and retention are the first priority objectives of the fund, with increased Claremont household incomes, expanding tax base, and commercial diversification other criteria that will be considered. The Community Reinvestment Program will typically be made a subordinate position to a primary lender to enhance a total financing package which might not be available through traditional sources. Potential borrowers will be encouraged to pursue Small Business Administration (SBA) loans and other special development lending opportunities available through CRDC . The Community Reinvestment Program may choose to act as a primary lender in particular cases deemed to have exceptional merit and with a two-thirds vote of the CDA Board of Directors.

TYPE OF BUSINESS

Any corporation, partnership, or proprietorship located in, moving to, or expanding in the City of Claremont. Businesses specifically excluded from participation include:

- Lending institutions
- Gambling institutions
- Passive real estate investments, except "alter-ego trusts" where occupancy by an eligible business is significant
- Residential development
- Retail businesses, except through the facade loan program

SIZE OF BUSINESS

The applicant business and/or its holding company must meet the size guidelines of the Small Business Administration. Generally, a firm will be eligible if its net worth is less than \$6 million and its average profit after taxes during the previous two years is less than \$2 million.

LENDING CRITERIA

Priority will be given to projects which have the most potential for creating or retaining jobs in Claremont. Increased Claremont household incomes, expanding tax base, and commercial diversification will also be given strong consideration.

LOAN/LOAN GUARANTEE AMOUNT

Generally the Community Reinvestment Program participation in a loan will be limited to 25% of the total cost of the project, not to exceed \$50,000; not exceed \$100,000 to any one borrower; and not be for less than \$5,000 except in the facade loan program where \$5,000 is the maximum. These provisions may be waived by a two-thirds vote of the CDA Board of Directors.

TERM

Financing will be offered for terms negotiated based on the expected life of the asset financed, borrower's ability to pay, and other criteria as may be appropriate on a case-by-case basis. The program will give priority to shorter term loans (5 years or less) in order to keep funding available. Ordinarily no prepayment fees will be charged.

INTEREST RATES

The Community Reinvestment Program financing will normally carry variable rates to be adjusted annually. The base index for loan interest will generally be the Prime Rate as reported in the Wall Street Journal within seven (7) days of receipt of the completed application. Margins over the rate will be set by the Finance Committee of the CDA. After the

initial rate is set, all future annual adjustments will be made in January based on the Prime Rate on the first working day of the calendar year. The revised rate will take effect with the February payment.

When the program is providing a third-party loan guarantee, the applicant will pay all loan application fees, and the cost will generally be 1% to 4% per annum on the outstanding balance being guaranteed as of the first of the year.

ALLOWABLE USES OF PROJECT FUNDS

Eligible loan uses include acquisition of land and building, construction, plant modernization, and machinery and equipment purchase. Working capital loans are a lower priority use of project funds and require a two-thirds vote of the CDA Board of Directors. Adequate assurance of proper use of the fund shall be provided prior to closing.

COLLATERAL

The Community Reinvestment Program's primary criteria for evaluating loans will be the quality and soundness of a firm's business plan. To secure its position, the program will generally accept a subordinate lien position to the primary lender. The form and amount of other security will be determined on a case-by-case basis, and may include, but not be limited to the following:

- Assignment of subordinate lease of rights
- Cross-collateralization of assets
- Security interest in outside assets of borrower
- Inventory and receivables
- Corporate guarantees

Personal guarantees will be required on all loans. All collateral will be evaluated carefully for marketability and value prior to acceptance. Any required appraisals must be performed by a source acceptable to the Finance Committee.

REPAYMENT ABILITY

Each applicant will be required to demonstrate an ability to service this loan as well as all existing debts. Evaluation of ability to pay will be based on documentation provided by the borrower. At the discretion of the CDA, late fees may be charged on loans not paid when due. Borrowers who leave Claremont as their place of business before the loan's expiration will be required to pay the remaining balance.

FEES FOR LOANS

A non-refundable application fee of \$100.00 will be due upon formal submission of a request for financial assistance.

If the loan is subject to review by the CRDC or other consultant (at CDA's discretion), the applicant will be required to pay the fee.

A loan commitment fee of 1% or \$200, whichever is greater, will be payable upon acceptance of the loan commitment.

The borrower will be responsible for all applicable legal and loan closing fees. A breakdown of such costs will be provided and will be payable at closing.

DISBURSEMENT OF FUNDS

Funds will be disbursed at the closing or upon receipt of invoices or other evidence of encumbrance, or in accordance with the budget supplied with the loan application.

LOAN APPLICATION PROCEDURE

The **Community Reinvestment Program Loan form** should be filled out with all information necessary to process the loan. Once the loan is submitted the Finance Committee of the CDA will review the loan and make a recommendation for acceptance to the CDA Board. The complete process takes approximately 30-45 days. Loan administration servicing will be performed under the supervision of the Claremont Planning and Development office. Loans will be monitored throughout their term to ensure good faith on the part of the borrower and early assistance if problems arise.