

# WAUWATOSA REVOLVING LOAN FUND CORPORATION

## LOAN POLICY STATEMENT

The board of directors of the Wauwatosa Revolving Loan Fund Corporation ("WRLFC") recognizes and affirms its responsibility to carry out the purpose of the Corporation embodied in its Articles of Incorporation:

1. Improve existing businesses and business neighborhoods in the City of Wauwatosa;
2. Increase the number of individual businesses within the City of Wauwatosa; and
3. Increase jobs and job opportunities within the City of Wauwatosa.

The board has adopted this statement of principles and policies for its own guidance and direction in its lending activities.

## GENERAL STATEMENTS OF PRINCIPLE

1. The board of directors has responsibility for the operation, management, and administration of WRLFC and its loan procedures.
2. WRLFC recognizes that, as a gap financier of small businesses, it accepts more risk than a typical banking institution. WRLFC strives to minimize this risk by thoroughly evaluating an applicant's ability to repay, securing collateral whenever possible, and actively monitoring and communicating with borrowers. WRLFC will not be a provider of venture capital.
3. WRLFC shall not give less favorable treatment to any applicant (meaning any person who requests credit, or who is, or may be, contractually liable regarding an extension of credit), on the basis of race, color, religion, national origin, sex, familial status, handicap, or age (provided that the applicant has the capacity to enter into a binding contract).
4. Loans shall be to businesses located within the geographical territory of the City of Wauwatosa.
5. Lending activities shall comply with both the spirit and content of existing laws and regulations.
6. WRLFC's directors and advisors shall disclose actual and foreseeable conflicts of interest during the loan approval process.

7. Loans and outstanding loan commitments shall be regularly summarized and reviewed by the board of directors with respect to loan purposes, terms of repayment, collateral values, exceptions to loan policies, documentation exceptions, related borrowings and outstanding commitments.

8. Loan documents shall require borrowers to provide financial statements at least annually.

## **LENDING GUIDELINES**

1. WRLFC's program is intended to promote economic development in the City of Wauwatosa by financing new businesses and new projects that expand existing businesses. The board of directors of WRLFC manages and administers the lending program.

2. WRLFC may require that a bank or other regulated lender participate in the financing of a project.

3. WRLFC's general policy is to share risk with project participants and to lend as a partner with the private sector. When private sector financing is unavailable, WRLFC may act as the primary lender.

4. Eligible projects may include, but are not limited to, financing land acquisition, building acquisition, construction, remodeling, expansion, machinery and equipment acquisition, furniture and fixtures acquisition, and leasehold improvements. WRLFC generally does not provide working capital financing.

5. Applicants must be located or intending to locate in the City of Wauwatosa to be eligible for financing.

6. Except in unusual circumstances the principal amount of a loan will not exceed \$100,000 for a term not to exceed 60 months, provided that amortization, however, may exceed 60 months if approved by the board of directors.

7. Interest rates will be determined by the board of director when loans are approved and will vary with market conditions.

8. Business owners or prospective owners normally will be required to provide at least 10% of the project costs.

9. Collateral requirements.

a. Applicants will normally be required to offer security for repayment, which may include real estate or other personal property collateral.

- b. Principals of the applicant will normally be required to offer personal guarantees or collateral interests in personal assets.
  - c. Collateral may be in the form of junior or subordinated interests when the board of directors determines such collateral to be appropriate.
  - d. Evidence of value of collateral, including appraisals, showing a loan to value ratio of no more than one-to-one, will normally be required, but the applicant's ability to repay a loan will be the board of directors' primary factor in determining whether or not to extend financing.
10. Appropriate loan documentation will be determined on a case by case basis and may include:
- a. Title insurance in favor of WRLFC where real estate collateral is a component of the project and lien searches with respect to personal property.
  - b. Hazard insurance naming WRLFC as a loss payee in a sufficient amount and liability insurance naming WRLFC as an additional insured.
  - c. Appraisals performed by a qualified, independent appraiser designated or approved by WRLFC.
  - d. Flood plain information.
  - e. Financial statements of the applicant and principals of the applicant.

### **LOAN PROCESSING**

Unless the board of directors explicitly determines to process a loan in a different fashion, each loan application shall be processed in the following manner:

Step 1: A prospective borrower should contact an area bank or other lending institution to discuss the project to be financed and to generate interest on the part of the lending institution to develop an overall financing program. The WRLFC lending program is intended as an inducement for new investment in the City of Wauwatosa, but not as a substitute for private sector involvement. WRLFC will not make loans to companies who can access necessary financing through conventional sources, and the board of directors may require applicants to provide evidence of inability to acquire funding in whole or in part from traditional sources.

Step 2: A prospective borrower's first substantive contact about WRLFC financing should be the Economic Development division of the City of Wauwatosa Development Department to establish the eligibility of a proposed project for a WRLFC loan in accordance with WRLFC's lending guidelines and to schedule an initial consultation with a member of the board or other WRLFC designees, as applicable.

Step 3: The applicant should deliver to the Development Department an application for financing with the correct application fee (as determined by the board of directors from time to time), a business plan with financial projections, and financial statements of the applicant and applicant's principals.

Step 4: Department of Development staff will review a financing application for completeness, will work with the applicant to obtain a complete application.

Step 5: After a complete financing application is received by the Department of Development:

- a. Department of Development staff will obtain a credit report on the applicant or the principals of the applicant, as appropriate, and will check the status of real estate tax payments on properties owned by the applicant and such principals within the City of Wauwatosa.
- b. A member of the board of directors and a loan analyst designated by the board of directors will interview the applicant, when appropriate.
- c. The loan analyst will review the application and documents provided by the applicant, prepare a financial analysis, and prepare a loan package presentation to the board of directors.
- d. The loan analyst and Department of Development staff will forward the completed loan package to directors prior to a meeting of the board of directors.
- e. Applicants will be expected to pay expenses connected with processing an application regardless of if the loan closes.

Step 6: The loan package will be presented to the board of directors by the loan analyst. The board of directors will consider an application promptly and will make a final determination whether or not to extend financing requested by the financing application. If the board determines that WRLFC should offer financing to the applicant, WRLFC will send a commitment letter, signed by an officer, to the applicant. If the proposal is declined, the applicant will be promptly notified of such declination in writing by an officer. If the board of directors requires additional information, a director or a designee of the board of directors promptly will communicate the request for additional information to the applicant.

Step 7: If the board determines that WRLFC should offer financing to the applicant, the loan package will be submitted to counsel for WRLFC for preparation of loan documents, closing, and disbursement of funds. The loan recipient will be responsible for all costs associated with closing the loan, such as attorney's fees, title insurance, and recording fees.