
Valley Economic Development Partners

Plan for
Youngstown City Revolving Loan Fund
(YCRLF)

December 15, 2022

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Name of Organization: Valley Economic Development Partners (VP)

Lending Territory: Youngstown, Ohio

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Part I: Revolving Loan Fund Strategy

Economic Conditions Overview

VP's revolving loan fund provides access to capital for businesses in Youngstown, Ohio.

In December 2019, Coronavirus disease (COVID-19) was first identified. The World Health Organization (WHO) declared the 2019–20 coronavirus outbreaks a Public Health Emergency of International Concern (PHEIC) on January 30, 2020 and a pandemic on March 11, 2020. On March 22, 2020, Ohio Health Department Director Dr. Amy Acton signed a state-wide stay-at-home order (Order) for all Ohioans. The 12-page order necessitated the temporary closure of businesses not deemed to be essential businesses.

The profound impact is intensified because of the regions lack of economic diversity in the local economy. Thousands of companies are at risk of failure without a cash infusion. Even those that have laid off their employees still face bills like rent, mortgage payments, insurance, utilities and taxes. Many companies that are still working have lost revenue as their customers turned cautious and canceled orders or projects. Nearly 10 million Americans applied for unemployment benefits in the last two weeks of March, many of them let go by restaurants and retailers. Nearly 190,000 Ohioans applied for unemployment benefits and nearly 3.3 million Americans did the same as businesses shutter in the midst of the novel coronavirus pandemic. The 187,780 claims filed March 15 to 21 in Ohio represent a more than 2,500 percent increase in claims from the number filed the preceding week (7,042). Among counties in the Mahoning Valley Mahoning County's rate was 6.9 percent, putting it in a three-way tie with Erie, Highland and Muskingum counties for 19th worst in the state.

The City of Youngstown contains the governmental, educational, cultural, and employment center of Youngstown. Youngstown has a diverse economic base from its history as a steel and manufacturing hotspot and continues to benefit from its strategic logistical location. In 2015, the labor force was 192,010 people with a 59.4% participation rate and 9.5% unemployment rate. According to this estimate, over 24% of the labor force was employed in Health Care and Social assistance, nearly 14% in Retail Trade, and 11% in Manufacturing or Accommodation and Food Services. Youngstown distinguishes itself with high employment specialization in Upstream Metal Manufacturing, Downstream Metal Products, Metalworking Technology, Information Technology & Analytical Instruments, Plastics, and Automotive.

The proposed revolving loan fund will be a key catalyst in the rejuvenation of the small business economy. VP has shown an A Grade in lending activity and performance through its long-standing 40-year history of managing revolving loan funds. VP's new RLF program aligns with VP's mission of community needs.

Business Development Strategy

VP believes that Access to Capital is the bloodline for new and existing businesses and without it, the barriers to create or grow a business become impossible to break. VP's primary objective, consistent with the CEDS plan, is to develop more channels of business capital in the region. This loan fund will give opportunities to those that cannot obtain traditional financing. This access to new capital funds will help boost the economy, especially for those located in areas heavily populated by LMI individuals. Secondly, VP will continue to improve customer-service in a way that streamlines the access to capital process. We have state of the art loan software and majority of loan payments are collected electronically. We understand that some individuals may be more prepared than others. Our partner agencies will help build their personal finances and business plan up to par. Finally, VP will also continue to improve our loan products and marketing efforts regarding all financing programs available. By having a loan committee that includes individuals that live and work in these same demographic areas, we will be recognized through word of mouth. We will also continue to market the program to our lending partners that are unable to finance some projects due to restrictions at their institutions.

Our RLF job creation portfolio goal is to achieve one full-time job for each \$50,000 invested. The borrower can be a new or existing business, which is expanding or is in need of funds for retention purposes. The fund is specifically targeted for small concerns as defined by the SBA. Extra attention will be given to

- Minority and women-owned businesses
- Businesses that diversify the local economy
- Businesses that strengthen the economic base of the region. Those that are highly concentrated LMI households.
- Businesses that locate in and rehabilitate vacant or brownfield facilities
- Businesses that have a technological imperative with potential for growth

In addition to the financial assistance provided by the fund, our experience has taught us that our borrowers will often benefit from technical assistance (TA) in order to better manage their businesses, or deal with the challenges of growth. Where appropriate, VP recommends TA providers to our borrowers.

Business Development Objectives

The goal of VP is to support economic activities which result in the creation or retention of jobs, additional wealth, higher wages, and a better quality of life in the region. Presented in no particular order, these business development objectives include:

- Development of businesses owned and operated by minorities, women, and members of other disadvantaged groups;
- Provide financing to businesses for which credit is not otherwise available.
- Small business development, including the start-up or expansion of locally owned businesses to encourage entrepreneurship and innovation;
- Assist in the completion and/or successful operation of qualified projects; and

Financing Strategy

There is a high demand for access to capital for start-up and expansion of businesses as a result of the economic distress in the area. VP has received numerous applications from individuals that were unable to get traditional financing. We were unable to help a number of those individuals due to availability of funds in our current loan programs. Due to the success of the City of Youngstown Small Business Stabilization Fund, we felt another program similar to that would be very beneficial. Our thoughts are combining a loan program in conjunction with a partial forgivable balance based on job creation. The fund will focus on financing needs for working capital or start-up costs, fixed assets, machinery/equipment and/or tenant improvements. The fund is an opportunity for the City of Youngstown to partner with VP to help create and retain jobs in distressed communities; to help those living in LMI households or areas to have the same access to capital as others to make their business dreams become a reality. It is important to provide access to these types of capital funds to small businesses, especially after the current conditions of the pandemic. This may cause more stringent rules required by financial institutions that some entrepreneurs will not be able to access for their capital needs for job retention and expansion.

Financing Policies

1. Eligible Lending Area - The YCRLF Fund shall be used to provide loan capital to For-Profit and not-for-profit businesses located in the City of Youngstown.
2. Allowable Borrowers - Loans will generally be made to existing small businesses, which are defined as for-profit businesses with annual sales of \$1,000,000 or less or otherwise meeting the SBA's definition as a small business. The target borrower is one that is having trouble acquiring funds from traditional lending channels. The target borrower is one that has been impacted by the COVID-19 shutdown.
3. Eligibility - Borrower must provide documentation to prove at least one of the following in order to show the adverse effect the COVID-19 pandemic had on their business:
 - Certain North American Industry Classification System (NAICS) Industry Codes determined by the SBA to be underserved markets. Codes beginning with 61,71,72,213,315,448,451,481,485,487,511,512,515,532,812.
 - A turn down letter from a financial institution. Due to the pandemic, financial institutions had to become more stringent about lending practices and therefore, affected the Borrowers opportunity to be approved for traditional financing.
 - Proof of Revenue Reduction – If Business was open prior to 1/1/2020, reduction will be calculated based on 2020 and 2019 Tax Return Revenues. If Business did not open until after 1/1/20, a comparative of the most recent 2021 quarter-to-date revenues to the same period in 2020 revenues.
4. General RLF Financing Uses - Working capital or start-up costs, fixed assets, machinery/equipment and/or tenant improvements.
5. Loan Size - The standard maximum loan size is \$150,000. The Loan Committee may approve loan amounts larger than the standard maximum on an exception basis.
6. Interest Rates - Interest rates on loans will be fixed. The standard RLF interest rate on RLF loans will be determined based on the project and collateral. Standard rate will two points below prime, but not less than 3%.
7. Loan Terms - To accommodate the adverse impact of the COVID-19 pandemic, the standard loan terms will be a minimum of 5 years preceded by a twelve (12) month interest only period, depending on loan amount and collateral. In general, loan terms will not exceed the average useful life of the assets being financed. The loan term will be the lesser of the average useful life of the asset being financed or the term based upon the borrower's ability to pay. Smaller loans will generally have shorter terms.
8. Loan Fees - There will be a \$100 fee for each application and collected at time of committee loan approval and a closing fee of up to 1.5% of the loan amount payable by the borrower at closing. Any additional document or recording fees incurred are the responsibility of the borrower and will be included in the closing costs.

9. Collateral - Collateral pledged for each loan will depend upon the loan amount, the overall risk of the credit, and the availability of personal and business assets to be pledged as collateral. The value of pledged collateral will be verified through a market analysis, appraisal, or other means that are deemed appropriate for the particular project, costs for the valuation to be borne by the borrower. Collateralized security may include, but not be limited to, interest in machinery and equipment, furniture and fixtures, building, property, inventory and receivables. Personal guarantees will be required of all principals with 20% or more interest in the borrower's business. Security in the personal assets of principals who own any portion of interest in the borrower's firm may be required as additional collateral. Such security can include property outside the business, including, but not limited to real estate of principals. The RLF will secure loans by recording UCC-1 filings to secure equipment, fixtures, furniture, receivables, and inventory and by mortgage filings on real estate, where appropriate. Loans will be secured by collateral to the maximum extent possible to ensure an adequate secondary source of repayment. Generally, collateral pledged through UCC-1 filings for RLF loans shall not be pledged to other lenders or for other obligations of a business.

10. Loan modifications can be presented and reviewed on a case by case basis. In the event that a structural change in collateral is requested by a loan already approved by the Loan Committee, the following terms and conditions will apply:
A modification of six months or less where there is no adverse effect to the loan in reference to LTV and collateral position any changes will be noted in writing and signed by at least 2 members of the VP Lending team for the file.
A longer or more significant change in the amount, rate, terms or collateral of a loan must be presented to the Loan Committee for approval.

11. Start-ups -The YCRLF Fund will strongly suggest, but not always require borrowers to inject owner equity as a percentage of the requested loan amount; this may be in form of owner equity and/or private financing.

Part II: RLF Operational Procedures

Organizational Structure and Administrative Elements

1. Operational Functions:

The administrative support for the RLF will be provided by VP's Lending Team Staff. VP uses Ventures+™, a loan management software program to manage its loan portfolio and administrative activity, including ACH loan payments.

The Lending Team is currently comprised of four members. The Loan Officer or Portfolio Manager is responsible for identifying and developing appropriate financing opportunities and reviewing applications. The Loan Officer or Portfolio Manager share responsibility of conducting credit analysis and preparing a credit memo to present to the Loan Committee. The Portfolio Manager is responsible for preparing loan documentation and ensuring that all required paperwork is in the file before closing. The Trust Department Manager collects the monthly payments and ensure they are posted into the loan software system. If payments are late a letter is sent. If the loan goes into default, it is turned over to the an Attorney for collections. The Trust Department Manager is also responsible for financial record keeping of the RLF accounts and the annual reporting to the EDA. The Servicing Manager handles requirements of proper insurance coverage on all collateral and annual requests for financial reports. All team members, along with the Executive Director market VP loan programs through relationships with bankers and other economic development agencies. VP also has a website along with a Facebook and Linked In page. The Executive Director is responsible for organization administration. The Financial Specialist (bookkeeper) is responsible for VP financial record keeping.

2. Loan Administration Committee

The YCRLF is managed by the Economic Development Loan Committee comprised of at least five (5) persons chosen by the VP Board of Directors from the membership, community development stakeholders, the voting members of the Board of Directors or the general public. At least one (1) member must have commercial lending experience. In general, membership will consist of two (2) representatives from the Valley Partners board.

Each member of the Loan Committee shall serve for a term of three years or until such organization shall cease to function. Organizations eligible for representation on the Managing Committee shall be certified by January 1 of each year by the VP Executive Committee.

3. No director, officer, member, or employee of the Loan Committee or the Valley Economic Development Partners, Youngstown Commerce Park Corporation, Warren Commerce Park Corporation, or any present or future entities in which VP has an interest, (hereinafter referred to as "*Corporate Entities*"), shall participate, formally or informally, in deliberations, discussions, or voting on a matter, or use their official position with the Corporate Entities with regard to the interests of any of the following:

- Family member (defined as spouse, parent, child, grandchild, grandparent or sibling), or any other person related by blood or marriage AND residing in the same household.
- Employees or employer of said director, officer, member or employee.

Any person, partnership, trust, business trust, corporation or association in which No officer, director, member or employee of the Corporate Entities shall use or authorize the use of the authority or influence of his or her office or employment to secure anything of value, or the promise or offer of anything of value, that is of such a character as to manifest a substantially improper influence with regard to the discharge of their duties.

No officer, director, member or employee shall accept anything of value that is of such character as will manifest a substantially improper influence on their duties.

RLF Loan Selection Criteria

Loan applications will be considered for processing, if:

- Staff can demonstrate credit worthiness based upon the financing policies of this plan;
- The project is consistent with the business development strategy;
- The loan will meet program goals to facilitate in the creation of higher paying, higher skilled, private sector jobs, diversify and strengthen the economy, and stimulate private investment and;
- The loan is consistent with the goal of maintaining a diversified portfolio.

Loan Processing Procedures

1. A member of the Lending Team holds a pre-application conference with potential applicant to discuss economic benefits of a project, determines any unknown problem or conflicts, informs applicants of general application and project requirements and makes a preliminary determination of project feasibility and eligibility. If the project is determined to not be eligible for YCRLF Funds, the potential applicant is so informed. If eligible, the VP Staff reviews the RLF guidelines with the potential borrower as they pertain to the potential loan request and presents an application package for completion by the potential borrower. Additionally, the applicant can fill out an application on-line and they will be contacted by our Relationship Manager.

The following is a list of items required to be attached to the completed VP application:

- Three years personal and business tax returns;
- Business plan including three years financial projections, if applicable;
- Most recent appraisal for land/real estate, if applicable;
- Invoices or detailed list of business asset valuation, if applicable;
- Personal Financial Statement;
- Proof of equity injection;
- Commitment letter from participating lender, if applicable;
- Signed environmental questionnaire;
- Letter of denial from bank, if available, or contact information of bank staff for RLF staff to discuss denial;
- Executed credit consent form by borrower

2. Credit and Financial Analysis

Credit reports are required of all loan applicants. Credit will be only one factor weighed by the loan committee in making decisions regarding loan applications. While there is no minimum credit score to receive funding, it is one of the initial tools used in evaluating a request. Borrowers must show a positive and established credit history as well as;

- Verification of collateral - invoices, appraisal, etc.; Market valuations must be obtained in order to properly value collateral. Appraisals are the preferred method for valuing real estate collateral. On a case-by-case basis, tax valuations may be used if approved by the Managing Committee. Invoices may be used for machinery, equipment, furniture and fixtures valuation.
- Business plan including business owner resumes and income/expense and cash flow projections;

3. Environmental Considerations

Applicants will be required to assess the anticipated impacts on air quality, water quality, solid waste management, land use, transportation, natural environment, human populations, construction, and any actions or activities that will harm the environment. This must be included as part of the environment requirements for any projects that include construction. At least, an Environmental Questionnaire must be included as part of the loan application package when applicable for loans requests for \$150,000.00 and above. If the loan involves a project that will require the preparation of an environmental impact assessment, as determined by VP, it is the applicant's responsibility to pay the costs for any impact assessments. The RLF will ensure that prospective borrowers, consultants, or contractors are aware of and comply with the Federal statutory and regulatory requirements that apply to activities carried out with RLF loans.

4. Credit Memo.

The YCRLF Fund credit memo is based on the template contained in the Ventures+ loan monitoring software and contains details of loan request including borrowing entity, business location, business/borrower history, owners/guarantors, loan terms, collateral description, funding source, personal credit/financial history of business owners/guarantors.

5. Procedures for Loan Approvals

The potential borrower's loan package is summarized through the use of the Credit Memo and presented to the ED Loan Committee for approval. Upon approval, the borrower is notified of the approval through the issuance of an Approval Letter executed by VP and the borrower. Through this letter and through other communication, the borrower is asked to present all necessary documentation for the loan closing. Minutes of all approving bodies are maintained in the Legal loan files of the corresponding loans. If a loan is denied, the borrower is notified verbally and also is provided a letter of denial with full explanation of the reasons for denial.

Loan Closing & Disbursement Procedures

All loans are closed with the initial set of documents approved by VP's legal counsel. Upon approval and execution of the Approval Letter, VP Staff coordinates the closing with the borrower.

The standard YCRLF loan documents must include, at a minimum, the following:

- (A) Loan application;
- (B) Loan agreement;
- (C) Board of directors' meeting minutes approving the RLF loan;
- (D) Promissory note;
- (E) Security agreement(s);
- (F) Deed of trust or mortgage (as applicable);
- (G) Agreement of prior lien holder (as applicable); and

Loan Closing

- The Portfolio Manager fills in documents that are pre-approved by legal counsel. They are reviewed by the Executive Director for any errors or omissions.
- Portfolio Manager reviews file to be sure all required paperwork has been collected and reviewed.
- Portfolio Manager will meet with Borrower to obtain signatures on all required documents.
- Prior to closing, (if there is commercial property being taken as collateral) an executed Federal Emergency Management Agency Standard Flood Hazard Determination (Form 086-0-32), or a copy of this form from the partnering Lender will be obtained.

- Prior to closing, Hazard Insurance Policies with VP listed specifically as either "Lender's Loss Payable" or "Mortgagee" documentation will be entered in the file for all assets pledged as collateral.
- If equity injection is required, verification of the borrower's contribution will be obtained prior to disbursing loan proceeds.
- If business assets are being taken as collateral, a pre and post-closing UCC search will be completed to verify lien priority on personal property collateral required for the project.
- Once all signatures are obtained and all paperwork is in order, funds are disbursed electronically via ACH by the Trust Department Manager to the account provided by the Borrower at closing.

Loan Servicing Procedures

Loan Payments

Funds Received by Check or Cash:

- The Director of Servicing (DS) receives all incoming mail. All loan payment checks received by the DS are scanned into a folder on the server and recorded in the Trust log which states the account to which the payment is being deposited.
- If a Borrower comes in with cash (rare occasion)*, DS provides a receipt to the customer from a 2-part receipt book. (1 part for customer, 1 part for VP). DS then records the cash in the Trust log and states the account to which the cash is being deposited.
- Trust Manager (TM) posts the payment into our Ventures software system. The TM then prepares a deposit slip and deposits the funds into the appropriate bank account. The deposit receipts are kept on file for the year with the carbon copies of the deposit slips.

Funds Received by ACH or Wire Transfer:

- Monthly Loan Payments are processed via ACH batches prepared and processed by the TM at each appropriate bank. Banking information is obtained from the Borrower and ACH batches are initiated bi-monthly by TM. Once the ACH Batch of payments is approved, the bank sends an email confirmation to both the TM and the ED.
- TM posts the ACH payments into Ventures system using the Payment Tracking Module. Each ACH Batch Listing is saved in a folder on the server as well as a Detailed Payment List from Ventures.
- **Payment Priority**
Priority of payments on defaulted RLF loans. When an RLF Recipient receives proceeds on a defaulted RLF such proceeds shall be applied in the following order of priority:

1. First, towards any costs of collection;
2. Second, towards outstanding penalties and fees;
3. Third, towards any accrued interest to the extent due and payable; and
4. Fourth, towards any outstanding principal balance.

Monitoring

Our loan monitoring software, Ventures +, will be utilized to make the monitoring process more efficient. Payment tracking will be utilized to monitor the delinquency of the all accounts. Past-due letters will be stored in Ventures+ and generated using the software. Notes will be added to Ventures + at every step of the servicing process for tracking and monitoring purposes. This includes noting the accounts when file reviews are completed. These notes should include the results of the review.

The Director of Servicing (DS) is responsible for maintaining the loan servicing files. VP shall abide by Standards for Lender loan servicing, loan liquidation and debt collection litigation. The DS collects all required post-closing documents for the life of the loan. Typically, this includes financial statements, audits, Federal Tax Returns and Job-Creation forms. The VP Staff will complete annual site visits to each borrower to verify that the borrower is in compliance with all terms of the loan.

(a) *Service using prudent lending standards.* VP will service the Fund portfolio in a commercially reasonable manner, consistent with prudent lending standards, and in accordance with Loan Program Requirements.

(b) *Liquidate using prudent lending standards.* VP will liquidate and conduct debt collection litigation for loans in our portfolio diligently and in a prompt, cost-effective and commercially reasonable manner, consistent with prudent lending standards, and in accordance with Loan Program Requirements.

Financial Review

YCRLF will require annual submission of Tax Returns or financials statements within 120 days of year end. DS is responsible for sending notifications and completing due diligence until they are collected for each loan file. Once received, DS uploads them into Ventures and notifies the Loan Officer that they are ready for entry and review.

Insurance Documentation

YCRLF loans must maintain proper insurance on collateral and provide us with documentation of such coverage. In the case where the project property is real estate (whether commercial or personal), DS will ensure that we are properly listed as mortgagee on the property policy. In the case where the project property is business personal property, DS will ensure that we are properly listed as loss payee on the property policy. DS will upload said documentation into Ventures and change the said of said task in the software system. DS will run a report on the 1st of every month to contact the insurance company and/or borrower for any loans that may be out of compliance with this requirement.

UCC

Any loan file that has business personal property as collateral with a UCC filing associated with it shall be entered into Ventures. DS will run a report on the 1st of every month to see what UCC filings will expire that month. Any UCC's close to expiration shall be renewed online via the State's electronic filing system. Documentation of said renewal will be uploaded into Ventures and the date of the task shall be moved ahead 5 years until the next renewal is due.

Real Estate Taxes

Reviewing real estate taxes on commercial property taken as collateral helps with early detection on the possible default of loans. DS will review the appropriate auditor's website during the month of October each year to make the financial manager aware of any delinquencies in taxes. DS will upload any documentation found into Venture for future review.

Life Insurance

For loan files where life insurance is required, DS will upload any documents received and notify the lending team if any cancellations or concerns have appeared.

Job Verification

DS is responsible for sending emails/letters to Borrowers requesting that they verify the number of employees they have on the second anniversary of their closing date. Due diligence is continued until the information is collected.

Site Visit Procedures

Generally, when visiting a loan recipient in the field the Lending Team Member should be courteous, professional and operate from a prepared checklist of items to be covered at the site visit. After introductory discussions about business prognosis; the visit should focus on sales, employment and financial conditions with review of any financial statements in detail. The team member should pick up and comment on any disturbing trends that need discussion (such as a significant rise in AR, or a significant increase in Fixed Assets.). Insurances and other compliance documents should be reviewed with specific attention to loss payee and amounts. Notes from the site visit should be entered into Ventures for record.

Oversight

DS will report on servicing at the weekly lending team meetings and notify the team of any issues or concerns that DS may need assistance on gathering. TM will oversee and offer support to DS when necessary.

Loan Files

Loan files are maintained electronically on an off-site cloud server incorporated into our Loan Software Program, Ventures. Copies of all loan documents as well as all of the above servicing items and any other pertinent notes will be maintained electronically as well. Original loan documents are stored in a fireproof cabinet in VP's storage room.

Records and Retention

VP shall maintain Closed Loan files and all related documents, books of account, computer data files and other records over the term of the Closed Loan and for a three-year (3) period from the date of final disposition of such Closed Loan. The date of final disposition of a Closed Loan is the date:

- Principal, interest, fees, penalties and all other costs associated with the Closed Loan have been paid in full; or
- Final settlement or discharge and cessation of collection efforts of any unpaid amounts associated with the Closed Loan have occurred.

Job Creation

Emails/Letters are required to be sent to Borrowers requesting that they verify the number of employees they have on the two (2) year anniversary of their closing date. This number is compared to the number of employees they had at the time of application to verify job creation and/or retention per that specific loan program's requirements.

The documentation for the file must include either an email or signed and dated document from an authorized employee of the borrower identifying the loan number and certifying as to the number of jobs created and/or retained as a result of the loan.

Defaulted Loans

The VP Servicing/Collection policy is a true team effort. Various individuals and positions are responsible for managing VP's overall portfolio based of the performance of the loan.

A monthly past-due report of VP's portfolio is generated. This report triggers all servicing actions on this list. The report is the key to tracking the delinquency of the portfolio. Lending Team will meet to review at weekly lending team meetings. The following is VP's current RLF collection policy:

- 10-day grace period. 5% of the payment due assessed as late fee (this is written in loan docs).

- 11 -29 days late a team member will call borrower to determine the problem and a resolution. Attempt to make contact will be made until 30 days past due.
- 30 days – An email or letter sent to borrower requesting a phone call or meeting for communication.
- 60 Days – Another letter is sent to borrower. Team members will complete a brief file review. Verification that business is still open will be made via a site visit. If there is a partner lender involved, VP will touch base with banker to verify performance of their loan
- 90 Days - A 10-day demand email/letter is sent. The Lending Team will review financial condition of Guarantor(s), balances, collateral valuation and lien positions, current credit reports and court judgements. The review will determine cost-effectiveness of hiring legal counsel for further collection.

If legal action is decided, a team member will gather the required documentation and send the file to the Attorney best suited for collection of the loan file. At this time, the loan will be removed from VP's active portfolio, but not written-off.

Write-Offs

The Loan Officer will maintain contact with the collection attorneys to keep track of the files in collections and periodically report back to the lending team on the progress.

After six months of non-performance, no communication, and no legal action the loan will be charged off of VP's portfolio. This will be accompanied by a complete file review completed by the lending team collectively. Documentation of the review will be uploaded to Ventures for record.

Charge off is merely an administrative determination and does not affect VP's ability to collect payment, but removes the loan from active status in VP's portfolio. Every year at VP's annual audit review, the Executive Director and Loan Officer will review loan classification scoring and discuss the loans charged off the internal books and recommend charge to the VP Board for tax purposes and accurate reporting. For loans that have been charged-off and deemed uncollectable, an IRS form 1099C is prepared and sent to the borrower and filed with the IRS, with the exception of those loans for borrowers that have filed bankruptcy.

The goal of the VP Charge-Off Policy is to reduce bad debt by working with the borrower for the best possible outcome for all parties. This is a standard procedure to follow, but the outcome of each step will vary based on the individual loan. Not all loans will be sent for foreclosure or judgment. Our mission of economic development and strategy of subordinate participation lending puts us in a unique position when it comes to collections. We have to be cognizant of senior lenders, economic and business cycles, and the long-term viability of the business.

Administrative Procedures

YCRLF Funds

The cash provided to VP for the YCRLF funds will be held in a separate bank account and only used for the purpose of the YCRLF Fund lending as outlined in this plan. These funds will not be comingled with any other funds.

Administrative Costs

VP will withdraw a monthly servicing fee equal to 50% of the interest earned and repaid by Borrowers. The other 50% of interest as well as all the principle paid back will remain in the account to be relent to new borrowers.

RLF Reporting

An annual audit of all VP funds is completed by a certified public accountant in accordance with generally accepted accounting principles as follows. A copy can be provided to the City of Youngstown as a funder upon request.