

LUBEC REVOLVING LOAN FUND

40 School Street
Lubec, Maine 04652

BY-LAWS

As Amended: July 1983, October 1983, December 1987, April 1988, August 1994, January 1995, November 1998, June 2004, August 2004, April 2006, June 2006 March 2008, July 2011, December 2012, July 2017

Section I: Purpose:

The Revolving Loan Fund (RLF) was established principally to benefit Low to Moderate Income (LMI) residents of Lubec. The RLF will help to create jobs for local residents by providing low-interest loans for local businesses.

Section II. Limitations:

1. The Lubec Board of Selectmen were the legal recipients and administrators of the original CDBG grant. Subsequently, the selectmen voted to invest the Trustees of the RLF with full administrative authority for the program except that projects other than those described in the original CDBG grant shall require joint board approval.
2. These By-Laws shall govern the eligibility of applicants, loan processing procedures, and the expenditure of RLF funds for community activities.

Section III: Responsibilities:

1. Board of Selectmen shall:

- 1.1. Appoint a board of five trustees to oversee the activities of the RLF.
- 1.2. Hear and arbitrate grievances filed against the RLF Board of Trustees.

2. RLF Trustees shall:

- 2.1. Put forward nominees of trustees to the Lubec Board of Selectmen for confirmation during the first Selectmen's meeting following the annual town meeting.
- 2.2. Put forward a nominee for an administrator to the Lubec Board of Selectmen for appointment. The Board of RLF Trustees will supervise, and coordinate the activities of the RLF administrator appointed by the Lubec Board of Selectmen.
- 2.3. Select a Chair and Vice-Chair from its membership on an annual basis. The chair shall preside at all meetings of the RLF Trustees and shall perform all duties incident to his office. The Vice-Chair shall preside in the absence of the chair and shall perform all duties incident to the office of chair.
- 2.4. Evaluate all loan applications.
- 2.5. Ensure the proper application of RLF funds, and may reserve funds for administrative, legal purposes or such emergency situations as may arise through a majority vote of the Board.

1. Members of the Board of Selectmen shall not be eligible to apply for a loan from the RLF while they are in office. Active account holders of the Lubec RLF must payoff any RLF obligation prior to running for a Lubec Board of Selectmen's position.
2. Members of the RLF Board of Trustees shall not be eligible to apply for a loan from the RLF during their term in office.
3. Borrowers shall be ineligible for appointment to the RLF Board of Trustees during the time that they have an active loan.
4. Administration of the RLF will be paid through the interest income generated by the fund.
5. Loan applicants will provide evidence of a denial of a loan from an established banking institution with branches in Washington County. Denial must be for the same purpose described in the RLF loan application; or, applicants must show that the financing requested is necessary to the project as gap financing.
6. Each applicant, if requested, shall supply to the RLF Board of Trustees a copy of their credit report from a recognized credit reporting agency.
7. All costs of preparation and processing of loan applications shall be borne by the applicant, including the cost of filing U.C.C. forms with the Secretary of State and/or filing mortgage deeds with the Washington County Registry of Deeds.
8. All periodic costs associated with each loan shall be borne by the borrower at the time the cost is incurred. Such costs shall include, but not be limited to: renewal of the U.C.C. filing should the loan term exceed five years, and discharge of the U.C.C., mortgage deed, or chattel mortgage at the time of loan pay-off.
9. Applicants must provide evidence of approval for all permits, licenses or clearances required to operate the proposed business prior to release of funds.
10. Applicants shall provide proof that all taxes, fees, or duties owing to the Town of Lubec historically have been paid in a reasonable manner and are current prior to the application of a loan. All taxes, fees and duties owed to the Town of Lubec during the term of the loan shall likewise be kept current or the loan shall be considered to be in default.
11. Approval or disapproval of loan applications requires a majority vote of the Board of Trustees which is no less than three Trustees. Should less than four Trustees be present at a meeting unless the vote is unanimous the matter at hand will be tabled until such time as there are sufficient members present to ensure a majority vote of the Board.
12. Notification of approval or disapproval of loan applications shall be in writing. If disapproved, the reason for such action shall be explained.
13. Applicants shall be allowed to appeal any disapproval where such disapproval is based on errors of fact or procedure. No appeal shall be permitted where the basis of the appeal is the judgment of the Board in regards to the feasibility of the proposed business or the credit worthiness or character of the applicant.
14. Trustees may, from time to time, amend these rules and regulations as necessary.

documents needed to verify that he/she is able to operate the proposed business.

1.5. Equity Requirements:

1.5.1. Applicant shall be required to provide at least 20% equity in the proposed business venture. Equity may be in the form of cash, inventory, machinery, real property, equipment, or such other valuables as may be deemed appropriate by the Board of Trustees.

1.6. Collateral Requirements:

1.6.1. Applicant shall be required to provide collateral equal to at least 100% of the amount requested for the proposed business venture. Collateral may be in the form of cash, inventory, machinery, real property, equipment or such other valuables as may be deemed appropriate by the Board of Trustees. Collateral interest in favor of the RLF shall be registered with the Secretary of State and/or the Washington County Registry of Deeds. Recording fees must be paid by the applicant prior to the loan disbursement. Collateral requirements may be waived by the Trustees in cases where expectations for success are deemed sufficient.

1.6.2. Personal guarantees may be required by the Board of Trustees, in addition to collateral requirements.

2. Types and Terms of Loans

- 2.1. Types of loans: RLF provides low interest loans for eligible activities including acquisition, construction, working capital, and lines of credit.
- 2.2. Duration: Loan repayments can be of any duration up to eight (8) years.
- 2.3. Trustees shall establish the repayment period for any specific application based on the applicants request, the type of venture proposed, the risk and the loan amount. Trustees may adjust the repayment period of any loan when extenuating circumstances require.
- 2.4. Loan Amounts: The minimum loan amount for any business shall be \$3,000.00. The maximum loan amount shall be \$50,000.00. Trustees may adjust the loan amounts for any loan whenever extenuating circumstances justify.
- 2.5. Interest rates: The basic interest rate for RLF loans is six percent (6%) with the following exceptions:
 - 2.5.1. If the RLF must obtain funds from an outside source to satisfy any application, the rate of interest charged to the applicant shall be two percent (2%) above the interest rate of those funds charged by the lending institution to the RLF (2% above the cost of funds).
Interest rates may be reviewed and modifications made by the RLF Board of Trustees as appropriate.
- 2.6. Loan amortization: Applicants shall be required to make repayment of principal and interest as specified in the approved loan application. Flexible repayment terms may be requested and are subject to Trustee approval.
- 2.7. Delinquency:

- 4.7. If the Borrower relocates his/her business out of Lubec, the loan shall be in default and the Trustees may recall the balance of the loan in full. Such recall shall be immediate and be subject to full interest penalties as outlined in 2.7.2 above.