

**CITY OF PLYMOUTH REDEVELOPMENT AUTHORITY**  
**REVOLVING LOAN FUND (RLF) MANUAL**

**June 28, 2023**

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## **FOREWORD**

Pursuant to resolution \_\_\_\_\_, the City of Plymouth Redevelopment Authority (RDA) established the Revolving Loan Fund program to achieve the purposes set forth in Wis. Stat. § 66.1333 and as more fully set forth in Redevelopment Project Plan No. 3.

This Manual contains the Revolving Loan Fund (RLF) policies and procedures that have been adopted by the RDA to govern the use of the funds.

**SECTION 1. GENERAL PROVISIONS**

**1.1 PURPOSE**

The purpose of the policies and procedures contained within this manual, hereafter referred to as the Revolving Loan Fund Manual, is to present the criteria which governs the activities and management of funds made available through the City of Plymouth Revolving Loan Fund.

**1.2 OBJECTIVES**

Economic development and blight elimination and prevention activities assisted with funds made available through the Revolving Loan Fund are intended to meet the following objectives:

- (1) To encourage the leveraging of new private investment into the City of Plymouth in the form of fixed asset investment, particularly in land, buildings and fixed equipment.
- (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 Plymouth’s comprehensive plan goals and objectives.
- (4) To maintain and promote a diverse mix of employment opportunities and to minimize seasonal or cyclical employment fluctuations.
- (5) To encourage the development and redevelopment of the historic downtown district.
- (6) To promote new housing and commercial/industrial development and redevelopment for purposes of blight elimination and prevention as contemplated under Wis. Stat. § 66.1333.

**1.3 AMENDMENTS and MODIFICATIONS**

The RDA may from time to time amend the provisions imposed by the policies and procedures contained within the Revolving Loan Fund Manual, subject to approval of the City of Plymouth Common Council.

**SECTION 2. ADMINISTRATION**

**2.1 LOAN COMMITTEE**

- (1) The City of Plymouth Revolving Loan Fund Committee shall consist of the following:
  - 1) City of Plymouth Mayor.
  - 2) 1 Alderman annually selected at the organizational meeting.
  - 3) 1 RDA Member appointed by the City of Plymouth Mayor, subject to common council approval.
  - 4) 4 public members appointed by the City of Plymouth Mayor, subject to common council approval.
  - 5) RLF Administrator – designee by City of Plymouth Administrator (Non-voting)
- (2) The Loan Committee shall have the authority to review, select, and recommend approval of applications to the Common Council. The Committee shall also have the authority to make policy recommendations for the administration of the program. The Common Council, upon recommendation from the Committee, shall review and approve loans pursuant to the terms of this Manual.
- (3) The RLF Administrator shall explain the program to prospective applicants, provide written information, assist applicants in completing applications, and facilitate requests for financing.
- (4) The RLF Administrator in concert with City of Plymouth staff and other service providers shall review all financial statements and loan amortization schedules of RLF loan recipients
- (5) The City of Plymouth Finance Director or designee will maintain the RLF accounting records which shall be segregated from other City accounts.
- (6) The City Attorney shall prepare all loan agreements, prepare and review all promissory notes and mortgage or lien instruments, record RLF security instruments, and counsel the Loan Fund Committee on legal matters.
- (7) The RLF Administrator shall be responsible for the maintenance of all other records for the RLF, particularly those related to the expenditures of the RLF monies for program administration purposes.

**2.2 MEETINGS**

Revolving Loan Fund Committee meetings shall be held on an as-needed basis. Meetings shall be subject to Wisconsin Open Meetings Laws pursuant to Wisconsin Statutes, Sections 19.31 through 19.39. A majority of the Committee in attendance at a meeting constituting a quorum shall be required for official Committee 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.

## 2.3 RECORDS

Written records of all loan program activities, including 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 Attorney shall be consulted in regard to compliance with state and municipal open record laws.

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

- (1) **Loan Application File:** This file contains all pre-application, application business financial statements, personal financial statements, credit reports, business plan documents, and other supporting loan information submitted to the Loan Committee, including all applicable correspondence. This permanent file will also contain a summary of the analysis, recommended actions for the application, and a copy of the minutes for the Loan Committee meeting summarizing the action recommended on the loan request and a copy of the minutes for the Common Council showing the action taken. This file will be maintained by the City of Plymouth Administrator.
- (2) **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 safe. The City Attorney 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. This file will be maintained by the City of Plymouth.
- (3) **Progress Report, Site Visit & Financial Statements Monitoring:** The RLF Administrator shall make periodic site visits to verify information in the progress report and financial statements. 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 highlighting any information that can help in rating the overall condition/risk of the loan to the City Administrator.
- (4) **Repayment Monitoring File:** The City of Plymouth Finance Director or designee will monitor the loan amortization schedule, status of payments, and the outstanding balance of the loan. The City of Plymouth Finance Director or designee shall immediately notify the RLF Administrator and the City Administrator of the failure of a loan recipient to make timely payments.
  1. 1<sup>st</sup> Missed Payment - Notify the RLF Administrator/City Administrator
  2. 2<sup>nd</sup> Missed Payment – Notify the Loan Committee and City Attorney
  3. 3<sup>rd</sup> Missed Payment - The City Attorney will notify the loan recipient in writing of the deficiency and the action that will be taken should the payment not be made.

Should there be a late payment, the RLF Administrator 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.

- (5) **Loan Review – As Needed:** If a business is experiencing repayment or collateral problems, the RLF Administrator (or designee) 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 Plymouth’s interest and meet the needs of the business. If appropriate, the RLF Administrator will arrange for business assistance.

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 referred to the City 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. Any restructuring shall be subject to the review and recommendation of the Loan Committee and approval of the Common Council.

## 2.4 ADMINISTRATION

Reasonable administrative funds may be withdrawn from the Revolving Loan Fund to cover personnel costs and other administrative expenses. Administrative expenses of up to fifteen (15) percent of program income may be used for direct loan administrative costs. In addition to paying costs for direct RLF administration, these funds may be used for the following purposes to support RLF administration:

- (1) Legal costs.
- (2) Consulting fees for administration, credit analysis, business plan reviews and technical assistance.
- (3) Office supplies, copying, typing, mailing, and related.
- (4) Fees, meals and mileage reimbursement as deemed necessary by the Loan Committee.

To generate additional revenue to cover administrative costs, if necessary, the Common Council may, from time to time, by resolution 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, subject to Wis. Stat. § 66.0628. All fees collected go to the RLF.

**SECTION 3. ELIGIBILITY CONSIDERATIONS**

**3.1 ELIGIBLE AREA**

The area served by the RLF program shall generally be as defined in the City of Plymouth Redevelopment Project Plan Number Three (No. 3), and as may be amended.

**3.2 ELIGIBLE APPLICANTS**

- (1) Applications may be submitted by the authorized representatives of any business wishing to establish a new operation or expand an existing operation in an Eligible Area within the City of Plymouth.
- (2) No voting member of the City of Plymouth Revolving Loan Fund is eligible for financial assistance under this program.
- (3) The applicant must not be delinquent or in default on federal, state or local taxes or any existing private or publicly financed loan and will be required to sign an affidavit to that effect.
- (4) Applicants shall not be disqualified based on age, race, religion, color, disability, gender, sexual orientation or national origin or on another basis prohibited under federal or state law.

**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 (*related expenses*).
- (2) Site preparation and the construction or reconstruction of buildings or the installation of fixed equipment and related expenses.
- (3) Clearance, demolition, or the removal of structures or the rehabilitation of buildings and other such improvements and related activities for the elimination and prevention of substandard, deteriorated, slum and blighted areas and blighted properties.
- (4) Working capital (*Justifiable use of dollars & only a percentage of entire project*).
- (5) Historical or significant rehabilitation to a commercial, mixed-use, industrial or retail structure
- (6) Bridge financing where other source(s) of capital are expected to flow into the project at a later date (an example of this is the future receipt of tax credit funds)
- (7) Other activities that the City of Plymouth Revolving Loan Fund Committee may identify as appropriate for the Revolving Loan Fund program.



### 3.4 INELIGIBLE ACTIVITIES

Program loans shall not be available for the following activities:

- (1) Reimbursement for expenditures prior to loan approval.
- (2) Specialized equipment that is not essential to the business operation.
- (3) Routine maintenance.
- (4) Professional services such as feasibility and marketing studies, accounting, management services, and other similar services. Legal services incurred in the closing of a RLF loan are eligible.
- (5) Activities that the Loan Committee may identify during the program's administration.

### 3.5 INELIGIBLE BUSINESSES

Program loans shall not be available for the following businesses:

- (1) Speculative investment and highly leveraged investment companies.
- (2) Lending institutions/Companies lending funds.
- (3) Gambling operations.
- (4) Non-public recreation facilities.
- (5) Other businesses not serving the interests of the City of Plymouth.
- (6) Other businesses that the City of Plymouth Revolving Loan Fund Committee may identify during the administration of this program.

### 3.6 MINIMUM REQUIREMENTS

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

- (1) Private Funds Leveraged. The applicant must leverage a minimum of one dollar (\$1.00) of private funds for each dollar (\$1.00) of loan funds requested. Higher leverage may be required at the discretion of the Revolving Loan Fund Committee.
- (2) Financial Feasibility and Business Viability. The applicant must demonstrate that the proposed project is viable and the business will have the ability to repay the loan.
- (3) Compliance with Applicable Laws. Applicants shall comply with all applicable local, state, and federal laws and codes.
- (4) Project Completion. Projects shall be completed within 24 months from the date of the loan approval. Applicants shall provide the Revolving Loan Fund Committee with a project implementation schedule not exceeding 24 months for project completion. An

extension of the project completion date and the project implementation schedule of up to 12 months is appropriate when mutually agreed upon by the Revolving Loan Fund Committee and the applicant.

## **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: Loan amounts are subject to the availability of program funds.
- (2) Interest Rate: The interest rate shall be established by the Loan Committee.
- (3) Terms for Loans:
  1. Working capital loans shall have a maximum term of seven years.
  2. Loans for machinery, equipment and fixtures shall have a maximum term of ten years.
  3. Real estate loans shall have a maximum term of 12 years which can be amortized on a 20-yr basis with the option of refinancing for an additional 8 years.
  4. In any case, the loan shall not have a term longer than the terms of the other private financing in the project.
- (4) Repayment. Payment of interest and/or principal may be deferred during the implementation period of the eligible activity if the Revolving Loan Fund Committee finds appropriate. 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.
- (5) Prepayment. There shall be no prepayment penalties.
- (6) Collateral. The Revolving Loan Fund Committee will seek to have the best possible collateral position possible to ensure that RLF loans are adequately secured.
- (7) Insurance. Term life and building insurance may be required of the applicant to cover the loan balance through the life of the loan.

## SECTION 5. APPLICATION PROCEDURES

### 5.1 DISCUSSION OF REQUIREMENTS

Prior to submitting an application, the applicant must discuss the program with the RLF Administrator and complete the pre-application checklist. 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 eligible activity 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, such as economic impact and access to other loan programs.

### 5.4 LOAN APPLICATION

Applicants shall apply using the forms available from the Revolving Loan Fund and will generally include the following:

- (1) Business Plan, including the following:
  - (a) Brief overview of the existing or proposed business including when it started or will start, business location, primary business objective, type of business, market area, etc.,
  - (b) Ownership including type of legal entity, ownership and percentage of ownership by each owner.

- (c) Management team and resumes.
  - (d) Marketing strategy including identification of key customers; identification of major competitors; market niche, pricing structure; promotional strategy, etc.
  - (e) A discussion of projected sales growth, break-even sales and what is required to achieve this growth.
  - (f) A description of the debt structure of the business.
  - (g) Financial statements, including balance sheets, profit and loss statements and cash flow statements for the past three years for an existing business. Include the most recent quarter.
  - (h) Include an aging report of accounts receivable and payable.
  - (i) Three years of financial projections (balance sheet, profit and loss and a monthly cash flow statement for the first 12 months of operations). Include all assumptions.
- (2) Project Description. A description of how the business plans to use the requested funds.
- (3) Personal Financial Statements, required for each owner of the business who owns more than 20% as well as his/her spouse.
- (4) 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, repayment schedule and amounts.
  - (c) These commitments shall be obtained concurrently with the negotiation of the terms and conditions of the City of Plymouth Revolving Loan Fund program to ensure the interest of the City of Plymouth are secured.
- (5) Additional Information. The Revolving Loan Fund Committee or the RLF Administrator may require additional information.

## 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 Revolving Loan Fund Committee will meet to review an application within

60 days of the receipt of a completed application, and fee (if applicable), or at some other predetermined schedule. Once the review is completed and the Committee finds the proposal acceptable for funding, the Committee will forward the proposal and terms of the loan to the Common Council for consideration and approval. Upon the Common Council's approval, the City Attorney will draft the closing loan documents.

- (3) Notice of Award. If the application is approved by the Common Council, a closing will be scheduled by the City Attorney to execute the necessary loan documents.
- (4) 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 offer 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 Revolving Loan Fund Committee must have reviewed and approved a complete application for an eligible applicant. The Common Council must have approved the loan terms. RLF Administrator will provide Notice of Award letter to the loan recipient.
- (2) Loan Agreement. The City Attorney shall prepare a loan agreement between the RDA and the loan recipient. The RDA authorizes its Executive Director to execute the loan agreement and related documents, and the loan recipient shall authorize its Chief Executive Officer to execute the loan agreement and related documents.
- (3) Promissory Note. A promissory note shall be prepared by the City 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 RDA and the loan recipient; and it must specify the amount and terms of the loan funds delivered.
- (4) Security. Mortgage or lien instruments, or a personal guarantee must be provided as security for all loans and shall be prepared by the City Attorney and executed at the time of the loan closing. The City Attorney shall record the instrument and provide the Finance Director with the original documents to include, as appropriate, one or more of the following:
  - a) Mortgage and/or security agreement: Section of the loan agreement that describes the collateral. Common collateral for an RLF is land, buildings, vehicles, equipment, or other company assets.
  - b) UCC searches and filing: Uniform Commercial Code filing - UCC filing is a form of notice the RLF would use to secure the borrower's loan with an asset or group of assets. This enables the RLF to seize the listed assets as a way of recouping loan funds in the case of borrower default. UCC searches and filings are done through the WI Department of Financial Institutions ~WDFI.org.

- c) Guarantee agreement: A security measure for the RLF that should be put in place to guarantee loan repayment from the business
- d) Title insurance or Abstract: Indemnity insurance that protects the RLF from financial loss due to defects in a title to a property. The borrower would typically purchase this to protect the lender
- e) Assignment of Life Insurance. Many business loans require as collateral an assignment of life insurance on the life of the business owner. The RLF may determine this requirement can be overcome if the business shows that someone else is capable of successfully managing the business.
- f) Casualty Insurance binder: In many cases, insurance has not been issued to the business for the project the RLF is financing. Since the policy has not been issued to the business owner the binder serves as evidence that the assets that are being used as collateral for the RLF are insured.
- g) Personal guarantee: Borrowers promise to repay the loan from their personal assets if the business defaults on the RLF.
- h) Other documentation as may be appropriate: - RLF committee may ask for additional requirements to secure the RLF. (ie disability insurance requirement for a business that has a high risk of long-term disability, like a chiropractor)

(5) Repayment Schedule. A loan repayment or amortization schedule shall be prepared by the City of Plymouth Finance Director at or before the time the loan proceeds are fully disbursed.

(6) Fixed Equipment. Fixed equipment financed with program funds must be purchased, delivered, and installed. The RLF Administrator shall verify the installation of fixed equipment.

(7) 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 and by-laws.
- c) A Board resolution to borrow funds and Secretary's certificate.
- 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 City Attorney 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 and the Secretary of State.

(8) Post-Closing Documentation. After closing, the City Attorney will provide the borrower, the RDA and the City with a copy of the executed loan agreement and related paperwork. The City Finance Director shall maintain the original loan documents in the Loan closing file.

## **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 Wis. Stat. § 51.01(5), sexual orientation or national origin in any employment or construction activity related to the use of the 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 Administrator 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, payroll, 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 RLF Administrator. 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.
- (6) To maintain fire and extended coverage insurance on the project property required during the term of the loan. The City of Plymouth Redevelopment Authority 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) Payments shall be made to the City of Plymouth Finance Director.

## **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, shall become immediately due and payable. To exercise this option, the City Attorney shall prepare a written notice to the loan recipient, upon notification of the default from the City Administrator. 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.

## **SECTION 9. USE OF LOAN REPAYMENTS AND REPORTING**

### **9.1 RLF PROGRAM**

Repaid loans shall be re-deposited into the City of Plymouth Redevelopment Authority Revolving Loan Fund account and used in a manner consistent with the Revolving Loan Fund manual. A separate accounting record for each loan shall be kept to account for all funds loaned. The Revolving Loan Fund account shall be audited as deemed necessary by the City of Plymouth Redevelopment Authority or its Executive Director.

## **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.

### **10.2 RECORDKEEPING – THE CITY OF PLYMOUTH FINANCE DIRECTOR OR DESIGNEE**

The City of Plymouth Finance Director or designee's financial management records must be comprehensive and designed to provide the following information upon request of the RLF Loan Committee:

- (1) A Revolving Loan Fund Register that records all deposits and disbursements to and from the RLF, including funds used for RLF administration.
- (2) A Loan Repayment Register that records repayments made by each business which has received a loan from the RLF. It also tracks the balance of repayments from all loans from the RLF.
- (3) 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.
- (4) RLF Loan Repayment Registers that record repayments made by each business, which has received a loan from the RLF. It also tracks the balance of repayments from all loans from the RLF.