



MWBE

MINORITY AND WOMEN
BUSINESS ENTERPRISE

LOAN POLICY MANUAL

Effective October 1, 2019

**Adopted By
The City of Greenville
May 17, 2019**

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Loan Policy Manual

Chapter 1

General Information

Introduction

The Loan Policy Manual is designed to provide guidance on overall policies and procedures for the City of Greenville (COG) MWBE Enterprise Fund (EF). It covers a variety of topics relevant to overall operations and is intended to provide a framework to insure that actions comply with program goals and that prudent decisions are made.

In an effort to promote economic development and inclusion, and to promote the development of its minority and women owned firms. The City of Greenville developed the MWBE Enterprise Fund. This fund will be a resource for current and potential business owners who may not qualify for conventional bank financing. For new entrepreneurs, EF will provide capital for business creation.

MWBE EF Loans are administered by the City of Greenville. The EF was developed in response to challenges faced by small businesses. The problems were identified through surveys conducted during the completion of the City of Greenville MWBE Small Business directory. This directory compiled information from 565 firms currently operating in the City of Greenville and Extra Territorial Jurisdiction (ETJ). From the firms listed 100 were selected to complete a survey of challenges and experiences they face in developing their business. From this survey two problems were identified by business owners: lack of access to capital and growth/expansion challenges at their current location.

Loans will be available for eligible small businesses. Existing businesses (i.e. currently registered with the state of North Carolina, other state body or have proof of business operations) will need to go through the loan process while new businesses (i.e. not registered with the state of North Carolina and no proof of business operations) will need to complete classes or training on business development and creation before eligible for funds. Businesses will need to be in operation for three years or more to be eligible as existing.

Mission

The COG reserves the right to amend, modify or revise this manual at any time, with or without prior notice, whenever in its sole discretion, it deems appropriate. In such cases, the MWBE Coordinator will notify applicants with loan requests in process, if any impacts are expected.

Regulatory Guidelines

Credit and operational criteria are outlined by:

- City of Greenville and its designees

In cases where a loan request has a component that is inconsistent with program guidelines, the decision authority will be notified of the potential exceptions to policy.

Guidelines for Contracts

COG must pre-approve contracts for managing, marketing, packaging, processing, closing, servicing, or liquidation functions.

Chapter 2

Credit Policies and Loan Administration

Introduction

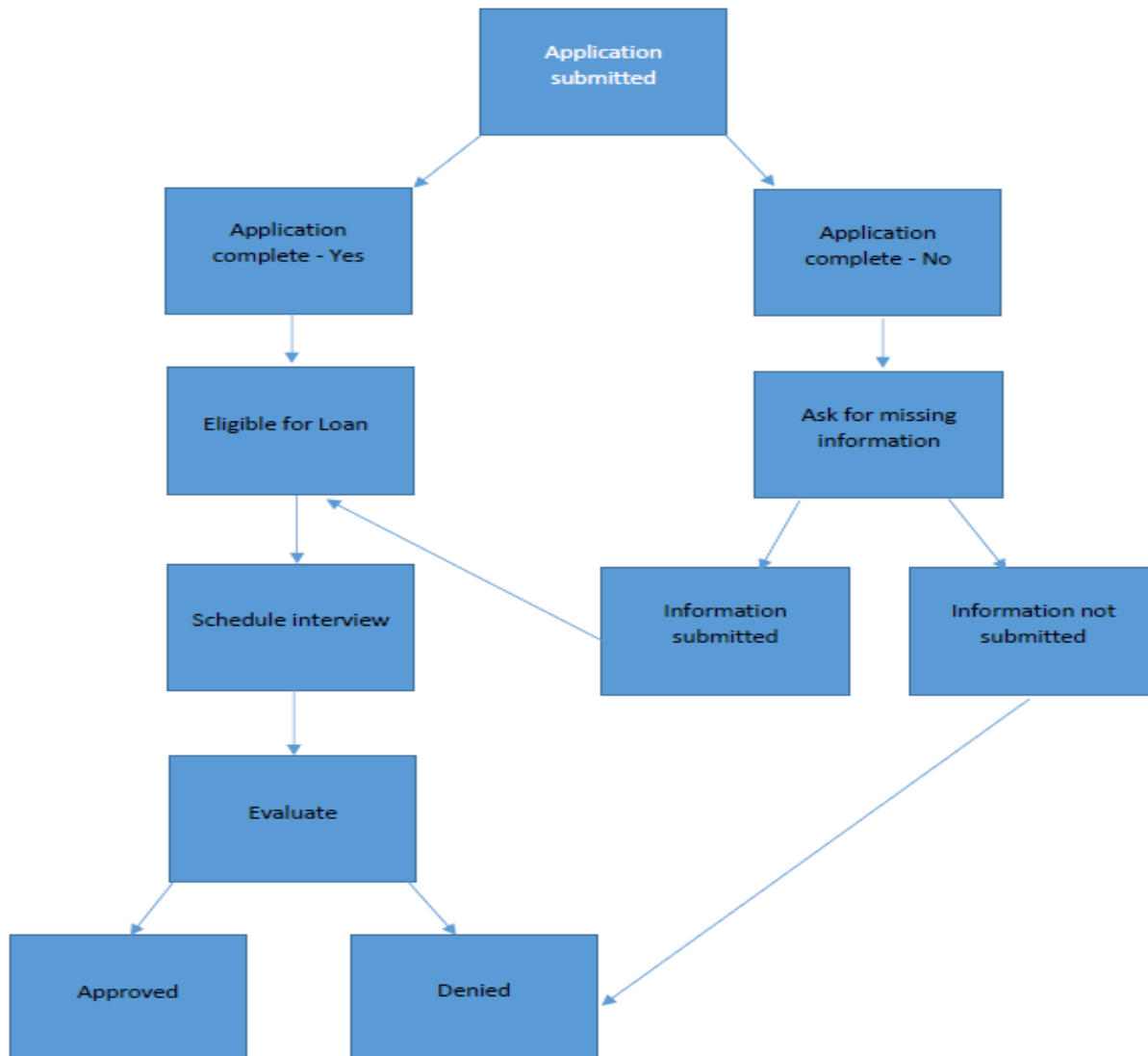
This section is designed to provide guidance on EF lending philosophies, policies and procedures.

Fair Lending Policy

The MWBE Enterprise Fund is committed to the principles of fair and equal opportunity lending. A consistent and high level of assistance and service will be provided regardless of race, color, national origin, religion, sex, age (as long as the applicant has the capacity to enter a contract), marital status, disability, receipt of public assistance, or other factors.

Loan Application and Approval Process

Loan approval processing will include:





The typical loan review process will usually follow the steps listed below. It is acknowledged that all projects are not the same, and that staffing needs, work flow, and timing/deadlines may impact the process. For streamlining and efficiency, the chronology below is the expected and preferred process.

Loan Processing Steps:

<i>STEP</i>	<i>TASK</i>
1	Reviewing and analysis of the project to determine eligibility and whether MWBE Program should move forward.
2	Once eligibility and application completion has been determined and staff decides to proceed, loan application information will be collected and forwarded to the contractor, BEFCOR, for loan analysis and financial review.
3	BEFCOR will review the application and prepare a credit memo including a financial analysis.
4	BEFCOR will create the credit analysis and summarize the strengths and challenges of the project.
5	Once the credit memo is complete, the project will be assigned a credit score. (If desired)
6	After the risk rating has been assigned, the credit memo should be forwarded to the MWBE Coordinator.
7	The signed commitment letter or term sheet will be added to the loan file. The closing process will commence.

Loan Review Guidelines

Cash Flow

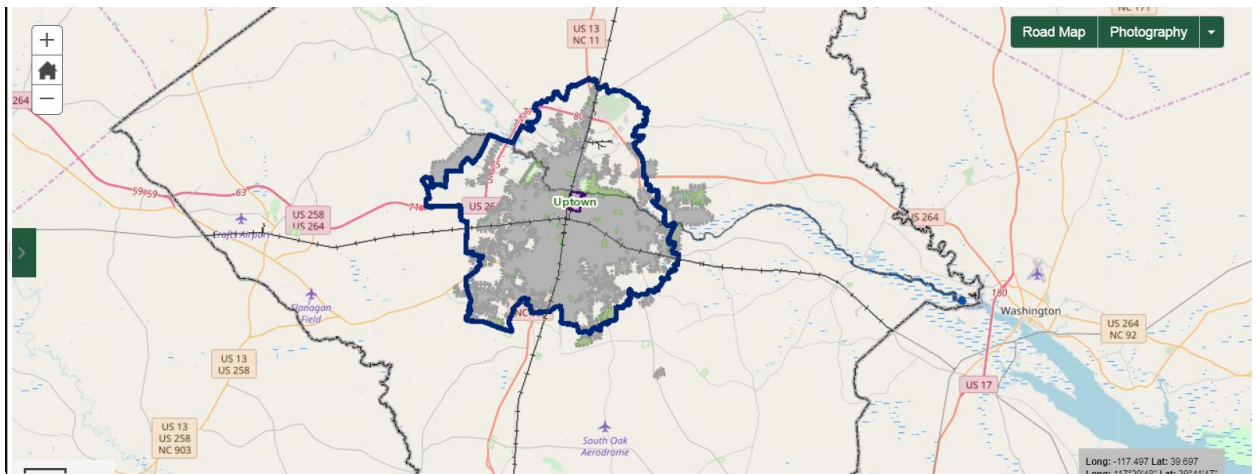
The cash flow of the Applicant, not the liquidation of collateral, is the primary source of repayment. Thus, if the financial analysis demonstrates that, from the cash flow of the business, the Applicant lacks reasonable assurance of repayment in a timely manner, the loan request must be declined, regardless of the collateral available.

Eligibility for MWBE Loans

Small businesses must meet the eligibility criteria as determined by the MWBE Program.

Eligibility rules for **types of businesses** include:

- Businesses and owners must LIVE AND OPERATE within City Limits or ETJ (as shown below).



- Operating full or part-time business
- All borrowers must have revenues/sales less than \$500,000 for the most recent year end.
- Organized for profit
- Engaged in an eligible, legal, legitimate business, and its owner(s) must have sufficient management capacity and be of good character
- Able to demonstrate a need for the credit and that the credit or funding (on comparable terms) are not available elsewhere or from other resources
- Owned by US citizens
- New businesses must demonstrate that the owner has successfully completed the MWBE Business Skills Boot camp, or has been evaluated and recommended by the SBTDC, or gained approval based on other assessment acceptable to the COG. All of the above require written, signed documentation.
- All applicants must be current on local, state, and federal taxes

The following businesses are ineligible:

- Businesses owned by an employee of the City of Greenville
- Non-profit businesses (for-profit subsidiaries may be eligible)
- Financial businesses primarily engaged in the business of lending, such as banks, finance companies, and factors (pawn shops, although engaged in lending, may qualify in some circumstances)
- Passive businesses owned by developers and landlords that do not actively use or occupy the assets acquired or improved with the loan proceeds – speculative or investment businesses (except where a real estate holding company leases to an otherwise eligible operating businesses)
- Pyramid sales distribution plans
- Businesses deriving more than one-third of gross annual revenue from legal gambling activities;
- Private clubs and businesses which limit patronage for reasons other than capacity
- Government-owned entities.
- Businesses principally engaged in teaching, instructing, counseling or indoctrinating religion or religious beliefs
- Loan packagers
- Businesses which present live performances or products of a prurient sexual nature
- Businesses or applicants involved in a default on a Federal loan or federally assisted financing resulting in a loss to the government, unless allowed by COG.
- Businesses primarily engaged in political or lobbying activities
- Speculative businesses

Eligible **Project Costs** include, but are not limited to:

- Land, Site Improvements
- Building Construction, Renovation, Expansion
- Machinery and Equipment, installation, dismantling, transportation, etc.
- Start-up Funding
- Furniture and Fixtures, if incidental and insignificant to weighted average maturity
- Professional Fees
- Working Capital
- Interim Financing, Bridge Financing
- Contingency Fund if 10% or less of construction cost

“Do-it-yourself” renovations, construction, improvements are discouraged.

Ineligible Project Costs:

- Political activities
- Refinancing of existing debt – unless existing financing is threatens the survivability of the business
- Purchase of equipment for personal use
- Owner salary and dividend payments
- Lending or Investment
- Floor plan financing
- Any other activity deemed inappropriate by the City Of Greenville

Eligibility is initially evaluated by the MWBE Coordinator during the screening, analysis, and underwriting processes and is discussed in the Credit Memo. Upon submission of an application, the MWBE Coordinator will further determine any eligibility concerns in the Loan Application or elsewhere in the application as appropriate. COG ultimately makes final eligibility determination. The MWBE Coordinator will thoroughly review each application to avoid any concerns over eligibility. When feasible, eligibility questions should be presented by COG prior to completion of the application– to avoid packaging a loan that may be deemed ineligible by COG and to avoid misinformation to applicants.

Loan Application Documents

The MWBE Coordinator will collect the following application documents, including but not limited to:

- Loan Application Form
- Credit Memo with a financial analysis of personal and business data, repayment ability, management capacity, and collateral adequacy and liquidation value
- Business Tax Returns for Borrowing Entities/Applicants– 3 years (year-end internally-prepared statements when tax returns are not yet filed for the last year)
- Projections for new businesses or when warranted otherwise
- Monthly Cash Flow, when required
- Debt Schedule
- Schedule of Government Debt
- List of Affiliates and Federal Tax Returns for at least 2 years
- Cost documents
- Environmental due diligence, if applicable
- Appraisal, if applicable
- Bank Term Sheet or Commitment Letter
- Credit Reports for Business, 20% or more owners, and guaranteeing affiliates
- Two letters of recommendation from professional references

- A \$100.00 application fee must be submitted with the loan application. Additionally, a non-refundable 1% commitment fee is due upon loan approval. The commitment fee can be deducted from the loan proceeds.
- A personal financial statement or business statement
- Statement and proof of personal financial contribution to new or existing business.

The MWBE Program has the flexibility at any time to require additional application information, if deemed necessary to develop a thorough analysis as part of the underwriting process. The MWBE Coordinator has the right to request additional information, if deemed relevant to making a sound loan decision.

All physical loan application documents will be stored in loan folders at all times.

Financial Credit Analysis, Underwriting, Credit Standards

Each application will be evaluated in a commercially reasonable manner, consistent with prudent lending standards via contract with BEFCOR. The cash flow of the small business application is the primary source of repayment, not the liquidation of collateral. Thus, if the financial analysis demonstrates that the applicant lacks reasonable assurance of repayment in a timely manner from the cash flow (existing or projected) of the business, the loan request should be declined regardless of collateral.

The decision to make a loan is based on an analysis of the borrower's ability to repay the proposed loan over the loan term. Primary considerations include:

- character, reputation and credit history of applicant, guarantors
- experience and depth of management
- financial performance and analysis based on tax returns or financial statements, review of applicant's trends, economic factors
- past and projected future cash flow, if applicable
- description and analysis of the business' credit experience, including a review of credit reports for guarantor affiliates
- nature and value of collateral
- industry factors such as benchmarks and outlook
- Other relevant information, such as franchise strength, affiliate factors, etc.

For a new business or a business whose historical performance cannot support the loan payments, projections must demonstrate the ability to service debt and projections must be analyzed for

reasonableness and completeness. Additional collateral, borrower contribution, or guarantees may be required for start-up businesses. An analysis of collateral adequacy, lien position, and liquidation value will be included in the credit memo.

The MWBE Coordinator will include the global analysis in its Credit Memo. Ideally, a debt service coverage “target” would be 1.20X for the borrower although it is acknowledged that many applicants may not yet demonstrate strong cash flows. In loan applications where the DSC is computed to be less than 1.2, the Credit Memo will provide reasons the request is creditworthy. Additional borrower contribution or collateral may be required if deemed necessary to mitigate risk.

Loan and Grant Amounts

The minimum loan amount is \$3,000 and the maximum amount of \$25,000. The maximum would be applicable to the total outstanding at any time to any borrower including all affiliated businesses.

Interest Rates

Interest rates will be fixed for the term of the loan and will be Wall Street Journal Prime +2% as of the date of the loan closing.

Terms

Loan terms will be 3-5 years, depending on the life of the collateral asset and the needs of the business applicants. Moratoriums of principal and/or interest may be offered, if warranted by staff. Even if a moratorium is offered, the term will not extend beyond 5 years.

Collateral

Generally, project collateral is deemed sufficient to secure the loan. In some circumstances, non-project collateral may be required. If collateral is insufficient, the application can move forward if at least 3 of the following are present:

- Strong, consistent cash flow that is sufficient to cover the new debt
- Demonstrated, proven management
- Existing business (generating revenue for 2 years or more)
- Project is a logical extension of the applicant’s current operation

Additional collateral and/or increased borrower contribution may be required.

Lien Position

MWBE Coordinator's credit memo will include an analysis of collateral adequacy, evaluation of lien positions, and review of liquidation values.

Loan-to-Value Limits

Collateral adequacy is determined on a case-by-case basis and is one component of the credit evaluation of every application.

Borrower's Contribution

Businesses or owners may be asked to contribute funds toward the total cost of their project. The contribution may be cash, land, funds borrowed from other sources, or other forms from the owner/s or borrowing entities.

If the borrower's contribution is borrowed and secured by a subordinate lien on the project assets, the loan may be required to be on full stand-by, but at minimum may not be repaid faster than the term of the EF loan.

Appraisals

If real estate secures an EF loan, the COG will determine if an appraisal will be required. As a general rule, most loans will not be secured by real property and the cost of an appraisal would be prohibitive. If real estate is financed and an appraisal is deemed necessary, the requirement will be included in the loan commitment. Tax records, information on similar types of property, and other resources may be used in lieu of an appraisal.

Environmental Investigation/Reports

Evaluation of potential environmental hazards should be a part of loan underwriting and portfolio management activities when real property is taken as primary collateral.

Requirements:

- Upon receipt of a loan application a determination will be made whether operating company is: 1) likely to adversely impact the environment or if the property has had environmentally sensitive occupants, per NAICS codes, 2) a gas station, 3) high risk NAICS code or; 4) Low Risk NAICS Code. The level of assessment will be determined based on the above categories and based on additional findings identified during an Environmental Questionnaire or inspection of the subject property. Additional environmental reports may be ordered based upon the findings.

Guarantors

All owners of 20% or more of the Borrower must provide a guarantee. A full or limited guarantee of an owner with less ownership than 20% may be considered. An EF loan will not usually be processed without a personal guarantee unless allowed by COG. Wholly owned affiliates must also guarantee, unless COG permits an exception.

Financial Statements

MWBE Coordinator will obtain current financial information on the borrower or the operating company (where applicable) at application. Annual financials and/or tax returns are required, when available.

Credit Reports

MWBE Coordinator may require a credit bureau report for all individual borrowers and guarantors for each EF loan processed. The credit report should be obtained from a reputable source. Credit scores can vary widely due to many reasons. For unsatisfactory or derogatory items, the guarantor/application should provide a full explanation and comment on whether better credit has since occurred. Credit reports should be no older than 90 days when submitted to the MWBE Coordinator

Risk Rating System

MWBE Coordinator utilizes a risk rating system as part of the overall credit review.

Bankruptcy

Operating Companies, real estate holding companies, or individuals who have filed for bankruptcy must be carefully evaluated on a case by case basis. Borrowers must provide information to demonstrate details about the bankruptcy.

Pricing and Fees

Fees that may be charged are as follows:

- **Processing Fee:** One percent (1.0%) of the loan amount, due at closing.
- **Closing Fees:** Applicant will pay all closing fees.
- **Late Payment Penalty Fee:** Loan payments received after the 30th of the month are subject to a late penalty fee of 2% of the monthly payment. A late fee will apply to each monthly payment.

Litigation

The presence of a lawsuit affecting an applicant will, at minimum, bring additional review by the MWBE Coordinator during loan processing. The MWBE Coordinator will determine if the lawsuit presents an operational or financial risk to the business, which would impact the creditworthiness of the applicant. The MWBE Coordinator will obtain relevant information and report it in the Credit Memo. A thorough assessment of the lawsuit and any supporting documentation could include items such as a statement from an attorney, insurance company, or the borrower.

If a financial impact is expected, the business and global cash flow analysis will reflect the impact on cash flow to repay debt service.

If a borrower threatens to or files bankruptcy, the counsel shall be notified immediately.

Exceptions to Credit Policy

It is expected that exceptions to policy will occasionally occur. Credit memos will list all requested exceptions.

The intent of the credit policy is to define the boundaries of acceptable degrees of risk. Accordingly, deviations from policy are justified only if they result in risk consistent with policy intent or when circumstances warrant, and COG offers concurrence. The policy exceptions must be clearly outlined in the loan application or credit memo with mitigating factors clearly explained.

Chapter 3

Loan Closing

Closing Responsibilities

The COG will prepare the closing documents for execution by the borrowers.

Loan Documentation

COG is responsible for all actions, documentation preparation, and other procedures necessary to close all EF loans. Collateral and other state-specific requirements are mandated by NC Statutes.

- FEMA Form 086-0-32 will be obtained to ensure that collateral is not located in a flood zone.
- A lien search on subject collateral will be performed by Closing Counsel. The title commitment will accomplish this for real property and a lien search will be used for furniture, fixtures and equipment.

Documentation substantiating the project costs and borrower contribution will be required. Settlement statements, and borrowers paid invoices and cancelled checks are sources of cost documents.

Chapter 4

Servicing and File Management Policies and Procedures

Purpose and Objectives

The MWBE Coordinator's servicing objective is to monitor loans in portfolio for the purpose of quickly identifying problem loans so that resources can be sought. MWBE Coordinator will seek to balance the two goals of assuring the repayment of loans and promoting the health and stability of small business borrowers.

Routine Loan Servicing

Routine loan servicing includes all regularly recurring requirements to monitor loan performance and assure continuity of collateral coverage under loan terms to include: hazard insurance, financials, property taxes, site visits and UCCs as required.

Monitoring of Loan Payments

COG will monitor closely the repayment of each loan.

There are several reasons why an EF borrower may not make a timely payment, however, a delinquent payment history generally indicates a borrower may be having financial problems.

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Delinquent Payments Reports Submitted to Management:

- 30 Days Delinquency Report
- 60 Days Delinquency Report

Collection Actions

The following collection procedures will be employed:

COG staff will work closely with the borrower to bring the loan current as soon as possible, determine the reason for the delinquent payment(s), take necessary steps to monitor the borrower's progress, and work with the borrower as appropriate to assure the loan is kept current. More serious temporary problems may be handled through loan modifications and/or deferments.

0-30 Days Delinquent:

Monthly payments are due on the first business day of each month. A loan is less than 30-days delinquent as long as a single missed payment is made by the end of the month.

- Borrowers not making payment on the due date will be contacted by phone and/or email to promote payment prior to the 15th of the month (when late payment penalties are assessed).
- After the initial phone call is made, follow-up information is provided in writing with instructions to wire transfer the payment.
- The borrower will be advised that if the payment is not received by the 30th of the month, a late payment penalty will be assessed.
- All calls made will be documented and retained in the servicing file.
- Follow-up calls to the borrower will be made through the end of the month until each missed payment is collected.
- Borrowers not making up the payment by the end of the month may be placed on the Watch List for more intensive review and follow-up.

30-60 Days Delinquent:

- Borrowers missing one loan payment who have not made up the payment by the end of the month are contacted by the servicing staff. The attempt will be made to determine the cause of the delinquency and whether the borrower is experiencing a short-term problem or problems of a more serious nature. If a change in financial condition is evident, a site visit may be needed depending on the severity of the issue.

- Initial emphasis should be on getting the loan current. If the borrower misses a second payment more intense contact is prudent, including a site visit to the borrower and a call to the first mortgage lender to determine the status of the first mortgage loan.

60+ Days Delinquent:

- A loan becomes 60 days delinquent when the borrower is two payments delinquent and no payment is made by the end of the month in which the second payment was missed. By the time a loan is 60 days delinquent, the COG should be aware of the problems the borrower is having and be prepared to determine if a deferral/catch-up plan should be submitted or if a liquidation plan should be drafted. A site visit will be made and frequent contact with the Servicing Officer is warranted.
- Loans more than 60 days past due for which no deferral is deemed feasible should be considered for referral.
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Deferrals:

- Prior to granting a deferment, updated financial information will be analyzed to determine if the deferment will resolve the concern. A written statement will be obtained from the borrower outlining the reason(s) for its cash flow problems and how the deferment will resolve the concern(s).
- A deferment request with a financial analysis and evidence that the borrower can repay the debt should be submitted for approval.

Monitoring of Collateral

The purpose of routine collateral monitoring is to assess the status of collateral securing loans to assure the collateral is being maintained properly, is insured against unforeseen loss, to assure that all property taxes are current, and to assure continuity of public filings.

- **Site Visits:** Site visits are conducted to monitor collateral and the operational and financial status of the borrower, to communicate to the borrower any unmet servicing requirements, to verify borrower occupancy, to identify any possible environmental problems, and to make the borrower aware of the availability of SBA management assistance programs for borrowers experiencing difficulties in their business.

The following minimum guidelines shall more typically be met:

Site visits will be conducted per the following policy:

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- MWBE Coordinator will strive to complete a site visit on/near the one-year anniversary of the funding date.
- Borrowers with past due payments will be visited more frequently.
- Servicing action: Interim site visits will be made (as needed) to borrowers requesting changes or modifications to their loan.
- Whenever the MWBE Coordinator has cause for concern regarding a specific borrower, a site visit will be performed to determine the status of the borrower and collateral securing the loan.

MWBE Coordinator will attempt to notify borrowers prior to all site visits to inform them of the purpose for the visit and request any information needed to complete servicing requirements of the loan agreement.

- **Property Taxes:** It is the policy of MWBE Coordinator to verify annually the timely payment of property taxes on properties securing MWBE Enterprise Fund financing. The Coordinator will notify borrower of the violation via letter and request prompt payment or details of a payment plan to remedy the taxes.

Failure of the borrower to keep property taxes current is a violation of the loan agreement. COG may elect to pay the taxes and bill the client or insist the client arrange payment.

- **Insurance:** It is a requirement of all loans that the City of Greenville be listed as a mortgagee and/or lender's loss payable for insurance coverage of property taken as security. As such, the MWBE Coordinator should receive Certificates of Insurance as policies are originated or renewed by the borrower. MWBE Coordinator will establish the "anniversary date" for all required policies when the loan is funded and monitor the continuity of coverage.

Certificates of Insurance received by MWBE Coordinator will be reviewed as to compliance with loan terms and filed in the servicing loan file. If a certificate is not received by the renewal date, MWBE Coordinator will contact the agent and/or the borrower to assure that adequate insurance is in force and that a certificate is provided.

- **Renewal of UCC Filings:** The MWBE Coordinator monitors and files renewals of all UCC filings prior to the 5-year expiration date when applicable.
- **Appraisals:** The MWBE Coordinator will not typically require periodic collateral appraisals for real property during servicing. However, appraisals may be required, if needed, to consider granting collateral coverage requests by the borrower. If a recent

appraisal has been prepared, the MWBE Coordinator may seek to obtain a copy of the appraisal for review.

Monitoring of Financial Condition

The MWBE Coordinator recognizes the value in monitoring the financial strength of borrowers. Where deterioration in the financial condition is observed, the MWBE Coordinator may be able to assist the borrower to take remedial action before a default occurs. Action may include informing the borrower of management assistance programs available.

- **Federal Tax Return or Financial Statement Collection and Analysis:** Annual Servicing review includes the analysis of federal tax returns for each borrower to evaluate the borrower's ability to continue to make timely loan payments. The objective is to identify poor financial performance which may result in failure to meet requirements of their loan agreement. Such review allows more intensive servicing efforts on weaker loans in the portfolio and assist borrowers to address problems at an early stage when more alternatives for resolution are available.

An annual reminder will be sent to each borrower within 120 days following the borrower's fiscal year-end requesting tax returns for the borrower. Follow-up mailings, emails, and/or phone calls will be conducted to borrowers not responding to the initial reminder. Latest statements will be reviewed for sales trends, profitability, liquidity, financial leverage, etc. Significant adverse trends, in the judgment of MWBE Coordinator, may require the loan to be serviced more frequently or placed on the watch list.

Borrowers showing deteriorating financial condition may be required to submit interim statements as necessary for more frequent monitoring.

- **Status of Liens or Judgments:** Any significant lien will be noted in the borrower's file and the borrower will be contacted by the MWBE Coordinator if, in the MWBE Coordinator's opinion, the lien or judgment indicates a weakening of the borrower's financial condition or will constitute a serious impairment on the ability of the borrower to make loan payments.
- **Credit Reports:** Through BEFCOR and the MWBE program partnership there will be maintained a subscription with at least one business credit and/or personal credit reporting agency(s). A credit report for each major individual guarantor/obligor may be obtained, if deemed necessary by MWBE Coordinator, and reviewed at least annually if the applicant demonstrates questionable ability to repay the loan such as delinquent EF or bank payments, presence of judgments, or evidence of financial deterioration.

Risk Rating

To facilitate the orderly review of the quality of the MWBE Coordinator's active loan portfolio and to more efficiently direct staff loan servicing resources, the MWBE Coordinator maintains a loan risk rating system.

A grade will be assigned to a loan based on the review of the criteria. Every attempt will be made to complete a routine review of all active loans at least annually upon the borrower's funding anniversary. Changes in loan rating may result in more or less intensive monitoring of the borrower by MWBE Coordinator, according to servicing policies contingent on loan rating (such as site visit frequency or financial reporting requirements).

A deviation/adjustment made to the risk rating of a borrower can be made only by the MWBE Coordinator.

When a business fails to submit financial data timely, the MWBE Coordinator may downgrade the risk rating.

Analyzing/Grading Financials: Year-end financials will be reviewed once received. An analysis will be prepared and a rating assigned to the credit using guidelines developed by the COG which considers the borrower's management, profitability, loan seasoning, repayment history and balance sheet.

Liquidation

The COG will facilitate all liquidation actions.

For a loan that has borrowers unwilling to repay the debt, the loan should be charged off after all collateral liquidation and guarantor collection efforts have been exhausted if applicable.

On-Going Portfolio Management COG files should be documented

If at any time during the portfolio monitoring process it is discovered that the borrower(s) has violated the terms of the EF loan agreements, the non-compliance issue will be immediately reported to COG.

Loan Servicing

The COG is responsible for the preparation of all servicing requests. All servicing requests will be submitted to the MWBE Coordinator for approval and/or notification.

Routine Servicing Requests

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Routine servicing requests such as No Cash-Out Subordinations, Release and Substitution of similar or like-kind Collateral/Guarantor, Deferments, etc. will be submitted to the MWBE Coordinator. Prior to processing these requests, updated financials and all other necessary information will be collected.

Deferral

The following items are required for an initial review and credit decision by the MWBE Coordinator.

- A detailed explanation from the borrower specifically addressing why a payment deferral is needed and what factors will allow the business to successfully resume making payments after the deferral period (detailed business projections supporting these assumptions, if possible)
- Current business and personal financials (dated within the last 90 days)– balance sheet, profit and loss statement and a debt schedule
- Current business and personal tax returns

Chapter 5

File Management Policy and Procedure

The purpose of this policy is to provide direction for the orderly management of loan files from the time a loan application is ready for submission through the file's entry and residence in the permanent loan portfolio. The objectives of file management are as follows:

- Security of loan files
- Knowledge of the location of all loan files
- Consistency in the physical location of key loan documents in the loan files
- Efficient access of key loan information through the loan file and/or the computerized portfolio database

Loan File Maintenance begins when a file becomes part of the active loan portfolio and continues until a file (loan) achieves some final disposition (prepaid, paid in full, and liquidated).

The three files maintained in the COG office are:

- **Application File:** The file containing the original loan application with corresponding documentation is maintained on site in filing cabinets.
- **Closing File:** The file containing key documents and checklists necessary to complete the loan closing is kept in the Closing File.
- **Servicing File:** Bank payment/status letters, property tax payment records, site visit records, evidence of insurance coverage, job certification, UCC filings (if applicable) and relevant financials/partial FTRs will be kept in this file. Full copies of the FTRs will be scanned and retained in electronic files.

Loan File Transition

Loan file transition is the physical disposition of loan documents immediately following loan approval and funding. Following is a description of the tasks to be performed during the transition period.

Loan File Maintenance

Loan file maintenance includes the tasks of keeping all files secure from possible damage or unauthorized access, logging/monitoring the location of all files at all times, filing all servicing items properly, and the proper final disposition of loan files (prepaid, paid in full, and liquidated).

- **File Protection:** Originals of some loan closing documents are held secure in special fire-protected facilities. MWBE Coordinator should take care to assure that the locations of its files are at secure locations with adequate fire prevention systems.
- **File Access:** The MWBE Coordinator may access any loan files, provided that such access is for legitimate lender purposes.

If an electronic file system is utilized, staff will maintain documentation on the system.

- **Filing of Servicing Documents, Correspondence, etc.:** The MWBE Program is responsible for maintaining service files.

Final Loan File Disposition

A loan will leave the active loan portfolio in the event of early prepayment, payment in full (to term), or through liquidation. Final disposition of files will be managed as follows:

- **Prepaid Loans:** Upon receipt and distribution of release documents to the borrower, loan files will be updated to reflect the prepaid status of the loan. Loan files will be retained in compliance with NC general statute pertaining to public records law.
- **Paid in Full Loans:** “Paid in full” loans are loans that are repaid to the full term of the loan. Disposition of all files for these loans will be the same as prepaid loans. Loan files will be retained in compliance with NC general statute pertaining to public records law.
- **Liquidated Loans:** Upon being notified that the loan has completed the liquidation process, the loan files can be stored at a permanent liquidation file location along with the corresponding Application and Legal/Closing Files in compliance with NC general statute.
- **Cancelled Loans:** Files for partial applications, applications not approved, and approved applications that are not funded will be held for no longer than compliance with NC general statute governing public records permits.

- Additionally:
 - Inquiries, Partial Applications, Withdrawn Applications and Applications Declined must be retained in compliance with NC general statute governing public records.
 - Correspondence– General Correspondence must be retained for 1 year (electronic copies are acceptable). Case-specific correspondence should be filed in case files to include e-files.

The Loan Application File, Loan Closing File, and Servicing File constitute a complete Loan File for a customer. Complete copies of the Loan Application Package, Loan Closing File, and Servicing File shall be maintained for each customer. **NO EXCEPTIONS ARE PERMITTED FOR REQUIRED DOCUMENTATION.**