

Attachment 2

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

Portfolio Standard or <u>Regulatory Requirement</u>	<u>SBRLE</u>	<u>As Amended April 8, 2020</u>	<u>Proposed Amendments</u>
Source of RLF Funds Part I, Section 2			<ul style="list-style-type: none"> Replace Table 1 to recognize EDA consolidation of Awards 07-49-02640.01 and 07-39-03105 in 2015 and new EDA Award 07-79-07572.
Nature and Scale of Economic Adjustment Problems Part I, Section 3.2			<ul style="list-style-type: none"> Add – Beginning in March 2020, the U.S. began to see significant economic contraction related to the Novel Corona Virus (COVID-19). In April 2020, most businesses in Monterey County closed in response to Health Officer shelter at home orders to mitigate the spread of COVID-19. Because Monterey County's economy is dependent on agriculture and tourism, these shutdowns at the beginning of the high seasons for these industries have left many small businesses on the verge of closure.
Business Development Strategy Part I, Section 4.1			<ul style="list-style-type: none"> Add after last paragraph – Due to the almost unprecedented economic conditions brought on by the COVID-19 public health crisis, the County will shift the immediate focus from a traditional business development strategy to one that is focused on business retention and survival. <p>This change is also reflected later in different sections of this Administrative Manual dealing with fees, interest rates and underwriting standards, among others.</p>
General Lending Standards Part I, Section 5.1	<ul style="list-style-type: none"> In general, loan terms will not exceed the useful life of equipment financed 	<ul style="list-style-type: none"> Unchanged 	<ul style="list-style-type: none"> Change "five" to "seven years" for internal consistency with Part I, Section

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Portfolio Standard or Regulatory Requirement	SBRLF	As Amended April 8, 2020	Proposed Amendments
	or five (5) years for working capital loans.		6 of Administrative Plan.
Loan Size Part I, Section 5.2	<ul style="list-style-type: none"> • Minimum of \$10,000 • Maximum of \$250,000 	<ul style="list-style-type: none"> • No minimum • Maximum of \$25,000 but through traditional SBRLF can apply to loans over \$25,000 	<ul style="list-style-type: none"> • No minimum • Maximum not to exceed 25% of SBRLF Capital Base or: <ul style="list-style-type: none"> ○ \$479,127 for regular SBRLF lending ○ \$400,000 for COVID-19 related lending
Application Fees Part I, Section 5.3	<ul style="list-style-type: none"> • Minimum of \$200 plus documentation fees of \$1,000 to \$2,000 plus and actual direct costs 	<ul style="list-style-type: none"> • Waive application • \$250 document fee + closing costs 	<ul style="list-style-type: none"> • Fees may be reinstated as economic conditions permit.
Interest Rate Part I, Section 5.4	<ul style="list-style-type: none"> • Minimum of Wall Street Journal Prime Rate 	<ul style="list-style-type: none"> • 75% of WSJ Prime Rate (currently 2.44%) 	<ul style="list-style-type: none"> • 2.44% for new and active loans during the term of the loan from May 8, 2020 or date of loan funding. • Up to a 9-month deferment unless business cash flow shows that they can support repayment sooner. • Interest accrues during deferment period. • Interest rates will be reevaluated at deferment period maturity and may increase if federal authority to waive 13 CFR §307.15(b) expires or is otherwise terminated by EDA. • 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%.
Private Investment Leveraging Ratios Part I, Section 5.5 & 8	<ul style="list-style-type: none"> • 2:1 	<ul style="list-style-type: none"> • 2:1 	<ul style="list-style-type: none"> • These standards shall not apply to loans processed during periods when these standards have been “waived” by EDA
Loan Term (Working Capital Loans) Part I, Section 5.6	<ul style="list-style-type: none"> • Up to 5 years with no guaranteed deferral of payments 	<ul style="list-style-type: none"> • Up to 5 years with all payments deferred for 9 months 	<ul style="list-style-type: none"> • Loan terms may be adjusted if economic conditions do not return to “normal” within the deferment period.

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Collateral Requirements Part I, Section 5.7	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Unchanged 	<ul style="list-style-type: none"> Add: "Landlord's failure to provide consent shall not be the sole cause for declining a loan application."
Loan Approval Part I, 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 may be approved by the: <ul style="list-style-type: none"> CCRDC Chief Credit Officer CCRDC President County Staff As authorized by the or Program Administrator Board of Directors Loans over \$25,000: <ul style="list-style-type: none"> CCRDC Loan Committee County staff as LC member
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"> 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. 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. The County will provide the P.A. a subsidy of \$120,000 during the term of the EDA Recapitalization Grant.