

**EASTPORT REVOLVING LOAN FUND**  
**78 High Street, Eastport, Maine 04631**  
**(207) 853-2300**

**“By-Laws”**

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As Amended 4/15/15

**Section 1 -Purpose**

The Revolving Loan Fund (RFL) is established principally to benefit Low to Moderate Income (LMI) residents of Eastport, Pleasant Point, Perry, Pembroke, and Dennysville. The RFL will help to create jobs for local residents by providing low-interest loans for local businesses.

**Section 2 -Limitations**

- 2.1** These By-Laws shall govern the eligibility of applicants, loan processing procedures and the expenditure of RLF funds for community activities.

**Section 3 -Trustees**

**3.1** Responsibilities

- 3.1.1** Each Community shall appoint one member to a board of five trustees to oversee the activities of the RLF.

**3.1.2** RFL Trustees Shall:

- 3.1.2.1** appoint, supervise and coordinate the activities of the RFL Administrator;
- 3.1.2.2** evaluate all loan applications;
- 3.1.2.3** ensure the proper application of RLF funds;
- 3.1.2.4** encourage the employment of low-to-moderate income (LMI) citizens of the communities through the creation of new job opportunities;
- 3.1.2.5** report activities of the RLF to the CDBG Administrator.

### **3.1.3**     RLF Administrator Shall:

- 3.1.3.1** conduct the daily business of the RLF;
- 3.1.3.2** seek applicants to the RLF for small business loans that will create new job opportunities for the LMI;
- 3.1.3.3** maintain accounts, records, files and such other documentation as may be required to operate the RLF under best business practices;
- 3.1.3.4** perform such other duties as assigned by the RLF Trustees.

### **3.2**             Composition of RLF Board

- 3.2.1** There shall be five members on the Board of Trustees. One member each shall be nominated from Eastport, Pleasant Point, Perry, Pembroke, and Dennysville.
- 3.2.2** The RLF Trustees shall select a Chair and Vice-Chair from its membership on an annual basis. The nominations for these positions shall be presented to the City Council at their first meeting in January each year. The chair shall preside at all meetings of the RLF Trustees and shall perform all duties incident to his/her office. The vice-chair shall preside in the absence of the chair and shall perform all duties incident to the office of chair.

### **3.3**             Terms of Office

- 3.3.1** There shall be no term limits.

### **3.4**             Trustee Meetings

- 3.4.1** Meeting will be as needed to conduct reviews of loan applications as called by the administrator.
- 3.4.2** Any Trustee who shall absent him/herself excessively from two meetings without adequate reason and advanced notice, shall be deemed to have resigned from the Board. The remaining Trustees shall have sole authority to determine the sufficiency of reasons for extended absences by members.
- 3.4.3** Quorums: The presence of at least three members shall be required to transact the business of the Board.

## **Section 4 -Rules and Regulations**

- 4.1** Members of the Board of Trustees and members of the City Council, Board of Selectmen, or other positions of equal stature from the communities involved in the program shall not be eligible to apply for a loan from the RLF.
- 4.2** Loan applicants will provide evidence of the denial of a loan from an established Washington County banking institution. Denial must be for the same purpose described in the RLF loan application.
- 4.3** All costs of preparation and processing of loan applications shall be borne by the applicant.
- 4.4** Applicants must provide evidence of approval for all permits, licenses or clearances required to operate the proposed business prior to release of funds.
- 4.5** Applicants shall provide proof that all taxes, fees or duties owed the communities in which they reside and/or intent to do business have been paid and are current prior to release of funds.
- 4.6** Approval or disapproval of loan applications requires a majority vote of not less than three Trustees.
- 4.7** Notification of approval or disapproval of loan applications shall be in writing. If disapproved, the reason for such action shall be explained.
- 4.8** Applicants shall be allowed to appeal any disapproval where such appeal 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 with regards the feasibility of the proposed business or the credit worthiness or character of the applicant.
- 4.9** Trustees may, from time to time, amend these rules and regulations as necessary by a majority vote of not less than three Trustees.

## **Section 5 -Operational Guidelines**

### **5.1 Eligibility Requirements**

**5.1.1 Residency:** Proposed new or expanded business ventures must be located in the communities listed in Section 1.

### **5.1.2 Low-Moderate Income (LMI) Employee Qualifications:**

**5.1.2.1** For the purpose of qualification under this section, owners and employers are not considered employees.

**5.1.2.2** Low income = 50% of state median income, Moderate income = 80% of state median income.

**5.1.2.3** LMI Employees must be residents of the communities listed in Section 1.

**5.1.2.4** If three or more employees are to be hired, at least 75% of the new hires must qualify as LMI (as described in 5.1.2.2 above) at the time of hiring.

**5.1.2.5** If two or less are hired, all must qualify as LMI at the time of hiring.

**5.1.3 Size of Business:** This program is intended primarily for the benefit of small and very small businesses as defined by the U.S. Department of Commerce.

### **5.1.4 Applicant Credentials:** Applicants must:

**5.1.4.1** Be the owner, principal partner, president, chief executive officer, or majority stock holder with the authority to make legal agreements for that business.

**5.1.4.2** Be capable of actually making or providing the product or service proposed, or must be directly involved in the supervision of the making or providing of said product or service.

**5.1.4.3** Be able to demonstrate ability to develop and manage a business of the kind proposed and must at a minimum possess the education, technical training, background or experience necessary to be successful.

**5.1.4.4** Be of good character and provide letters or personal references that will attest that he/she is honest, responsible, frugal, and hardworking.

**5.1.5** Equity Requirements: 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.

**5.1.6** Collateral Requirements: 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 The Registrar of Deeds.

## **5.2** Types and Terms of Loans

**5.2.1** Types of Loans: RLF provides low interest loans for eligible activities including acquisition and construction.

**5.2.2** Duration: Loan repayments can be of any duration up to seven years. 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.

**5.2.3** 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.

**5.2.4** Interest Rates: The basic interest rate for RLF loans is five percent (5%) with the following exceptions:

**5.2.4.1** Where sufficient cash reserves, CDs, rated and widely traded stocks or accounts receivable are pledged as collateral, Trustees may allow a two percent (2%) rate of interest. Collateral must be equal to the amount requested and must be validated by a recognized financial institution doing business in Washington County, Maine.

**5.2.4.2** Interest rates shall be reviewed and modification made as appropriate.

**5.2.5** 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.

**5.2.6** Delinquency

**5.2.6.1** Loan payments shall be deemed late ten (10) calendar days beyond the payment due date.

**5.2.6.2** A late fee of 5% of the regular monthly payment shall be added for late payments received before the thirtieth day.

**5.2.6.3** Payments received on or after the thirtieth day beyond the due date, shall be charged an amount equal to the interest due for that month. This penalty will be added to the amount due and continue to be added each thirty days thereafter until all payments are brought current.

**5.2.6.4** After 90 days, if the borrower has not made repayment arrangements and the payments remain outstanding, the loan will be in Default.

**5.2.6.5** Notification of late or delinquent payments shall be made by the Administrator in writing, 30 days after any payment due date. A copy of this notification shall be placed in the loan files and remain a permanent record of the account unless removed by instruction of the Board of Trustees.

**5.2.6.6** Appeal-borrowers may appeal late charges and fees to the Board of Trustees. Should a Trustee decision be made in Borrowers favor, late fees will be refunded or credited to the account.

**5.2.7** Default:

**5.2.7.1** If a borrower defaults on a loan agreement, whether through nonpayment for more than 90 days or through breach of any loan condition, the loan shall be called in by a majority vote of not less than three Trustees.

**5.2.7.2** When necessary, all outstanding loan amounts shall be recovered through appropriate legal action that may include the courts.

**5.2.7.3** If collection or legal fees are incurred by the RLF in recovering the loan amount, said costs shall be added to the debt.

**5.2.7.4** The interest rate of defaulted loans shall be increased to a rate equal to that charged by The First for loans of like description, risk and condition. Interest shall date from the point at which the loan was classified in default.

**5.2.7.5** Any person who defaults on a loan shall be barred from making any future applications to the RLF.

**5.2.8** Going Out of Business: Should a business cease to exist, or fail with an outstanding balance due to the RLF, the interest rate of the note then outstanding shall be increased to a rate equal to that charged by The First of like description, risk and condition.



## 5.2.9

Business Leaving a participating community: If the borrower relocates his/her business out of a participating community, the loan shall be in default and the Trustees shall recall the balance of the loan in full. Such recall shall be immediate and subject to full interest penalties (as outlined in 5.2.7.4 above).