



LOCAL REVOLVING LOAN
FUNDS
(RLF)
Program Guide

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REVOLVING LOAN FUNDS

Program Guide

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Introduction

The State Community Development Block Grant Program (CDBG) provides competitive grants to non-entitlement cities and counties to develop viable communities by providing decent housing and expanding economic opportunities, principally for low- and moderate-income persons. In Georgia, the majority of the CDBG economic development projects are funded through annual economic development set-asides known as the Employment Incentive Program (EIP) and the Redevelopment Fund (RDF).

These economic development projects often involve loans or leases that generate program income that must be properly administered and accounted for. Georgia allows its local governments to keep their CDBG program income, provided it is managed and used in accordance with applicable law and regulation. The required structure for managing such EIP and RDF program income in Georgia is the local Revolving Loan Fund (RLF). This Program Guide provides guidelines that local governments must follow in order to meet the requirements of Title 1 of the Housing and Community Development Act of 1974 (HCDA) and implementing federal and Department of Community Affairs (DCA) regulations.

This program guide should be viewed as a general guide to assist local governments in properly managing their local RLFs. Often, the operation of a local RLF will raise issues and policy questions that are not addressed within published guidelines. When such instances occur, DCA requires local governments to contact the agency to obtain specialized guidance and technical assistance. Additionally, there are sample documents for the administration of the RLF within this Program Guide.

The RLF Program Manager will provide technical assistance upon request from local governments. Assistance is available for all RLF administrative requirements as well as loan packaging and credit analysis for specific projects.

For RLF technical assistance, contact the RLF Program Manager at caroline.loos@dca.ga.gov or (770) 876-7083 or write:

Revolving Loan Fund Program
Community Development Finance Division
Georgia Department of Community Affairs
60 Executive Park South, NE
Atlanta, Georgia 30329-2231

Creation of the Revolving Loan Fund

The local RLF is generally created after a local government receives an EIP or RDF grant that funds a low interest loan, lease or other activity that will generate revenue or "program income." Within the EIP/RDF Grant Award documents, DCA will include a Statement of Special Conditions that requires the local government to create an RLF for administration of the program income that results from the grant's activities.

The local government officially creates an RLF when it adopts a Resolution and an Underwriting Policies and Procedures Statement through an authorizing resolution. The local Revolving Fund Policies and Procedures Statement becomes the first official document that DCA references when monitoring local RLF operations.

A difficult administrative aspect is the amount of time that elapses between the creation of the RLF and the accumulation of enough cash to begin operations. Often several years may go by before a local government can consider new projects. Changes in administration and staff turnover often exacerbate this problem as the impacted local government loses the institutional knowledge associated with the requirements and processes necessary to administer the RLF. Because of this, it is recommended that RLF administrators maintain written documentation for every aspect of the RLF's operations. In some cases, it may be advisable to contract certain responsibilities to local or regional institutions that can provide services in such technical areas as loan servicing and underwriting.

To successfully administer the RLF, a local government must develop or acquire lending and loan servicing capabilities similar to a commercial bank, while meeting all of the federal, legal, and administrative requirements that accompany any federal program. The RLF must have well formulated goals, a well-designed strategy, and the range of skills necessary for the management of the financing program.

Should the RLF prove to be an excessive administrative burden, the local government can stop administering the RLF by returning the assets to the State.

Goals, Objectives, and Eligible Activities

The goals and objectives of the local RLF are established through Title I of the Housing and Community Development Act of 1974 (HCDA), as amended. One of the primary objectives of the program is the expansion of economic opportunities, principally for persons of low- and moderate- income. Any funded activity must meet one of HUD's stated national objectives. DCA rules state that this objective is achieved by implementing activities that create or prevent loss of employment opportunities for low- and moderate-income persons. An activity that fails to

meet one of these national objectives is out of compliance with applicable rules and therefore ineligible.

Provided that they meet applicable requirements in undertaking their RLF program, local governments are free to design RLF programs to address specific local goals and objectives. Eligible activities may include:

1. provision of loans to private, for-profit entities, when the assistance is appropriate to carry out an economic development project that:
 - a. creates or retains jobs for low- and moderate-income persons; or
 - b. assists businesses that provide goods or services needed by, and affordable to, low- and moderate-income residents;
2. provision of loans for activities which are carried out by public or private nonprofit entities (including development authorities) including:
 - a. acquisition of real property;
 - b. acquisition, construction, reconstruction, rehabilitation, or installation of public facilities (except for buildings for the general conduct of government), site improvements, and utilities, and
 - c. commercial or industrial buildings or structures and other commercial or industrial real property improvements; and
3. disposition (through sale or lease) of any real property acquired pursuant to activities authorized by the State's CDBG program or its retention for eligible public purposes.

DCA encourages local governments to think creatively and devise innovative approaches to implementing their RLF policies. Other localities with active RLFs can be a particularly valuable resource for obtaining different ideas. A list of communities that have local Revolving Loan Funds is available on DCA's website: <https://www.dca.ga.gov/community-economic-development/funding-programs/community-development-block-grants-cdbg/revolving>.

Organization of the RLF

Federal law designates local governments as the only eligible primary recipients of CDBG funds. CDBG EIP or RDF capitalized RLFs are therefore always organized as direct governmental functions. The RLF's geographic area of operation will generally be the corporate limits of the participating governmental units.

Some communities contract with professional economic development organizations, such as their local Industrial Development Authority, Certified Downtown Development Program (Main Street Program), or Regional Commission (RC) for operations assistance. These types of contracts are acceptable provided that the local government continues to maintain the required

accounting oversight, including an annual audit of the fund and maintenance of a separate bank account for RLF assets. RLF funds must be included as part of the local government audit and the assets should never be relinquished to another organization, even when management and loan servicing arrangements have been contracted out.

Local Government Responsibilities

DCA regulations indicate eight (8) areas of responsibility that must be met by a local government that establishes an RLF. Those responsibilities include:

1. Maintenance of an accounting and financial management system that complies with generally accepted accounting principles and DCA's guidelines for RLF financial management systems;
2. Compliance with DCA's reporting requirements for local RLFs;
3. Attendance at DCA sponsored training workshops that will be held periodically for purposes of training local RLF administrators,
4. Operation of the local RLF in accordance with DCA-approved policies, procedures, and federal, state, and local law, regulation, contracts, guidance manuals and memoranda;
5. Maintenance of an application review process and selection capacity to review and analyze funding requests and determine whether such requests represent prudent investments as defined by generally accepted underwriting criteria;
6. Maintenance of a loan or grant packaging and structuring capacity that meets appropriate underwriting standards for security and documentation;
7. Maintenance of a loan servicing and monitoring capacity ensuring that loan payments are collected, that loan covenants are enforced, and that loan security is maintained;
8. Maintenance of a loan portfolio that represents investments in businesses engaged in sound business purposes with demonstrated tangible employment of low- and moderate-income persons as defined by DCA.

Administrative Costs and Servicing Fees

The local RLF will incur costs in carrying out its administrative and loan servicing duties. All administration costs, processing fees, and loan servicing charges should generally be allocated on an individual basis for specific loans.

The applicant should pay expenses associated with originating a loan, processing fees, administration and loan closing costs. These origination costs are incurred by the business in order to participate in the RLF program. However, if the Loan Review Committee determines these origination costs will impose an undue hardship on the applicant, they may be added to the principal amount of the loan and be disbursed at loan closing. In no event may the total

origination, processing, or closing fees financed by the RLF exceed 3% of the RLF loan amount. If a local government contracts out their loan servicing, the maximum annual fee that can be paid with RLF proceeds is 1% of each RLF loan's periodic payment.

Certain project activities, such as acquisition and rehabilitation, require a higher level of oversight and federal compliance. Acquisition and rehabilitation projects can trigger compliance requirements such as Davis Bacon labor standards, environmental review, and others. These requirements incur additional fees that are considered beyond the scope of typical RLF administrative costs and that the local government is responsible for.

On an annual basis, DCA will allow the greater of \$2,500 or 6% of the interest earned by the RLF to be spent on administration. These funds may also be used to help defray audit expenses. In certain foreclosure or hardship situations, DCA may allow additional amounts to be expended for administrative, legal, or audit costs.

Maintaining a Proper Accounting and Financial Management System

The first responsibility of RLF administration is setting up a proper financial management and accounting system, separate from the accounting systems used for the original CDBG EIP or RDF grants. The RLF financial management system must meet the following:

1. Provide accurate, current, and complete disclosure of all RLF activities and clearly identify sources and uses of all funds,
2. Maintain source documentation for every disbursement of RLF monies,
3. Maintain internal control over and accountability for all funds, property, and any other RLF assets to ensure they are used only for authorized and eligible purposes,
4. Include the RLF's financial information in the local government's annual audit and
5. Allow local administrators to assess the RLF's loan portfolio status and quickly identify any problem areas that need attention.

Program income means gross income received by a grantee or sub-grantee directly generated from use of CDBG funds. When a project uses more than one source of funding, CDBG program income is prorated to the proportion of the project attributable to CDBG funding. Grantees must exhaust program income before seeking new State CDBG funds for the same activity.

One individual should be designated as "RLF Administrator" to oversee financial transactions. This person will generally be a member of the local government's finance or accounting department, or in smaller communities, a member of the mayor's, city manager's, or county commission's staff. The RLF Administrator will manage a separate revenue account entitled the CDBG/EIP Revolving Loan Fund. This includes the initial CDBG or EIP grant, any loan repayments, proceeds from the sale of RLF collateral or assets, and any other RLF assets. Bank

reconciliations and semi-annual report reviews should be conducted by another individual to ensure separation of duties.

Project Review, Selection, and Approval

The local government may contract out the project review, financial packaging, and loan servicing portions of its RLF responsibilities or handle them internally. However, since the RLF is a local government managed incentive, the City Council or Board of Commissioners must always maintain and exercise the ultimate authority to approve or reject applications for assistance. Also, it will always be the local government's responsibility to maintain the RLF's accounting system and be accountable for its agent's performance of any RLF responsibilities. If handled internally, the local government must appoint appropriately trained staff. Should these duties be contracted out, the local government must develop detailed contracts that clearly define each party's duties related to RLF responsibilities. The local government must provide documentation to DCA annually that outlines the entity performing each role.

Loan Review Committee

The Loan Review Committee will play an active role in reviewing applications to determine whether they qualify under a particular category of eligibility that meets an appropriate standard of Public Benefit as established by HUD.

The Committee should be staffed primarily by individuals who have the necessary skills to analyze proposals and determine whether they represent prudent investments. Local bankers, CPAs, attorneys and other professionals with banking, finance and legal experience make ideal candidates for the committee. To date, most existing review committees are made up of five (5) to seven (7) members. Over half of the members should be drawn from these professional groups, and to the greatest extent possible include women, minority, and low- and moderate-income group representation. It is often wise to minimize the number of local elected officials on the committee, partly to ensure sufficient representation by finance professionals and partly to limit political exposure. A rule of thumb is that no more than 50 percent of the committee should be elected or appointed public officials.

The Committee's duties include making recommendations to the local governing body in the following areas:

1. The development and revision of local RLF policies and procedures;
2. The approval or denial of requests for funding; and
3. The packaging and structuring of approved loans that meet appropriate underwriting

standards for collateral security and documentation.

It's advised that the RLF Loan Review Committee should utilize a two-thirds quorum when making any decisions regarding the development and revision of local policy and procedures as well as any approval or denial of requests for funding.

Most review committees handle the development and revision of local RLF policies and procedures and the approval or denial of requests for funding responsibility without much difficulty. However, in meeting its responsibility to package and structure approved loans, most local RLFs need outside assistance such as a private bank, a Certified Development Corporation (CDC) or other organization with lending and underwriting expertise. The outside source may, under contract with the local government, conduct credit analyses, package and service loans on behalf of the local RLF.

Other organizational and governance structures are eligible as long as they involve a community-based organization. For example, many Georgia communities have contracted with a local Industrial Development Authority to act as a Loan Review Committee. Because these boards are typically comprised of professionals and local citizens who are experienced in the financial review process, they are able to make knowledgeable recommendations to the governing body.

Many of Georgia's Regional Commissions (RCs) also function as the regional management entity responsible for administering Small Business Administration (SBA) 504, Economic Development Administration (EDA) and United States Department of Agriculture (USDA) Intermediary Relending programs. Under the auspices of these federal agencies and guidelines, these organizations may originate, fund and service fixed asset financing on behalf of the federal government. Many of the State's RCs have expressed an interest in contracting with local governments to manage and service their local RLF loans. In addition, most local governments are represented on the board of RCs (and CDCs). This can be an advantageous relationship for the local RLF administrator to pursue.

Financial Underwriting Guidelines

Local governments are required to conduct basic financial underwriting prior to providing RLF financial assistance. These underwriting procedures can vary among communities, but all should consider the following pillars of financial underwriting.

As an example, in the case of a low-interest-loan the objectives of the financial underwriting process are to ensure that:

1. the recipient can repay the proposed assistance;
2. project costs are reasonable;
3. all sources of project financing are committed;
4. to the extent practicable, RLF funds are not substituted for non-Federal financial support;
5. the project is financially feasible;
6. to the extent practicable, the return on the owner's equity investment will not be unreasonably high; and
7. to the extent practicable, RLF funds are disbursed on a pro rata basis with other finances provided to the project.

Project Cost Reasonableness

Reviewing costs for reasonableness allows the RLF to avoid providing too much or too little financial assistance for the proposed project. It is advised to obtain a breakdown of all project costs and review each cost element by comparing to a third-party, fair-market price quotation, an appraisal or professional evaluation, or conduct additional cost analysis using cost estimating manuals and other resources. Pay particular attention to any cost element of the project that will be carried out through a non-arms-length transaction. A non-arms-length transaction occurs when the entity implementing the RLF procures goods or services from itself or from another party with whom there is a financial interest or family relationship. If abused, non-arms-length transactions misrepresent the true cost of the project. Ultimately, vendor invoices should be obtained prior to payment of any request to drawdown funds.

Commitment of All Project Sources of Financing

Review all proposed sources of financing necessary to carry out the project so that time and effort are not wasted assessing a proposal that it not able to proceed. Under no circumstances should the RLF provide 100% financing for a project. Prior to the commitment of funds to the project, the RLF should verify that:

1. sufficient sources of funds have been identified to finance the entire project; all funding sources, lenders and /or investors, must provide commitment letters affirming that the funds will be available, and
2. the participating parties have the financial capacity to provide the funds.

Disbursement of RLF Funds on a Pro Rata Basis

It is advisable to disburse RLF funds used to finance economic development activities on a pro rata basis with other funding sources. RLF funds should not be placed at a significantly greater

risk than non-Federal funds. This will help to avoid a situation in which a problem develops that blocks the completion of the project after all or most of the RLF funds going into the project have been used. When this happens, a community may be put in a position of having to provide additional financing to complete the project or watch the potential loss of its funds if the project cannot be completed. If it is impractical to disburse RLF funds on a pro rata basis, consider other steps to safeguard RLF funds in the event of a default, such as insisting on securitizing assets of the project.

Avoid Substitution of RLF Funds for Non-Federal Support

Review the project to ensure that RLF funds will not be used to substantially reduce the amount of non-Federal financial support for the activity. This will help you to make the most efficient use of your funds available for your community. To reach this determination, the reviewer should conduct a financial underwriting analysis of the project, including reviews of appropriate projections of revenues, expenses, debt service and returns on equity investments in the project. The extent of this review should be appropriate for the size and complexity of the project and should use industry standards for similar projects, taking into account the unique factors of the project such as risk and location.

Because of the high cost of underwriting and processing loans, many private financial lenders do not finance commercial projects that are less than \$100,000. A local government should familiarize itself with the lending practices of the financial institutions in its community. If the project's total cost is one that would normally fall within the range in which financial institutions participate, then the loan review committee should determine the following:

1. Private debt financing – whether or not the participating private, for-profit (or other entity having an equity interest) has applied for private debt financing from a commercial lending institution and whether that institution has completed all of its financial underwriting and loan approval actions resulting in either a firm commitment of its funds or a decision not to participate in the project; and
2. Equity participation -whether or not the degree of equity participation is reasonable given general industry standards for rates of return on equity for similar projects with similar risks and given the financial capacity of the entrepreneur(s) to make additional financial investments.

Financial Feasibility of the Project

The public benefit a local community expects to derive from an RLF assisted project will not materialize if the project is not financially feasible. To determine if there is a reasonable chance

for the project's success, the reviewer should evaluate the financial viability of the project. A project would be considered financially viable if all of the assumptions about the project's market share, sales levels, growth potential, projections of revenue, project expenses and debt service (including repayment of the RLF assistance if appropriate) were determined to be realistic and met the project's break-even point (which is generally the point at which all revenues are equal to all expenses). An economic development project that does not reach this break-even point over time is not financially feasible. Some exceptions should be noted:

1. some projects make provisions for a negative cash flow in the early years of the project while space is being leased up or sales volume built up, but the project's projections should take these factors into account and provide sources of financing for such negative cash flow; and
2. it is expected that a financially viable project will also project sufficient revenues to provide a reasonable return on equity investment.

The reviewer should carefully examine any project that is not economically able to provide a reasonable return on equity investment. Under such circumstances, a business may be overstating its real equity investment (actual costs of the project may be overstated as well), or it may be overstating some of the project's operating expenses in the expectation that the difference will be taken out as profits, or the business may be overly pessimistic in its market share and revenue projections and has downplayed its profits.

In addition to the financial underwriting reviews carried out earlier, evaluate the management experience and capacity of the business owner. Based on this analysis, identify those elements, if any, that pose the greatest risks contributing to the project's lack of financial feasibility.

Loan Documentation, Servicing, and Monitoring

Another important area of responsibility is the servicing and monitoring of the loan portfolio. It is necessary to establish individual files for each loan and to periodically do the following:

1. Ensure timely collection of RLF loan payments. If necessary, transmit an invoice for the payment several weeks before the due date(s). Continually monitor all activity and follow-up with borrowers who are delinquent in repayment.
2. Maintain loan documentation and appropriate tickler files to ensure compliance with amortization schedules, loan covenants, financial reporting requirements, insurance requirements, tax payments, etc. Follow-up is also needed to perfect security interest (UCC statements must be re-filed periodically) and check the condition of collateral.

The attorney closing the RLF loan for the local government should handle the UCC filing at the

time the loan closes. A UCC filing refers to the UCC-1 Financing Statement, which is a legal form that a lender files to give notice that it has an interest in the personal or business property of a borrower including real estate fixtures and equipment. The financing statement is effective for five years, and a continuation statement may be filed to extend the financing statement. A tickler system should be in place by the local government to monitor the expiration date of UCC filings.

UCCs can be filed at any county in Georgia. The county will report to the Georgia Superior Court Clerks' Cooperative Authority (GSCCCA), which maintains a statewide index of filings. UCC searches at the GSCCCA capture liens filed in all 159 counties.

To obtain payments when due, appropriately service and enforce loan covenants, local governments must have properly drafted loan documents for the particular loan being made. In addition, the documents must be executed, and the security agreements and UCC forms properly recorded with the appropriate County Court.

To accomplish these objectives, the RLF must have adequate legal counsel to draft loan documents that will stand up to federal and state laws governing commercial lending transactions. These laws tend to be very complex and are beyond the scope of this manual. Work with legal counsel to determine what loan documentation is appropriate for a particular loan. However, loan documents generally need to document the borrower's:

1. Authority to borrow from the RLF;
2. Indebtedness to the RLF;
3. Responsibilities under the terms and conditions of the loan (this will include any job creation covenants); and
4. Collateral for the RLF loan.

Although each loan is unique, and usually requires additional special attention, some form of the following documents will be used in all cases.

1. Loan Agreement – This is a general document that outlines the intended use of the loan proceeds, mandates specific requirements regarding loan disbursements, any fees charged to the borrower, regulatory compliance, and a host of affirmative and negative covenants. A job creation covenant, one of the more important affirmative covenants, will usually be found in the Loan Agreement along with other requirements such as the submission of financial statements and insurance requirements.
2. Promissory Note – The Note provides evidence of the borrower's debt to the RLF. Specifically, it names the borrower, amount of debt, interest rate and term of the loan.
3. Security Agreement - The Security Agreement identifies the loan's collateral and allows the RLF to take possession of the collateral in case of a loan default. This is often

executed in conjunction with Uniform Commercial Code (UCC) filings, which "perfects" the RLF's security interest and notifies other lenders that the collateral is encumbered.

If the loan is secured by real property, a Mortgage Deed to Secure Debt will also be executed. Both documents and the UCC filings must be properly recorded at the appropriate County Courthouse in order to be enforceable. UCC filings must also be renewed on a periodic basis, which is usually 5 years.

The RLF Loan Documentation Checklist can be found in Appendix E and can assist RLF administrators in obtaining correct loan documentation. However, due to the complexity of loan closings, the RLF should be represented by its own legal counsel. The sample loan documents provided by DCA are a good place to begin the process, but it is vital that all loan documents be reviewed and approved by your local attorney.

Loan Servicing

Loan servicing begins immediately after the closing and continues for the term of the loan. The loan documents are the basis for the RLF administrator's (or servicing agent's) loan servicing activities. A "tickler system" will assist the administrator in monitoring these activities. If these responsibilities are too burdensome for the local government, DCA recommends contracting with a qualified commercial lender for your loan servicing needs. Your local bank or regional CDC is entities that can provide this service, especially if they are participating in the financing. A sample loan servicing agreement which can be modified to meet a particular situation is available by contacting DCA.

RLF administrators face unique challenges in the administration of loan portfolios. By their nature, RLF loans tend to contain higher than average levels of risk and thus require more "hands-on" management than conventional loans. Because of the "public benefit" requirement, businesses that receive an EIP/RDF or RLF loan often will have financial weaknesses which will demand that they be observed closely for problems. Adequate follow-up with borrowers allows you to catch small problems before they develop into big ones that can threaten your RLF loan portfolio.

Working Out Problem Loans

When dealing with a problem loan, the administrator's options are often unattractive, especially if the City or County is performing servicing duties. It can be difficult and politically painful to make the decision to "call" a loan and liquidate a company's assets, but it will have to be done from time to time. This is another reason to contract out your loan servicing duties to a commercial lender.

One of the objectives of the RLF program is preserving jobs for low and moderate-income persons, not maximizing return on investment. Thus, the RLF administrator has more latitude in dealing with a problem loan than a traditional lender does. If the business could benefit from a loan workout and the private lenders are also willing to work with the business, the administrator may utilize various alternatives to assist the troubled business including rearranging the loan amortization. Only attempt this if the business's proposals for correcting its problems have been investigated by competent professionals and found to be acceptable.

When dealing with a problem loan, the local government must first service the loan adequately. This process includes:

1. Obtaining and reviewing financial information;
2. Making periodic visits to the business; and
3. Ensuring that collateral, insurance, and all other loan covenant/requirements are followed.

Since a multitude of factors contribute to problematic loans, the first step is investigating to determine what problems exist within the troubled company. In some cases, the private lender will initiate this process. The process will often include bringing in outside parties who work with businesses to diagnose problems and recommend corrective actions. Using financial information gathered from the business, a qualified analyst can often identify the general problems causing the financial difficulties and recommend remedial actions.

If, after careful analysis (or the private lenders begin foreclosure), the RLF staff determines a workout is futile and a business will not be able to satisfy its obligations, default proceedings should be initiated quickly. This will generally involve legal action (on the part of an attorney knowledgeable in such matters) to foreclose and recover the collateral. The collateral can then be sold to recover a portion of the loan proceeds, which will be placed back into the RLF. When a problem loan situation arises, contact DCA's RLF Manager for advice and assistance.

Job Creation and Retention Documentation

One of the ways in which the local RLF program can be used to meet the Low/Moderate (LMI) Income Benefit national objective is to have recipient businesses make at least 51% of their created jobs available to persons defined as low- and moderate-income prior to employment. A person is defined as low- and moderate-income if their family income falls below 80% of the area median family income adjusted for family size, as defined by HUD. A local government, using the RLF to fund such an activity, must be able to produce documentation that at least 51% of all jobs created or retained by the RLF project were made available to qualifying individuals. The following items should be in the RLF files at the time of project completion:

1. A commitment letter by the business that at least 51% of all jobs created will be made available to low- and moderate-income persons. All jobs should be stated on a fulltime basis;
2. Documentation of the number of employees at the time a business submits an application for assistance;
3. A listing, by job title, of the jobs to be created as a result of the RLF assistance; and
4. Documentation of each hired person's low and moderate-income status.

The easiest method to obtain the required income information is to request the interviewing or newly hired employee to complete a certification form. This form will provide sufficient documentation on a person's LMI status to fulfill RLF program requirements. This form can be found in Appendix F.

Completion of the form must be voluntary and cannot be a prerequisite of employment. In addition, to protect the privacy of the new employee, the forms must be kept separate from the job recipient's personnel file. A copy of each certification form must be kept in the local RLF file. Please note that the Housing and Urban Development (HUD) income limits change periodically. If you have questions on how the certification form is to be completed, or if you need the most current information on income thresholds for your area, please contact the RLF Program Manager.

RLF Reporting Requirements

The financial position of all RLF proceeds must be included in the local government's annual audit. In addition, the local RLF is responsible for reporting its financial status to DCA on a semi-annual basis. The reports are due within 30 days of the June 30th and December 31st deadlines. In addition, the RLF assets must be included in the local government's annual audit and must be reconciled to either the June 30th or December 31st reporting period. If the RLF's local government has a fiscal year end that is different from this time period, it is the RLF administrator's responsibility to inform the auditors of this RLF requirement. In so doing, the local RLF administrator must inform the auditor to provide a balance sheet and operating statement (and any applicable footnotes regarding the RLF) as of either the June 30th or December 31st reporting periods. For example, if the fiscal year (FY) ends September 30th, the local RLF administrator should request a June 30th audit of the RLF's financial position.

The reports are necessary for DCA to meet various federal reporting requirements for CDBG program income. Local governments must begin submitting this report as soon as the EIP/RDF loan has closed, even if loans are not yet being made from the RLF account. A copy of the semi-

annual report that is due to DCA within 30 days of the June 30th and December 31st deadlines can be found in Appendix G.

Compliance Requirements

It is the responsibility of the local government to ensure that the RLF's proposed program, activities, and goals are in compliance with all applicable Federal and State laws, regulations and executive orders. The major applicable laws, regulations, and executive orders can be found in Appendix B.

Citizen Participation Requirement

Local governments are required to promote citizen participation in the development and administration of their local RLF projects. At a minimum, each local government must undertake the following activities before funding a local RLF project:

1. Hold at least one (1) public hearing prior to funding a RLF activity. The activities undertaken under preceding RLF programs (if any) must be evaluated and discussed. The local government must also furnish information on the proposed project including the amount of RLF funds to be used, the number of low and moderate-income jobs that will be created, and a general description of the activities to be funded;
2. A notice advertising the public hearing must be published in the non-legal section of a local newspaper at least five (5) days prior to the award and distribution of any RLF monies;
3. The needs of non-English speaking residents must be met in the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate; and
4. The RLF's files must contain evidence that the public hearing was held, including a copy of the actual notice.

Environmental Requirements

Compliance with environmental laws must be completed and documented prior to the funding of any RLF project. This includes compliance with historic preservation regulations.

An Environmental Assessment is required in cases where new construction is proposed. Projects that do not involve construction (i.e. purchase of machinery and equipment) may be exempt from the assessment requirement. If the environmental review process determines that the RLF project is exempt from the National Environmental Policies Act (NEPA)

requirements and other environmental review procedures in accordance with 24 CFR Part 58, a Finding of Exemption Form must be filled out.

These forms and procedures are specifically found in the DCA CDBG Recipient Manual. Contact the RLF Program Manager for assistance in compliance on this regulation.

Davis-Bacon Act

The Davis Bacon Act is triggered for any construction related project that involves Federal money when the amount of construction is over \$2,000. The basic guidelines for the compliance of this requirement are:

1. Request a wage rate from DCA (see item listed below);
1. Include Labor Standard Provisions and Wage Rate in Contract;
1. Copies of weekly payroll; and
1. Random interviewing of employees on site by RLF administrators .

When the Davis Bacon wage rate request form asks for a grant number, simply indicate "City/County of _____ RLF Project" instead of the requested grant number.

Open Records Statute

Georgia law requires that "all state, county, and municipal records, except those which by order of a court of this state or by law are prohibited from being open to inspection by the general public, shall be open for a personal inspection of any citizen of this state at a reasonable time and place, and those in charge of such records shall not refuse this privilege to any citizen" (O.C.G.A. 50-18-70). This means that past and current records on the use of CDBG/EIP funds are required to be open for public inspection. Revolving Loan Funds and subject to the same state and federal record retention requirements. Local governments must retain files on individual loans for 10 years after the loan is paid off.

However, certain proprietary information which is required by DCA to be included in an economic development application and must be supplied by a business in order to compete and which constitute a "trade secret" (O.C.G.A. 10-1-740) et seq.; 16-8-13(a)(4)) is exempt from disclosure under O.C.G.A. 50-18-70.

Auditing Requirements

RLF accounting standards are to comply with the generally accepted accounting principles found in the Governmental Accounting and Financial Reporting Standards (State of Georgia Accounting Procedures Manual, July, 2003). DCA requires that the audit report include a

balance sheet and income statement for the RLF.

Special Provisions for EIP Capitalized Local Revolving Loan Funds

The following excerpt is taken from the State of Georgia Community Development Block Grant Method of Distribution for FY 2022:

DCA may permit localities that have or will receive revenue (principal, interest, or other payments) from EIP or other loans or leases to retain that revenue so long as it is used for the same activity that generated the revenue and also used in accordance with the requirements of this regulation and any other applicable federal, state, or local law, regulation, contract, guidance manual or memorandum.

For localities that will retain program revenue, DCA will require that such revenue be deposited into a separate revolving loan fund (RLF) account that bears the local government's name and used to carry out specific Title I eligible activities. The RLF must be created by a local resolution and implemented by local policies and procedures approved by DCA.

Localities allowed to retain program revenue must ensure that the RLF is adequately managed. DCA will categorize the RLF as being adequately managed so long as the following responsibilities are being met:

1. Maintenance of an accounting and financial management system that complies with generally accepted accounting principles and DCA's guidelines for RLF financial management systems;
2. Compliance with DCA's reporting requirements for local RLF's;
3. Operation of the local RLF in accordance with DCA approved policies, procedures, and federal, state, and local law, regulation, contracts, guidance manuals and memoranda;
4. Maintenance of a project review and selection committee with the capacity to review and analyze loan requests and determine whether such requests represent prudent investments as defined by generally accepted underwriting criteria;
5. Maintenance of a loan packaging and structuring capacity that meets appropriate underwriting standards for security and documentation;
6. Maintenance of a loan servicing and monitoring capacity which ensures that loan payments are collected, that loan covenants are enforced, and that loan security is maintained;
7. Maintenance of a loan portfolio which represents investments in businesses engaged in sound business purposes that have demonstrated tangible employment of low and moderate income persons as defined by HUD, and

8. Attendance at DCA sponsored training workshops that will be held periodically for purposes of training local RLF administrators.

To assist with the financing of a local RLF program's administrative cost, DCA will allow (on an annual basis) the greater of 6% or \$2,500 of interest earned by the RLF to be used for administration and audit costs. In certain foreclosure and/or hardship situations, DCA may allow additional amounts to be expended for administrative, audit or legal costs.

Localities allowed to retain program revenue must also ensure that the RLF is utilized in a timely and efficient manner. DCA will categorize an RLF as being adequately utilized so long as the following criteria are met:

1. The RLF is used to continue the same activity which generated the program revenue;
and
2. The RLF's cash balance (on average) shall not exceed \$125,000 or 30% of the total RLF assets, whichever is greater.

Should a local government be unable to utilize the RLF in accordance with items (1) and (2) above, the local government may request DCA to waive the provisions. DCA may grant waivers when it is determined that sufficient future activity is probable or the local government is taking steps to ensure future activity. However, in general, a local government may not retain unused assets any longer than the full term of the original EIP/RDF loan, or five (5) years, whichever is shorter.

Appendix A: Resolution to Create a Revolving Loan Fund

In the (County/City) of _____

Whereas, The primary objective of Title I of the Housing and Community Development Act of 1974, as amended, is the development of viable communities through the improvement of living conditions and expansion of economic opportunities in cities and counties, principally for persons of low and moderate income; and

Whereas, It is the goal of the Employment Incentive Program (EIP) and the Redevelopment Fund (RDF), which are governed by Title I of the Housing and Community Development Act of 1974, as amended, to create and or retain jobs for persons of low and moderate income; and

Whereas, All program income received by the (City/County) of _____ from a grant received through the EIP or RDF shall be placed in a Revolving Loan Fund (RLF) for the (City/County) of _____ and administered in conformance with applicable federal and state rules and regulations; and,

Whereas, A Local Loan Review Committee will be established to accept and review applications for the RLF and make recommendations to the (City Council/Board of Commissioners) for funding. Local Policies and Procedures governing the Committee, along with membership, shall be determined by the (City Council/Board of Commissioners) and approved by DCA;

Be It Therefore Resolved, That the (City/County) of _____ shall establish a Revolving Loan Fund with all revenues and collateral obtained from the CDBG /EIP/RDF grant # _____ and any subsequent CDBG grants; and,

Be It Further Resolved, that this revolving loan fund shall be used for the express purpose of creating and/or retaining jobs primarily for low and moderate income persons by providing financial assistance to existing eligible businesses where the (City's/County's) involvement is necessary and appropriate for the project's viability; and,

Be It Finally Resolved, That the said revolving loan fund will act within the guidelines of the underwriting policy hereto attached.

Adopted:

Date Seal of Local Government

Chief Elected Official's Signature

Appendix B: Underwriting Policy

ECONOMIC DEVELOPMENT REVOLVING LOAN FUND (To Be Officially Adopted by Local Government)

GOALS

The goal of the local Revolving Loan Fund program is to expand economic opportunities for persons of low- and moderate-income, in the (City/County) of _____ by providing flexible and expedient funding at the local level.

OBJECTIVE

To provide loan funds to local small businesses from public resources, as well as create public• private partnerships with local commercial banks and other private sector lenders and investors. To be considered, potential projects must meet the national objective of benefiting low- and moderate• income persons.

SCOPE

This program is designed to assist small service, commercial, and industrial businesses in the (City/County) of _____ by providing "gap financing." Provision of assistance to private, for• profit entities must be contingent upon firm commitments of financial participation from other sources such as private financial institutions, or the private entities themselves. This financial assistance must meet the overall program objectives and must result in the creation or retention of permanent jobs of which **51% must be for low and moderate income persons.**

ELIGIBLE ACTIVITIES

The Housing and Community Development Act of 1974, Section 105(a)(17), describes eligible activities as:

- a) Activities assisted under this title may only include only:
 17. provision of assistance to private, for-profit entities, when the assistance is appropriate to carry out an economic development project (that shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods) that-
 - a. creates or retains jobs for low- and moderate-income persons;
 - b. meets urgent needs;
 - c. creates or retains businesses owned by community residents;

- d. assists businesses that provide goods or services needed by, and affordable to, low and moderate income residents, or
- e. provides technical assistance to promote any of the activities under subparagraphs (a) through (e).

INELIGIBLE BORROWERS

- Passive income companies
- Lending and investment institutions
- Unregulated media such as newspapers and magazines
- Speculative ventures
- Charitable organizations
- Local elected officials and employees of the local government
(See Conflict of Interest Section - Appendix F: 2022 CDBG Applicants' Manual)

INELIGIBLE ACTIVITIES (include but are not limited to)

- Creation of a job that would cost more than \$40,000 in RLF funds per job
- Reimbursement of project costs prior to submission of RLF application
- Refinancing of permanent debt (a business' use of interim financing is allowed)
- Payment of delinquent taxes, debt
- Product development costs
- General government expenses
- Political activities

DEFINITIONS

- A) Fixed Asset -Permanent business properties such as land, buildings, machinery, and equipment.
- B) Gap Financing -The portion of funds supplied by the City/County through the Revolving Loan Fund that allows a business to remain in operation, expand operations, or "startup" that would not take place without this financial assistance.
- C) Job – Permanent, full-time employment for a period not less than 365 days. Part-time jobs must be converted to full-time equivalents (e.g., a job that will require only working half time would count as only one-half a job).
- D) Job Retained -A job that would be lost if the financial assistance from the City was not provided. The business applying for the funds must prove to the satisfaction of the loan review committee of the RLF that these funds are necessary to preserve the jobs claimed to be retained through this project.

- E) New Job Created – A job that was not in existence and represents a new budgeted position that will be filled within six (6) months. The job must be tangible, and the applicant must commit that this job will be filled after the loan from the City/County.
- F) Loan Review Committee -Public and private citizens, who are professionals in the area of finance, appointed by the City Council/Board of Commissioners to review all applications to the Revolving Loan Fund. There should be at least five (5) persons on the committee and they may consist of a City/County finance officer, bank loan officer, accountant, realtor, lawyer, etc. The Committee should encourage female and/or minority representation and in general represent the demographic make-up of that community.
- G) Low and Moderate Income – Income levels as published by HUD for the State CDBG and HOME/CHIP Programs. The levels are usually calculated as 80% of a County's median income adjusted for family size. The most recent data for such determinations may be obtained from DCA at: <https://www.dca.ga.gov/node/2341/documents/2254> Applicants should note that jobs paying minimum wage do not necessarily qualify as low/moderate income jobs.) Individual family income levels at the time of application for employment determine qualification
- H) Market Analysis – Objective process whereby the need, market potential, and expected return on investment are determined for a particular product and/or service.
- I) Pro Forma -Estimation of anticipated expenditures, revenues, and cash flow for a given period of time.
- J) Start Up -A "start up" venture is the creation of a new business that was not previously in existence.
- K) Working Capital-Funds available and necessary for normal business operations.

ELIGIBILITY

The Economic Development Revolving Loan Fund for the City/County of _____ is limited to businesses located within the limits of _____ within the City/County of _____ as a result of this program.

In order to qualify for this program, a business must generally have a net worth of less than six (6) million dollars and a net profit after taxes of less than two (2) million dollars annually. No loans will be considered if the proposed jobs retained or created are less than the ratio of one job per \$_____ of loan funds. At least 51% of the jobs created or retained must be for low and moderate-income persons

APPLICANT REQUIREMENTS

1. A "profit and loss" statement is required for the past three (3) years. A Personal financial statement is also required.
2. A cash flow pro forma will be required to indicate future needs of the business (Should be for at least 3 years).
3. A market analysis/business plan should be made for each small business making an application to the "Revolving Loan Fund." The market analysis should include:
 - a) Business or Product definition such as the mix of goods, merchandise, and/or services to be produced or sold.
 - b) Market description including primary and secondary trade areas, potential customer categories, major competitors, and marketing strategies.
 - c) A "Needs Assessment" based on statistical data and evaluation of such factors as market trends, unmet customer demands, customer surveys, etc., development of data supporting this need and an evaluation of success potential.
 - d) Projection of return on investment based on the information gathered and analyzed for the particular product and/or service.
4. Applicant must fully address the purpose of the loan and the time schedule for implementation if funded.
5. The goal of this program is the creation/retention of jobs for low/moderate income persons. Therefore, each applicant must commit to the number of low and moderate jobs that will be retained/created through this financial assistance. (Sample commitment letter attached.)
6. Description and documentation of ownership of collateral and its certified market

value to be used for the loan. In some cases the City/County may require an appraisal to be conducted.

7. List of credit references and how they can be contacted.
8. Funds awarded under this program must begin to be utilized within sixty (60) days of award.
9. The Underwriting Policy will be provided by the City/County to all businesses requesting a copy. A list of all persons receiving a copy will be maintained in the City/County RLF file in order of date of receipt. This process results in a "first come, first served" method of service. When a minimum of \$ in cash is on hand, the prospective applicant at the top of the list of Underwriting Policy recipients will be notified by the RLF committee by Certified Mail, Return Receipt Requested, that they have two (2) weeks from the date of receipt of the Certified Mail in which to submit an application to the RLF administrator. The applicant will have thirty (30) calendar days from the date of any written request to the applicant by the City/County to submit additional information needed to complete the application process. Applicants failing to respond to the notice or request for additional information may, at the discretion of the RLF committee, be removed or placed at the bottom of the list.

Depending on the type of activity to be undertaken with the loan funds, various federal, state and local laws may apply. Applicants will be made aware of these during the application process.

The City/County of _____ and the Loan Review Committee reserve the right to request and require further information that they deem necessary in order to make a decision as to whether or not to approve an application under this program.

It should be noted that if new construction is a part of the overall project, special conditions may apply. Site improvements may also necessitate special considerations.

TERMS AND CONDITIONS

All applicants for the Economic Development "Revolving Loan Fund" from the City/County of _____ are required to obtain at least fifty percent (50%) of the funds for the project from a private lending institution (A "lending institution" is any person, firm or corporation that will lend the necessary funds for private investment required for this program).

As part of the application process, each applicant is required to provide a letter of commitment from the lending institution acknowledging their agreement to finance 50% of the asset or working capital (sample attached). This letter must include the following terms: interest rate, term of loan, collateral, and any other requirements stated as part of the loan. The letter must be signed by the lending institution or a person authorized to make such a commitment for that lending institution. All applicants must prove to the satisfaction of the Loan Review Committee that they have the ability to cover all debt services.

Fixed Asset loans will be made at an interest rate of one half (1/2) of the Wall Street Journal prime

rate, but not lower than 2% nor higher than 10%. The life of the loan is not to exceed the life of the asset. Applicants for fixed asset loans are also eligible for one year deferral on the principal, followed by a five-to-ten-year payback of the loan. The length of the loan will be determined by the Loan Review Committee.

Working Capital loans will be made at an interest rate of one half (1/2) of the Wall Street Journal prime rate, but not lower than 2% nor higher than 10%. Eligible applicants for a working capital loan may also be eligible for a one-year deferral on the principal followed by a five-year payback on the principal and interest. A five (5) year payback is the maximum for a working capital loan.

Applicants that cannot meet the 50% financing requirements from the private sector may participate in the "Revolving Loan Fund" program provided they inject equity equivalent to 25% of the funds requested from this program. The remaining 75% may be loaned from the "Revolving Loan fund" at ten (10) percent interest with a payback not exceeding the life of the asset held as collateral, maximum seven (7) years. An applicant eligible for an equity injection loan may also be eligible for a one-year deferral on repayment of the principal.

All loans will be screened and approved after review of each of the following, in order of approval:

1. Staff of the Department of Community and Economic Development. (Optional)
2. Loan Review Committee of the "Revolving Loan Fund."
3. (City Council/Commission) of the (City/County) of _____ which has the final authorization to approve a project for funding.

The (City/County) of _____ Department of Community and Economic Development and/or Loan Review Committee for the Economic Development Revolving Loan Fund reserve the right to request and require further information. Upon receipt of a complete application, every effort will be made to respond to the applicant within thirty (30) days of the date of receipt of the application. If the application is denied, the RLF will respond, in writing, with the reason(s) for the denying the application.

The (City/County) of _____ will not discriminate due to race, creed, color, age, sex or national origin in approving loan applications under this program.

RECAPTURED FUNDS

All funds "recaptured" by the City/County of _____ from this program shall be held in a separate account and used only for future economic development projects. The accounting and administrative system used to account for the Economic Development Revolving Loan Fund shall at a minimum conform to the guidelines contained in the DCA publication Guidelines for Administration of Local Revolving Loan Funds and any Revolving Loan Fund regulations promulgated by the Department of Community Affairs. An accounting of the Economic Development Revolving Loan fund shall also be included in the City's/County's annual audit.

COMPLIANCE REQUIREMENTS

It is the responsibility of the local government to ensure that the RLF's proposed program, activities, and goals are in compliance with all applicable Federal and State laws, regulations and executive orders. The major applicable laws, regulations and executive orders include but are not limited to the following:

General:

1. The Housing and Community Development Act of 1974, as amended and as implemented by the most current HUD regulations (24 CFR Part 570)
2. Annual Action Plan and State of Georgia CDBG Method of Distribution (MOD) for FFY 2019/2021 Consolidated Funds
3. State Community Development Block Grant Program Regulations (24 CFR Part 570, Subpart I)
4. Title 50, Chapter 18, Article 4, Official Georgia Code, Georgia Open Records Act

Financial Management:

5. 2 CFR Part 200, Subpart F (formerly Federal OMB Circular A-133)

Civil Rights:

6. Title VI - Civil Rights Act of 1964 and implementing regulations at 24 CFR Part 1.
7. Section 109 - Title I - Housing and Community Act of 1974 and implementing regulations at 24 CFR Part 6.
8. Title VIII of the Civil Rights Act, 1968 (Fair Housing Act), as amended
9. Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1990
10. Executive Order 11246 - Equal Employment Opportunity, as amended by Executive Order 11375, Parts II and III
11. Executive Order 11063 - Equal Employment Opportunity, as amended by Executive Order 12259.
12. Section 3 of the Housing and Development Act of 1968, as amended Section 118 of Title I, Community Development and Housing Act, 1974, and implemented by HUD regulations
13. Georgia Department of Community Affairs Civil Rights Compliance Certification Form
14. Age Discrimination Act of 1975
15. Executive Order 12432: National Priority to Develop Minority and Women Owned Businesses
16. Section 504 of the Rehabilitation Act of 1973 and implementation regulation (24 CFR Part 8)
17. Section 104 of Title I of the Housing and Community Development Act of 1974 and the

implementing regulations at 24 CFR Parts 5, 91, 92, 570, 574, 576, and 903

Labor Standards:

18. The Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330), as supplemented by Department of Labor regulations
19. The Davis-Bacon Act (40 U.S.C. 276(a) to (a-7), as supplemented by Department of Labor Regulations
20. The Copeland "Anti-Kickback" Act (18 U.S.C. 874), as supplemented by Department of Labor regulations

Acquisition/Relocation:

21. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. (46 U.S.C. 4601) and Regulations at 49 CFR, Part 24
22. Georgia Real Estate Appraiser Licensing and Certification Act (O.C.G.A. Section 43-39-A-1 thru 43-39 A-27)
23. The Georgia Relocation Assistance and Land Acquisition Policy Act of 1973
24. The Georgia Urban Redevelopment Law (OCGA, Section 36-61-1, et. seq.)

Housing:

25. The Truth in Lending Act (Regulation Z)
26. Title I Consumer Protection Act (PL 90321)
27. The Lead Base Paint Poisoning Prevention Act (42 U.S.C. 4831-5 et al) and HUD implementing regulations (24 CFR Part 35)
28. The Residential Lead-Based Paint Hazard Reduction Act of 1993 (PL 102-550).
29. The National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C., 5401 et. seq., as amended)
30. Manufactured Housing Act (O.C.G.A. Sections 8-2-130 and 160 et. seq.)
31. Construction Industry Licensing Board Act (O.C.G.A. Section 43-14-8)
32. Georgia State Uniform Construction Codes Act (O.C.G.A. Section 8-2-21)
33. The Fire Administration Authorization Act of 1992 (PL 102-522)

Environmental:

34. The National Environmental Policy Act (NEPA) of 1969, as amended by Executive Order 11991 of May 24, 1977 and the Council on Environmental Quality's (CEQ) NEPA Regulations, 40 CFR Parts 1500-1508
35. Environmental Review Procedures for the CDBG Program, 24 CFR Part 58
36. The National Historic Preservation Act of 1966, as amended, particularly Section 106
37. Executive Order 11593, Protection and Enhancement of the Cultural Environment, May 13, 1971
38. The Reservoir Salvage Act of 1960, as amended, particularly Section 3, as amended by the Archeological and Historic Preservation Act of 1974

39. Flood Disaster Protection Act of 1973, as amended
40. Executive Order 11988, Floodplain Management, May 24, 1977
41. Executive Order 11990, Protection of Wetlands, May 24, 1977
42. Georgia Air Quality Act of 1978 (OCGA Section 12-9-1, et. seq.) to regulate air pollution and protect air quality
43. Shore Assistance Act of 1977 (OCGA Section 12-5-230, et. seq.)
44. Georgia Hazardous Waste Management Act (OCGA 12-8-60, et. seq.)
45. Georgia Health Code (OCGA 31-3-1, et. seq.) regulates individual sewerage treatment systems
46. The Coastal Zone Management Act of 1972, as amended
47. The Safe Drinking Water Act of 1974, as amended
48. The Endangered Species Act of 1973, as amended, particularly Section 7
49. The Archeological and Historic Preservation Act of 1974
50. The Coastal Resources Barriers Act of 1982
51. The Wild and Scenic Rivers Act of 1968, as amended
52. The Clean Air Act Amendments of 1970, as amended
53. HUD Environmental Standards (24 CFR, Part 51) Environmental Criteria and Standards
54. Georgia Coastal Marshlands Protection Act of 1970
55. Georgia Groundwater Use Act of 1972 (OCGA Section 12-5-170, et. seq.)
56. Georgia Safe Drinking Water Act of 1977 (OCGA Section 12-7-1, et. seq.)
57. Georgia Erosion and Sedimentation Act of 1975 (OCGA Section 12-7-1, et. seq.)
58. Georgia Solid Waste Management Act (OCGA Section 12-8-20, et. seq.) for collecting garbage or operating a landfill
59. Georgia Water Quality Control Act (OCGA Section 12-5-20, et. seq.)
60. Farmland Protection Policy Act of 1981 (and the regulations at 7CFR Part 658)

Other:

61. Georgia Handicap Accessibility Law (OCGA, Title 30, Chapter 3) concerning handicapped accessibility to public buildings
62. Georgia House Bill 1079 as amended by House Bill 513 (O.C.G.A § 36-91-1 through §36-91- 95) Note: DCA has adopted this as the procurement regulation for CDBG
63. OCGA 13-10-90: Contracts for Public Works, Security and Immigration Compliance
64. OCGA 50-36-1: Verification of Lawful Presence within United States
65. Federal Funding Accountability and Transparency Act (FFATA)

Appendix C: Sample Instruction Sheet and Application

Listed below are the criteria for financing through the RLF Program:

1. The business must be located within the RLF Programs municipal or county limits;
2. In most cases, the business will be required to obtain 50% of project costs from external sources;
3. Personal equity may be required;
4. The business must demonstrate a reasonable chance for success;
5. Collateral will be required, as well as personal and/or corporate guarantees;
6. The applicant is responsible for all loan and legal fees associated with an approved loan; and
7. The information that you provide must be truthful and accurate to the best of your knowledge. Failure to provide same constitutes fraud and will result in the immediate termination of the loan process.

The process requires that the applicant completely fill out the attached loan application and submit all required information. Failure to provide any information requested may be grounds for denial.

Once all information is received, it will be forwarded to the Revolving Loan Fund (RLF) Loan Review Committee for review.

If the application meets the criteria and underwriting requirements, it will be submitted to the Georgia Department of Community Affairs (DCA) for approval. Once approval is received from DCA, the application is reviewed by the local RLF government for final approval.

If the application is denied, you may request in writing, reasons for the denial.

We hope that your application is competitive and will lead to successful employment opportunities in our community.

Appendix D: RLF Loan Documentation Checklist

Outlined below are loan documentation and other items that RLF administrators should have collected during the RLF loan closing process. Each RLF loan should have a file with this checklist in front. Place a check mark by items that have been submitted. Write n/a by items that are not applicable.

Name of Borrower: _____

General Requirements:

- _____ Executed Loan Agreement
 - _____ Job Creation Covenant
 - _____ Financial Statement Submission Covenant (tickler file required)
 - _____ Disbursement Procedures Outlined
 - _____ Description of Eligible Costs
 - _____ Executed Promissory Note
 - _____ Amortization Schedule
- _____ Executed Security Agreement and UCC Statements
 - _____ Evidence that Security Agreements have been filed (tickler file required)
 - _____ Evidence that UCC Statements have been filed (tickler file required)
 - _____ If security is real property:
 - _____ Deed to Secure Debt or Warranty Deed
 - _____ Appraisal Report
 - _____ Certified plat or survey
 - _____ Legal Description of property
 - _____ Title Report/Insurance
- _____ Personal Guaranty
- _____ Corporate Guaranty
- _____ Evidence of Equity Injection
 - _____ Copy of Subordinated Note
 - _____ Inter-creditor Agreement
- _____ Stand-by Agreement
- _____ Insurance (tickler file required)
 - _____ Hazard insurance on collateral with lender named as loss payee
 - _____ Key person life insurance (optional)
 - _____ Business interruption insurance (optional)
 - _____ Builder's risk insurance (optional for construction/rehabilitation)
- _____ Current Organizational Documents for Borrower
 - _____ Letter from borrower's attorney that organization is in good standing

- _____ Certificate of Good Standing (from SSO)
- _____ If borrower is a corporation
 - _____ Copies of Articles of Incorporation and by-laws with all amendments attached
 - _____ Corporate resolution from Board of Directors authorizing the appropriate corporate officer to execute the loan documents
- _____ If borrower is a Partnership
 - _____ Copy of Partnership Agreement
- _____ If borrower is a landlord
 - _____ copies of business tenants leases (tickler file required)
 - _____ Assignment of leases, rents, and profits (tickler file required)
 - _____ Copies of any management agreements

Additional Requirements for Construction or Rehabilitation:

- _____ Copies of interim or construction financing loan documents
- _____ Copy of Construction Contract
 - _____ Payment Bond (if over \$50,000)
 - _____ Performance Bond (if over \$50,000)
 - _____ Davis-Bacon wage rate and related federal labor standards (if over \$2,000)
 - _____ Compliance with applicable environmental laws and regulations (local, state, and federal)

Additional Requirements Related to Loan Disbursement Procedures:

- _____ Copies of invoices on all machinery and equipment purchases. Loan proceeds to be disbursed as “joint payee” checks payable to vendor and borrower
- _____ Copies of interim or construction loan documents if EIP or RLF funds are to be used as “take out” financing
 - _____ If no interim or construction financing is being utilized, invoice must be received from contractor. Loan proceeds to be disbursed as “joint payee” checks payable to contractor and borrower (requires bonding)

Please note that any item with "tickler file required" following it means that the local government or RLF will have to track and monitor that item to ensure compliance on the part of the borrower. For instance, it will be important to ensure that insurance coverage is maintained so that if an asset held as collateral is lost to fire or stolen, the RLF can recoup its investment out of insurance proceeds. Likewise it will be important to perfect security interest on real property periodically through the re-filing of UCC forms. If the RLF has a security interest in collateral that is being financed over five years, the UCC forms should be re-filed prior to the expiration in the fifth year. Many of these tasks are better left to professional lenders. See the section on loan servicing agreements for sample contractual documents.

Appendix E: Template RLF Program Employee Information Sheet

(City/County's Name) is required by federal regulation to document that at least 51% of the jobs created during *(Business ' name)' s* participation with the *(City/County)'s* Revolving Loan Fund Program (RLF) were made available to low and moderate-income persons. Eligibility is determined by either: 1) an applicant's or employee's certification that their family's income is below the threshold indicated for their family size; or 2) certification by an appropriate authority that the applicant or employee is (was) a participant in an approved employment training program or otherwise meets acceptable criteria.

Employee Name _____
 Employee Address _____
 Date of Employment _____

1. Self-Certification

How many family members in your home? (Circle the correct number)	Is your family's current total annual income (prior to employment) above or below the \$ amount on the same line as your family size? Circle either Above or Below on same line		
1	\$	Above	Below
2	\$	Above	Below
3	\$	Above	Below
4	\$	Above	Below
5	\$	Above	Below
6	\$	Above	Below
7	\$	Above	Below
8	\$	Above	Below

I hereby certify that all of the above information is correct.

 Signature of Employee Date

2. Authorized Government Agency Certification (check all that apply)

The Applicant or Employee was or currently is:

- a participant in a Technical College of Georgia sponsored employment training program while a participant in Georgia Workfirst Program
- a participant in the Ga. Dept. of Human Resource's TANF (Temporary Assistance to Needy Families (formerly AFDC) program
- a resident of public housing
- a participant in the Ga. Dept. of Labor's WIA (Workforce Investment Act) program
- a participant in the Ga. Dept. of Human Resource's JOBS (Job Opportunities for Basic Skills) program
- a recipient of Supplemental Social Security
- a recipient of food stamps
- residing in a geographic area designated as a federal Empowerment Zone, Enterprise Community, or Georgia Opportunity Zone

Authorized Government Agency or Educational
Institution

Authorized Government Agency Employee
Completing this Certification

Signature

Title

Date

Local Revolving Loan Fund Semi-Annual Report

For the period ending: _____

Name of Local Government: _____

Contact Person: _____

Chief Elected Official's Signature: _____

Contact's Phone: _____ Email: _____

Section 1

Job Totals

What is the cumulative number of jobs that have been created from all EIP/RLF projects? _____

What percentage of the total number of jobs created has gone to low/moderate income persons? % _____

Section 2

Statement of Revenues and Expenditures

Revenues

Interest earned from:

Bank account _____

Notes receivable _____

Gain or (loss) on sale

Of fixed assets _____

Other (Identify) _____

Total Revenues-----\$ _____

Expenditures

Administrative Cost _____

Loan service charges _____

Other (Identify) _____

Total Expenditures-----\$ _____

Net revenues over (under) expenditures

\$ _____

Section 3

Balance Sheet (cumulative)

Assets

Cash or cash equivalents _____

Loans Receivable _____

Less Uncollectible _____

Net Loans Receivable _____

Lease Payment Receivable _____

Fixed Assets _____

Other Assets _____

Total Assets ----- \$ _____

Liabilities and Fund Equity

Accounts Payable _____

Other Liabilities _____

Total Liabilities ----- \$ _____

Fund Equity Reserved
For Revolving Loans _____

Total Fund Equity ----- \$ _____

Total Liabilities and Fund Equity

\$ _____

Section 4

Schedule of Loans & Lease Receivables Loan Information

Name of Business: _____

Date RLF loan was made _____

Amount of original loan principal: _____

Rate and term of loan: _____

Use of loan proceeds: _____

Amount of principal remaining:\$ _____

Is the loan current? Yes If No, explain

Name of Business: _____

Date RLF loan was made _____

Amount of original loan principal: _____

Rate and term of loan: _____

Use of loan proceeds: _____

Amount of principal remaining:\$ _____

Is the loan current? Yes If No, explain

Name of Business: _____

Date RLF loan was made _____

Amount of original loan principal: _____

Rate and term of loan: _____

Use of loan proceeds: _____

Amount of principal remaining:\$ _____

Is the loan current? Yes If No, explain

Note: If there are any additional loans or loses, please attach a separate sheet and enumerate in the same format.

Local Revolving Loan Fund Semi-Annual Report

For the period ending: _____

Name of Local Government: _____

Contact Person: _____

Chief Elected Official's Signature: _____

Contact's Phone: _____ Email: _____

Section 4 continued
Schedule of Loans & Lease Receivables
Loan Information

Name of Business: _____
 Date RLF loan was made _____
 Amount of original loan principal: _____
 Rate and term of loan: _____
 Use of loan proceeds: _____

 Amount of principal remaining:\$ _____
 Is the loan current? Yes If No, explain

Name of Business: _____
 Date RLF loan was made _____
 Amount of original loan principal: _____
 Rate and term of loan: _____
 Use of loan proceeds: _____

 Amount of principal remaining:\$ _____
 Is the loan current? Yes If No, explain

Name of Business: _____
 Date RLF loan was made _____
 Amount of original loan principal: _____
 Rate and term of loan: _____
 Use of loan proceeds: _____

 Amount of principal remaining:\$ _____
 Is the loan current? Yes If No, explain

Name of Business: _____
 Date RLF loan was made _____
 Amount of original loan principal: _____
 Rate and term of loan: _____
 Use of loan proceeds: _____

 Amount of principal remaining:\$ _____
 Is the loan current? Yes If No, explain

Section 5
Loan Review Committee Members

Name: _____ Title: _____
 Name: _____ Title: _____

Section 6
Loan Servicer

Entity Servicing Loans: _____
 Contact Person: _____
 Contact Email: _____
 Contact Phone Number: _____

Appendix G: Request of Wage Rate Determination and Response to Request

Georgia Department of Community Affairs Office of Grant Administration 60 Executive Park South, NE Atlanta, Georgia 30329		Request for Determination and Response to Request (Davis-Bacon Act as amended and Related Statutes)	
Wage Determination under the Davis-Bacon and related act. (This decision is effective from the date of publication in the Federal Register without limitation as to time.)			
Name, Address and Phone Number to Which a Copy of This Determination is to be Mailed (Other than Grant Recipient)	CDBG Recipient (City/County)		Grant Number
	Name		Project Name
	Title (Mayor/County Commissioner)		
	Street/Box		County
	City/State/Zip		
	E-mail Address/Telephone Number		Date of this Request
	Area Code/Phone Number		
Check Type of Work <input type="checkbox"/> Water/Sewer <input type="checkbox"/> Drainage <input type="checkbox"/> Street <input type="checkbox"/> Buildings Estimated Total Cost	Estimated Cost _____ _____ _____ _____	Estimated Advertising Date: _____ Estimated Date of Bid Opening: _____ Estimated Date of Contract Award: _____ Estimated Construction Start Date: _____	
To Be Completed by Georgia Department of Community Affairs			
Approving DCA Representative: _____ Wage Decision Number (s): _____ _____			

Appendix H: DCA RLF Loan Compliance Review Form

Local Government: _____ Date: _____

Project/Business Name: _____

Project/Business Address: _____

Total Project Cost: _____ Project Activity: _____

Project Funding Mix

Funding Source	Dollars	Percentage	Use/ Activity
RLF			
Bank			
Owner			
Other			
Total			

RLF Loan Details

RLF Loan Amount	Interest Rate	Loan Term	Use of Funds
	%		

Total Jobs Created: _____ Low/Mod Jobs Created: _____ RLF Dollars/Job Ratio: _____

Collateral: _____

Anticipated Public Hearing Date: _____

Loan Review Committee Members:

Name: _____ Title: _____

Check box to indicate loan meets Local RLF Policies & Procedures

Date RLF Policies & Procedures were approved: _____

Local Government Chief Elected Official

Name: _____ Signature: _____

Date: _____

.....

DCA Approval Date: _____ By: _____