

CONAC MICROLOAN TERMS

LOAN TERMS

1. Maximum loan of \$10,000.00
2. Up to 10 years (120 months) term; possible deferral of repayment for up to 3 months after loan closing.
3. Zero percent (0%) interest rate.
4. One-time administrative fee of 3% of loan value due at loan closing.

GENERAL LENDING CRITERIA

1. Applicants must be legal entities, sole proprietors and/or units of government.
2. Applicants must provide assurance of willingness and ability to repay.
3. Applicants must complete the application process and agree to the terms and conditions established for the loan.
4. The loan must be sufficient to reasonably assist the project.
5. Projects must either retain or create jobs/self-employment or be of benefit to the community.
6. Loans will be made for up to 50% of project costs.
7. Loans can be subordinated to another lender.

LENDING PRIORITY GUIDELINES

The following policies will guide the consideration of loan applications:

1. Job creation and retention
 - a. The number of jobs to be created or retained
 - b. Full-time, part-time or seasonal jobs
 - c. The cost per job created or retained
2. The quality of the jobs to be created or retained
 - a. Wage rates, benefit package offered, potential for longevity in employment, ability to advance in the organization, and the working environment.
3. Impact on area economy and environment.
 - a. Projects that add value to locally produced raw materials, expand agricultural marketing/services and/or enable local investment in agriculture projects.
 - b. Projects that improve infrastructure, education, technology or health care in rural areas or contribute to quality of life.
 - c. Projects that impact low-moderate income persons through access to capital, job retention/creation or improved access to community services.
4. Leveraging of other funds, both public and private
 - a. Project principals must generally provide at least 10% of the total project funding.
 - b. Microloan will not lend more than 50% of total project costs, and generally not more than other lenders involved in the project.
5. Likelihood of success.
 - a. Financial strength
 - b. Evidence of market and marketing plans
 - c. Projects with a positive business and/or personal credit history
 - d. Management strength, expertise and past performance
6. Likelihood of repayment
 - a. Ability to service debt from business cash flow
 - b. Secondary source of debt service
 - c. Brief credit analysis
7. Need and appropriateness for funds and terms.

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- a. Credit not otherwise available on terms adequate to achieve the purposes of the project or the project could not BE undertaken without Microloan assistance.

UNDESIRABLE PROJECTS

Projects that are not supported by adequate or accurate financial information or in which parties cannot show adequate ability to repay.

1. Projects those are speculative to the point of incurring an excessive amount of risk.
2. Projects deemed to be beyond REAP Zone's ability to administer.
3. Loan requests from individuals or parties with questionable integrity or poor credit history.
4. Loan requests from borrowers that are unwilling to work with a commercial lending institution.
5. Business Projects without other programs participating.
6. Loan requests for projects that are solely for refinancing an existing debt, unless critical for the sustainability of the project.
7. Projects that are not eligible per the guidelines established by the entities providing capital to CONAC REAP Zone.

INELGIBLE PROJECTS

1. Projects that are for purely commercial real estate speculation.
2. Projects that will cause excess competition as determined by the board of directors; i.e., a hardware store in a town of 250 people that already has a viable hardware store.
3. Projects that are considered by the community to be morally improper; i.e., gambling.
4. Projects that are deemed personal in nature or requests funds for personal expenditures, such as home loans to owner occupants.
5. Projects that are for traditional agriculture purpose (i.e. crops, livestock, feed, seed or generic farm equipment.
6. Relocation other than for sound business purposes.
7. Projects that will result solely in a transfer of employment from one location to another.
8. Projects that do not meet environmental guidelines.
9. Projects that are determined to be in conflict of interest with CONAC REAP Zone.
10. Projects that violate Federal guidelines, if applicable, for use of funds.

APPLICATION

Please provide the following:

- Business Description
- Project Description
- Market and competition
- Management experience
- Sources & Use of Funds
- Demonstration of ability to service debt- i.e., balance sheet, cash flow, profit and loss, including historical, if available and projections for first 18-36 months.
- Letter from other participating lenders with brief credit analysis and participation terms.

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Delinquent Loan Policy Recommendations:

1. Reconcile the guidelines and the loan agreement as follows:

If the borrower has not repaid the loan after the term of loan has expired or has not met all the terms of the agreement, interest will begin to accrue at the rate of 6% annually to repay any remaining debt under this loan.

2. Delinquent loans should be contacted as follows:

- 2 payments behind – Local Developer to call the borrower
- 3 or more payments behind – Letter stating the amount in arrears, the interest to accrue, and what is going to happen (i.e.; interest begins and turn over to small claims court).
- 6 months behind – With Board approval, begin collections through Small Claims Courts.

3. Offer deferral requests where applicable or as requested.