

Attachment 3  
Summary of Changes to the County of Monterey's  
Existing Small Business Revolving Loan Fund

<u>Portfolio Standard or Regulatory Requirement</u>	<u>SBRLF</u>	<u>As Amended April 8, 2020</u>	<u>Proposed Amendment</u>
Portfolio Standards Part 1, Section 4.5			<ul style="list-style-type: none"> <li>Add introductory paragraph "The County's primary objective for operating the SBRLF is to support a vibrant small business community that creates and retains jobs for residents. The overarching standard by which the portfolio should be measured is by the number of jobs that are fostered through the County's investment. It is anticipated that the County's investment will in turn leverage private investment from business owners investing additional equity or private investors and banks. The following portfolio standards are included to help evaluate the overall health of the portfolio and not as hard and fast requirements.</li> </ul>
General Lending Standards Part I, Section 5.1	<ul style="list-style-type: none"> <li>In general, loan terms will not exceed the useful life of equipment financed or five (5) years for working capital loans.</li> </ul>	<ul style="list-style-type: none"> <li>Unchanged</li> </ul>	<ul style="list-style-type: none"> <li>Change "five" to "seven years" for internal consistency with Part I, Section 6 of Administrative Plan.</li> </ul>
Loan Size Part I, Section 5.2	<ul style="list-style-type: none"> <li>Minimum of \$10,000</li> <li>Maximum of \$250,000</li> </ul>	<ul style="list-style-type: none"> <li>No minimum</li> <li>Maximum of \$25,000 but through traditional SBRLF can apply to loans over \$25,000</li> </ul>	<ul style="list-style-type: none"> <li>No minimum</li> <li>Maximum not to exceed 25% of SBRLF Capital Base</li> </ul>
Application Fees Part I, Section 5.3	<ul style="list-style-type: none"> <li>Minimum of \$200 plus documentation fees of \$1,000 to \$2,000 plus and actual direct costs</li> </ul>	<ul style="list-style-type: none"> <li>Waive application</li> <li>\$250 document fee + closing costs</li> </ul>	<ul style="list-style-type: none"> <li>Fees may be reinstated as economic conditions permit.</li> </ul>
Interest Rate Part I, Section 5.4	<ul style="list-style-type: none"> <li>Minimum of Wall Street Journal Prime Rate</li> </ul>	<ul style="list-style-type: none"> <li>75% of WSJ Prime Rate (currently 2.44%)</li> </ul>	<ul style="list-style-type: none"> <li>0% for new and active loans during an initial 9-month term from May 8, 2020 or date of loan funding.</li> <li>Interest rates will be reevaluated at that time and may increase if federal</li> </ul>

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			<p>authority to waive 13 CFR §307.15(b) expires or is otherwise terminated by EDA.</p> <ul style="list-style-type: none"> <li>Unless otherwise authorized by EDA, the minimum interest rate shall be consistent with the requirements set forth in 13 CFR §307.15(b), currently 75% of WSJ Prime Rate or 2.44%.</li> </ul>
Private Investment Leveraging Ratios Part I, Section 5.5 & 8	<ul style="list-style-type: none"> <li>2:1</li> </ul>	<ul style="list-style-type: none"> <li>2:1</li> </ul>	<ul style="list-style-type: none"> <li>Add "These standards shall not apply to loans processed during periods when these standards have been "waived" by EDA".</li> </ul>
Loan Term (Working Capital Loans) Part I, Section 5.6	<ul style="list-style-type: none"> <li>Up to 5 years with no guaranteed deferral of payments</li> </ul>	<ul style="list-style-type: none"> <li>Up to 5 years with all payments deferred for 9 months</li> </ul>	<ul style="list-style-type: none"> <li>Loan terms may be adjusted if economic conditions do not return to "normal" within the 9-month deferral period.</li> <li>Deferrals may be reevaluated and extended for an additional 9-months as warranted by changing economic conditions.</li> </ul>
Collateral Requirements Part I, Section 5.7	<ul style="list-style-type: none"> <li>A landlord's consent to County or P.A. entry, or similar document, will normally be obtained where a borrower leases its facility in order to ensure adequate access to inventory and equipment collateral.</li> </ul>	<ul style="list-style-type: none"> <li>Unchanged</li> </ul>	<ul style="list-style-type: none"> <li>Add: "Landlord's failure to provide consent shall not be the sole cause for declining a loan application."</li> </ul>
Loan Application and Review Part II, Section 1			<ul style="list-style-type: none"> <li>Add introductory paragraph "The County recognizes that not all businesses have the same level of sophistication and that different economic climates may require nuanced approaches to underwriting loan applications. The County's overriding concern is to protect the public's money. The County and its Program Administrator will generally</li> </ul>

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			<p>apply the following requirements to all loan applications. When the P.A. believes that there are extenuating circumstances that merit deviation, the P.A. will notify the County of the deviations and reasons behind them as part of the credit memorandum prepared for the Loan Committee's consideration."</p> <ul style="list-style-type: none"> <li>• Deleted requirement for documentation that financing is otherwise not available.</li> </ul>
Loan Approval Part II, Section 6	CCRDC Loan Committee with County staff as LC member	CCRDC Chief Credit Officer CCRDC President CCRDC Loan Committee County participation on LC not required if it would delay approval of the loan	Loans up to \$25,000: <ul style="list-style-type: none"> <li>• CCRDC Chief Credit Officer</li> <li>• CCRDC President</li> <li>• County Staff</li> </ul> Loans over \$25,000: <ul style="list-style-type: none"> <li>• CCRDC Loan Committee</li> <li>• County staff as LC member</li> </ul>
Compensation Article 4, 4.01 of CCRDC Contract	Total compensation paid under this agreement: (a) Cannot exceed the amount of RLF Income, as defined in Section 4.02, earned during the invoice period. The maximum compensation paid in any one County fiscal year shall be \$150,000 in the event that RLF Income for that year is greater than \$150,000.		<ul style="list-style-type: none"> <li>• Provided that there is a source of funds which may be used to subsidize the general administration of the SBRLF, the County will use these additional funds to subsidize RLF Income not earned because extenuating economic circumstances have caused the County to approve loan deferments, including but not limited to; charge lower than usual interest rates, waiver of application fees or other mutually agreed reason.</li> <li>• In general, it shall be the goal of the County to allocate these funds so that the P.A. receives 67% of the funds and the County receives 33% of the funds.</li> </ul>

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			<ul style="list-style-type: none"> <li>• The County will provide the P.A. a subsidy of \$120,000 during the term of the EDA Recapitalization Grant expected to be awarded in July 2020.</li> </ul>