

Canton Revolving Loan Fund

Organization/Agency

Name: Canton Local Development Corporation
David Swanson, Chair

Contact: Linda McQuinn, Director of Economic Development
60 Main Street
Canton, NY 13617

Telephone: (315)386-2871 Ext. 5
Fax: (315)386-1361
Email: developer@cantonnewyork.us
Website: www.cantonnewyork.us

Program Features and Eligibility

Geographic Delineation

Small businesses that have indicated an interest in establishing or expanding a small business in the Town of Canton which includes, the Village of Canton and Rensselaer Falls will be eligible provided that they submit a letter of interest, have prepared a business development plan with financial projections, and have completed the loan application. Applicants must be at least 51% owned by or be United States citizens.

Administrative Eligibility

All appropriate governmental approvals shall be obtained prior to application to CLDC for loan funds.

Use of Funds

Loan funds may be used for Legal activities only including purchase of business assets, building improvements and working capital for start-ups or existing businesses. The loan is ineligible for real estate rentals, refinancing, and down payments. Loan funds may not be used for agricultural production, churches, golf courses, racetracks, or gambling facilities

Type of businesses/Projects eligible

Profit and Non-profit businesses are eligible. Start-ups, as well as expansion of existing businesses are eligible. Applicants must demonstrate that their project will create or retain jobs and have tangible positive impact on the community.

Loan Terms

Loan Amounts

Maximum loan amount is \$30,000 with a reimbursement rate of 50% for a project not to exceed \$60,000. The Canton LDC can finance up to 50% of the total project, with minimum of 10% of owner's investment. OR, there is a loan limitation of \$10,000 per job created or retained, up to a maximum of \$30,000.

Interest Rate

The interest rate to be charged by the Canton Revolving Loan Fund will be a fixed rate and will be determined based on the date that loan documents (promissory notes, collateral agreements, etc.) are signed. The rate will be the Prime Rate (listed as "Bank Prime Loan" in Federal Reserve Statistical Release H15 - <http://www.federalreserve.gov/releases/H15/data.htm>) ten business days prior to the signing **less one percentage point**. In the event that that Bank Prime Rate is less than three percent (3%), the loan rate will be fixed at two percent.

Loan Term

The term of the loan will be based on the collateral offered. Loans secured by Real Estate will be limited to a 180 month term; all other loans will be limited to 60 months.

Security

All loans shall be secured by the owner through a first position on equipment purchased or through a real estate mortgage on the business owner's personal property.

Procedure/Application

Application

Applications for business loans shall be submitted on forms provided by the CLDC. A description of work to be performed, cost estimates, and drawings (if applicable) as well as a written business development and financial plans which outline the basic idea and scope of the project must be submitted to the Canton LDC as well as the completed loan application. Applications will be available from, and must be returned to: Office of Economic Development, Canton Municipal Building, 60 Main Street, Canton, New York 13617-1229. *Applications are accepted on a continual basis, and the loan committee meets to review applicants as needed.*

Loan Processing

A loan review committee consisting of members of the CLDC shall review the application with respect to affordability, credit history, and prior business experience.

Written notice of approval/denial shall be forwarded to the applicant upon final determination by the loan review committee and approval from USDA RD for the initial RBEG RLF grant award.

Disbursement Procedure

Advances of loan proceeds shall be made by the CLDC as the work progresses with final payment conditional upon all necessary lien waivers being submitted and written verification of completion.

Collection

The CLDC shall contract with a local institution to act as collection agent for the CLDC. Loan recipients will be notified by the CLDC as to where and to whom payments will be made. Conditions of default on loans are established within the loan documents. The Collection Agent will provide a monthly report to the CLDC concerning the collection status of all loans. Following are collections procedures anticipated to be utilized in connection with the collection of loans becoming past due to the CLDC.

A. LOANS SECURED BY REAL ESTATE

Since there are various reasons why a particular mortgage loan may be delinquent, it is the responsibility of the Collection Agent to determine the cause of the delinquency, in order to implement collection procedures applicable to the situation. The following is the normal procedure used in connection with a delinquent mortgage loan:

- 1. FAILURE TO MAKE A PAYMENT WITHIN THE GRACE PERIOD:**
 - a) When a borrower has failed to make their required monthly payment by the 15th day following their due date:
 - (1) The Collection Agent shall prepare a Delinquency File, if one does not already exist
 - (2) A late notice will be mailed to the borrower.
- 2. FAILURE TO MAKE A PAYMENT WITHIN 30 DAYS OF DUE DATE**
 - a) When a loan becomes 30 days delinquent, the Collection Agent shall attempt to reach the borrower by telephone. If they are unable to reach the borrower, they shall mail an initial delinquency letter.
 - b) When a loan becomes 45 days delinquent, the Collection Agent shall immediately check the loan file to ascertain the sufficiency of the collateral, insurance coverage, status of taxes (if applicable) and for the existence of guarantors if any.
- 3. FAILURE TO MAKE A PAYMENT WITHIN 60 DAYS OF DUE DATE**
 - a) When a loan becomes 60 days delinquent, the Collection Agent:
 - (1) Shall evaluate the cause for the delinquency and
 - (2) Shall develop a collection procedure deemed appropriate to resolve the delinquency.
- 4. FAILURE TO MAKE A PAYMENT WITHIN 90 DAYS OF DUE DATE**
 - a) When a loan becomes 90 days delinquent, a representative of the Collection Agent will personally visit the business and discuss the delinquency with the borrower.

5. LEGAL ACTION:

- a) When a borrower appears to be unable or unwilling to respond to the requests of the Collection Agent a decision should be made to turn the matter over to the Collection Agent's attorney for legal action, the borrower must be notified by letter of such intended action at least 30 days in advance.

6. FAILURE TO RESPOND TO THE NOTICE OF LEGAL ACTION

- a) Thereafter, if the borrower fails to respond to the 30 day letter, or fails to comply with any arrangements that have been made to bring the loan current, the Collection Agent shall commence a foreclosure action against the borrower subject to the authorization of the CLDC.

7. WORKOUT RESTRUCTURINGS

Frequently borrowers will request consideration of a restructure of the delinquent loan. While workout restructuring is acceptable in some cases, workouts can have the undesirable effect of hiding a delinquency.

- a) Workouts should be entered into only under the following conditions.
 - (1) Borrower must give evidence of a renewed willingness and ability to pay. The Collection Agent may consider a trial period where the borrower has the opportunity to demonstrate the ability to make the payments that would be required under a formal restructuring, (eg: three consecutive monthly payments must be made as noted in #4 below) but the borrower remains delinquent throughout the trial period and legal action is only postponed temporarily in order to provide the borrower with that opportunity.
 - (2) Restructured loans shall consist only of funds currently due CLDC (eg: principal and interest due only – no new money will be advanced).
 - (3) The account has existed for at least nine months
 - (4) We have received at least three minimum consecutive monthly payments or an equivalent lump sum.
 - (5) Loans may not be restructured more than once.
- b) All proposed workout restructurings shall be approved by the CLDC in advance of the restructuring.

8. UNCOLLECTIBLE LOANS - CHARGEOFFS

Due to the nature of real estate lending, loans secured by real estate will be unlikely to be charged off. In the event, however, that the Collection Agent concludes that a loan should be charged off, a recommendation should be made to the CLDC for approval to do so.

B. LOANS NOT SECURED BY REAL ESTATE

Since there are various reasons why a particular loan may be delinquent, it is the responsibility of the Collection Agent to determine the cause of the delinquency in order to implement collection procedures applicable to the situation. The following is the normal procedure used in connection with a delinquent consumer loan:

1. FAILURE TO MAKE A PAYMENT WITHIN 10 DAYS OF DUE DATE:

- a) When a borrower has failed to make their required monthly payment by the 10th day following their due date:
 - (1) The Collection Agent shall prepare a Delinquency File, if one does not already exist
 - (2) A late notice will be sent to the borrower.

2. FAILURE TO MAKE A PAYMENT WITHIN 30 DAYS OF DUE DATE

- a) When a loan becomes 30 days delinquent, the Collection Agent:
- (1) Shall immediately check the loan file to ascertain the sufficiency of the collateral, insurance coverage, status of taxes (if applicable) and for the existence of guarantors if any. (All subsequent mailings should include copies to guarantors if any)
 - (2) Shall attempt to reach the borrower and guarantors (if any) by telephone. If they are unable to reach the borrower and guarantors (if any), they shall mail an initial delinquency letter.
 - (3) Shall evaluate the cause for the delinquency and
 - (4) Shall develop a collection plan deemed appropriate to resolve the delinquency.

3. FAILURE TO MAKE A PAYMENT WITHIN 60 DAYS OF DUE DATE

- a) When a loan becomes 60 days delinquent, the Collection Agent:
- (1) Shall send a 10 day “notice of intent” to repossess any existing collateral and/or to seek other legal recourse necessary to recover the loan.
 - (2) Shall make every reasonable effort to make direct contact with the borrower.
 - (3) Shall arrange for pickup of any collateral prior to the attainment of 90 days delinquent.

4. FAILURE TO RESPOND TO 10 DAY NOTICE

- a) If the borrower fails to respond to the 10 day notice, or fails to comply with any arrangements that have been made to bring the loan current, the Collection Agent shall have the authority to authorize repossession of the collateral or to seek judgment if deemed appropriate based on the size of the loan and the costs associated with repossession and/or judgment proceedings.

5. WORKOUT RESTRUCTURINGS (SEE SAME TITLE ABOVE)

6. UNCOLLECTIBLE LOANS – CHARGE-OFFS

- a) Due to the nature of non real estate related commercial loans, charge-offs are a likely alternative in certain circumstances. Loans should be listed as charged off when:
- (1) If at any time during the collection procedure the Collection Agent determines that the loan is uncollectible, or that the item financed has insufficient value to justify repossession.