

**COUNTY OF SULLIVAN INDUSTRIAL  
DEVELOPMENT AGENCY  
RURAL MICROENTREPRENEUR  
ASSISTANCE PROGRAM  
(RMAP)**

**FUNDED BY UNITED STATES  
DEPARTMENT OF AGRICULTURE,  
RURAL DEVELOPMENT  
AND  
COUNTY OF SULLIVAN INDUSTRIAL  
DEVELOPMENT AGENCY**

**Policy Guidelines**

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**County of Sullivan Industrial Development Agency  
Rural Microentrepreneur Assistance Program  
Policy Guidelines**

**Section 1. GENERAL**

- 1.1 Policy Guidelines. These policy guidelines contains the provisions and procedures by which the County of Sullivan Industrial Development Agency (“CSIDA”) will administer the Rural Microenterprise Assistance Program (“RMAP”) funded by an award received from the United States Department of Agriculture Rural Development, Rural Business Cooperatives Services and matching funds provided by CSIDA. These Policy Guidelines are adopted by CSIDA and are intended to serve as the primary administrative document for CSIDA’s RMAP Rural Microloan Revolving Fund (“RMRF”) and Technical Assistance and Training Program (“TATP”). Any changes to these guidelines must be adopted by the CSIDA. A RMAP Review Committee consisting of two (2) members of CSIDA and CSIDA’s Chief Executive Officer (“RMAP Review Committee”) shall oversee the RMRF and the TATP. The two (2) CSIDA’s members serving on the RMAP Review Committee shall serve at the pleasure of CSIDA.
- 1.2 Purpose and Scope. The purpose of the program is to support the development and ongoing success of Rural Microentrepreneurs and Microenterprises. To accomplish this purpose, the CSIDA will:
- (a) Provide Microloans to Rural Microentrepreneurs and Microenterprises from the RMRF.
  - (b) Provide business based technical assistance and training to rural Microborrowers and potential Microborrowers from the TATP.
  - (c) Perform other such activities as deemed appropriate by the Secretary of Agriculture to ensure the development and ongoing success of rural Microenterprises.
- 1.3 Form of Assistance. The RMRF may provide assistance in the form of secured loans from the RMRF or grants for technical assistance and training from the TATP. Technical assistance and training means the provision of education, guidance, or instruction to one or more Rural Microentrepreneurs to prepare them for self-employment; to improve the state of their existing rural microenterprises; to increase their capacity in a specific technical aspect of the subject business; and, to assist the Rural Microentrepreneurs in achieving a degree of business preparedness and/or functioning that will allow them to obtain, or have the ability to obtain, one or more business loans of \$50,000 or less, whether or not from program funds.
- 1.4 Definitions and Abbreviations.
- (a) The following definitions apply to the terms used in this subpart.

- (i) Close Relative. Individuals who are closely related by blood, marriage, or adoption, or live within the same household: a spouse, domestic partner, parent, child, brother, sister, aunt, uncle, grandparent, grandchild, niece, or nephew.
- (ii) Default. The condition that exists when a borrower is not in compliance with the promissory note, a loan and/or grant agreement, or other related documents evidencing a loan or a grant.
- (iii) Delinquency. Failure by a borrower to make a scheduled loan payment by the due date or within any grace period as stipulated in a promissory note or loan agreement.
- (iv) Eligible Project Cost. The total cost of a borrower’s project for which a microloan is being sought from CSIDA less any costs identified as ineligible in § 2.2.
- (v) Full –Time Equivalent Employee (“FTE”). For purposes of this program, a full-time job is a job that has at least 35 hours in a work week. As such, one full-time job with at least 35 hours in a work week equals one FTE; two part-time time jobs with combined hours of at least 35 hours in a work week equals one FTE, and three seasonal jobs equals one FTE. If an FTE calculation results in a fraction, it should be rounded up to the next whole number.
- (vi) Microborrower. A microentrepreneur or microenterprise that has received financial assistance from CSIDA under this program.
- (vii) Microenterprise. Microenterprise means:
  - (1) A sole proprietorship located in a Rural Area; or
  - (2) A business entity, located in a Rural Area, with not more than 10 FTEs. Business types may also include agricultural producers provided they meet the stipulations in this definition.
  - (3) All Microenterprises assisted under this regulation must be located in Sullivan County, which qualifies as a Rural Area.
- (viii) Microentrepreneur. An owner and operator, or prospective owner and operator, of a microenterprise who is unable to obtain sufficient training, technical assistance, or credit other than under this program.
- (ix) Microloan. A business loan of not more than \$50,000 with a fixed interest rate and a term not to exceed 10 years for equipment loans and a variable interest rate and term not to exceed 5 years for working capital loans.
- (x) Military Personnel. Individuals, regardless of rank or grade, currently in active United States military service with less than 6 months remaining in their active duty service requirement.
- (xi) Nonprofit Entity. An entity chartered as a nonprofit entity under State Law.
- (xii) Program or RMAP. The Rural Microentrepreneur Assistance Program.
- (xiii) Rural or Rural Area. Any area of a State not in a city or town that has a population of more than 50,000 inhabitants, according to the latest decennial census of the United States, and the contiguous and adjacent urbanized area, and any area that has been determined to be “rural in character” by the Under Secretary for Rural Development, or as otherwise

identified in this definition. All of Sullivan County qualifies as a rural area under current USDA regulations.

- (xiv) Technical Assistance and Training Program or TATP. The provision of education, guidance, or instruction to one or more Rural Microentrepreneurs to prepare them for self-employment; to improve the state of their existing rural Microenterprises; to increase their capacity in a specific technical aspect of the subject business; and, to assist the Rural Microentrepreneurs in achieving a degree of business preparedness and/or functioning that will allow them to obtain, or have the ability to obtain, one or more business loans of \$50,000 or less, whether or not from program funds.
- (xv) TATP Grant. A grant, the funds of which are used to provide technical assistance and training.
- (xvi) USDA. USDA Rural Development, Rural Business-Cooperative Service or its successor organization.
- (xvii) USDA Personnel. Individuals employed by USDA.

(b) Abbreviations. The following abbreviations apply to the terms used in this subpart.

FTE – Full-time equivalent employee  
RMAP – Rural Microentrepreneur Assistance Program  
RMRF – Rural Microloan Revolving Fund  
TATP – Technical Assistance and Training Program

1.5 Nondiscrimination and Compliance with Other Federal Laws.

- (a) Any individual or entity receiving funds under this Program must comply with other applicable Federal laws, including the Equal Employment Opportunities Act of 1972, the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and 7 CFR part 1901, subpart E.
- (b) CSIDA prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program.

1.6 RMAP Assistance Limits. The combined assistance provided in the form of a RMRF loan and a TATP grant shall not exceed seventy-five (75%) percent of the eligible project cost of the Microborrower's project. The Microborrower must obtain the remaining twenty-five (25%) percent of the eligible project cost from non-Federal sources. The Microborrower's share of the eligible project cost may be provided in cash or in the form of in-kind contributions.

1.7 General. It is the responsibility of the each Microborrower to repay CSIDA in accordance with the terms and conditions agreed to with CSIDA.

## **Section 2. ELIGIBILITY REQUIREMENTS**

- 2.1 Eligible Microloan Purposes. Microloans for qualified business activities and expenses include:
- (a) Working capital (but not on a revolving basis);
  - (b) The purchase of furniture, fixtures, machinery or equipment;
  - (c) The purchase of supplies or inventory;
  - (d) Business acquisitions; and
  - (e) The purchase or lease of real estate that is already improved and will be used for the location of the subject business only, provided no demolition or construction will be accomplished with program funding.
- 2.2 Ineligible Microloan Purposes and Uses. Microloans under this program may not be made for the following purposes or uses:
- (a) Construction Costs.
  - (b) Any amount in excess of that needed by a Microborrower to accomplish the immediate business goal.
  - (c) Assistance that will cause a conflict of interest or the appearance of a conflict of interest including but not limited to:
    - (i) Financial assistance to USDA employees, or their close relatives;
    - (ii) Financial assistance to principals, directors, officers, or employees of CSIDA or their close relatives;
    - (iii) Financial assistance to any entity the result of which would appear to benefit CSIDA or its directors, or employees, or their close relatives.
  - (d) Distribution or payment to a Microborrower for use of all or any portion of the microloan for other than the purpose for which it was intended.
  - (e) Distribution or payment to a charitable institution not gaining revenue from sales or fees to support the operation and repay the microloan.
  - (f) Microloans to a fraternal organization
  - (g) Any microloan to an applicant that has an RMAP funded microloan application pending with another Microlender or that has an RMAP-funded microloan outstanding with another Microlender that would cause the applicant to owe a combined amount of more than \$50,000 to one or more Microlenders under this program.
  - (h) Any illegal activity.
  - (i) Any project that is in violation of either a Federal, State, or local environmental protection law, regulation, or enforceable land use restriction unless the microloan will result in curing or removing the violation.
  - (j) Microloans to lending and investment institutions and insurance companies.
  - (k) Golf courses, race tracks, or gambling facilities.
  - (l) Any lobbying activities as described in 7 CFR part 3018.
  - (m) Lines of credit.
  - (n) Subordinated liens.
  - (o) Use of a program funded loan to pay debt service on a previous loan. Funded in whole or in part from Federal sources.

- 2.3 Military Personnel. Military personnel who are or seek to be a Microentrepreneur and are on active duty with six (6) months or less remaining in their active duty status may receive a Microloan and/or TATP grant if they are otherwise qualified to participate in the program.
- 2.4 Eligible Borrowers. Eligible borrowers include sole proprietorships, partnerships, corporations and limited liability companies. Loans may also be provided to individuals acting as principals of an eligible entity and who will rent or lease assets to an otherwise eligible borrower.

### **Section 3. PROGRAM STANDARDS**

- 3.1 RMAP Financing Amount. RMRF loans are intended to provide financing not otherwise available from traditional financing sources. Each Microborrower must satisfy the credit elsewhere test. The RMRF will make loans only to those Microborrowers that cannot obtain business funding elsewhere at affordable rates and acceptable terms.
- 3.2 Minimum Amount of RMRF. A loan from the RMRF will not be considered where the amount of such required assistance is less than Five Thousand and 00/100 (\$5,000.00) Dollars.
- 3.3 Maximum Amount of RMRF. A loan from the RMRF may not exceed Fifty Thousand and 00/100 (\$50,000.00) Dollars.
- 3.4 Grant Limitations. Except in exceptional circumstances, the TATP grant component of RMAP assistance shall not exceed ten (10%) percent of eligible project costs.

### **Section 4. LENDING POLICIES**

- 4.1 Term of Loans. For fixed asset loans the loan term shall not exceed the useful life of the assets being financed, with such periods being consistent with standard commercial lending policies and in no instance exceeding ten (10) years. For working capital loans, the loan term shall not exceed five (5) years. For all loans, the term shall be determined by the RMAP Review Committee based upon such factors as the structure of other related loans, the nature of the collateralized assets, and the borrower's projected ability to repay the loan.
- 4.2 Interest Rate.
- (a) For fixed rate loans, the interest rate shall be one (1%) percent plus the treasury constant maturity index published for the week immediately prior to the loan closing date for the same time-frame as the loan amortization.
  - (b) For variable rate loans, the interest rate shall be the prime rate as published in the Wall Street Journal plus one (1%) percent. The rate shall be adjusted annually on the payment date following the loan anniversary date.
  - (c) In no event shall any fixed rate be less than four (4%) percent at any time.



- 4.3 Repayment Terms. The RMAP Review Committee will determine the schedule of loan repayments on case-by-case basis based on the applicant's projected ability to repay the loan, the projected value of the collateral and other security, and the overall risk assumed. Repayment terms may involve standard forms of loan amortization, periods of interest only payments, extended amortization schedules with balloon payments of principal and/or such other terms as may be determined by the RMAP Review Committee to be appropriate.
- 4.4 Microloan Insurance Requirements. The requirement of reasonable hazard, key person and other insurance will be at the discretion of the RMAP Review Committee.
- 4.5 Credit Elsewhere Test. Microborrowers are subject to a "credit elsewhere" test so that the Microlender will make loans only to those borrowers that cannot obtain business funding of \$50,000 or less at affordable rates and on acceptable terms. Each Microborrower must provide CSIDA with evidence that the Microborrower has sought credit elsewhere or that the rates and terms available within the community at the time were outside the range of the Microborrower's affordability. Evidence may include a comparison of rates, loan limitations, terms, etc. for other funding sources to those offered by the Microlender. NOTE: Denial letters are not required because most Microborrowers are in a position of attempting to establish credit. In order to obtain a denial letter, a Microenterprise or Microentrepreneur must apply for a loan. Once denied, a report is filed with the credit reporting bureaus, thus forcing a denial of credit to the report. This is a detriment to the Microenterprise or Microentrepreneur and is the opposite of what this program attempts to accomplish, which is to ease access to credit for the very smallest of businesses. Denial letters from other lenders are not required.
- 4.6 Security. The RMAP Review Committee will determine the required security for each loan on a case-by-case basis based on such factors as risk of default, the nature and value of the security, and the position of the RMRF loan in relation to the other lenders. In determining the appropriate security, the following will apply:
- (a) The RMAP Review Committee will generally require a security interest in all assets financed. Collateralization of additional assets of the borrower may be required at the RMAP Review Committee's option.
  - (b) For loans to corporations or limited liability companies the RMAP Review Committee may require the personal guarantee of any owner of stock or membership interest of the borrower.
  - (c) For loans to corporations or limited liability companies, the RMAP Review Committee may require collateralization of selected personal assets of one or more of owners of stock or membership interest of the borrower.
  - (d) For loans to individuals, partnerships, or corporations that have affiliated interests and/or identities of ownership with other business entities, the RMAP Review Committee may require additional guarantees.

- (e) For loans to businesses that have a dependence upon specific individuals for their continuing viability, the RMAP Review Committee may require an assignment of insurance on the lives of those persons.

4.7 Subordination.

- (a) The standing of the financing relative to other public or quasi-public lenders will be negotiated on a case-by-case basis.
- (b) The RMAP Review Committee will generally require subordination to financing of the notes payable to any officer, owner, or similarly affiliated party to the borrower where appropriate and feasible. Such subordination may include subordinate security interests and/or repayment restrictions.
- (c) The RMAP Review Committee will generally require the execution of intercreditor agreements in instances where multiple lenders exist. The use and form of such agreements shall be the responsibility of the CSIDA Attorney.

**Section 5. APPLICATION PROCESSING**

- 5.1 Applications. Application for a loan, grant or combination thereof must include all of the information required by the Application form (attached hereto as Appendix A), and any additional information as may be reasonably requested by the RMAP Loan Review Committee.
- 5.2 Application Fee. A Two Hundred Fifty and 00/100 (\$250.00) Dollar non-refundable application fee shall be paid at the time of submission of an application.
- 5.3 Application Processing. The processing of an application will be the responsibility of the CSIDA staff and the RMAP Review Committee and will generally consist of the following:
  - (a) Review of applications for completeness and procurement of appropriate additional information.
  - (b) Review for RMAP Fund program eligibility criteria.
  - (c) Determine economic feasibility, perform credit analysis, and assess risk.
  - (d) Determine amount and terms of loan and/or grant and investigation of appropriate security.
- 5.4 Approval. The RMAP Review Committee shall process and review applications and present them to CSIDA with recommendations for approval or disapproval. CSIDA shall have sole authority to approve RMRF loans and TATP Grants. The application of other appropriate conditions of lending and covenants of the borrower/grant recipient shall be the responsibility of CSIDA's Attorney with the input from the CSIDA Chief Executive Officer.

## 5.5 Disapproval.

- (a) Applications may be disapproved by the CSIDA's Executive Director based on a lack of application completeness or a failure to meet the eligibility criteria. In such instances, the applicant will be notified in writing of the reason(s) for disapproval.
- (b) Applications may be disapproved at the direction of the RMAP Review Committee if the committee determines that RMAP assistance is clearly inappropriate based on the reviews conducted in accordance with Section 5.3(c) hereof. In such instances, the applicant will be notified in writing of the reason(s) for disapproval.
- (c) Applications may be disapproved by the RMAP Review Committee for any reason or reasons which represent a reasonable determination that the approval of the RMAP application would not meet the objectives of this Program and/or would not represent an appropriate or prudent use of RMAP funds. In such instances, the applicant will be notified in writing of the reason(s) for disapproval.

## **Section 6. POST-APPROVAL PROCESS**

6.1 Commitment Letter. Within thirty (30) calendar days from the date of CSIDA's approval of a loan and/or grant hereunder, a commitment letter shall be sent to the applicant that includes, at a minimum, the following information:

- (a) The amount of the loan approved, the applicable interest rate, the term of the loan, the terms or repayment, and the expiration date of the commitment.
- (b) If applicable, the amount of the TATP Grant approved, and the conditions associated with the TATP Grant.
- (c) The required use of the RMAP assistance.
- (d) The RMRF requirements for collateral and additional security, including guarantees, pledges of assets, stock, membership interest, assignment of life insurance, etc.
- (e) Summary information regarding employment requirements.
- (f) Any other conditions of the loan/grant.
- (g) A listing and explanation of any fees to be charged and other closing costs that will be the responsibility of the borrower/grant recipient.
- (h) A listing of those conditions and requirements that must be fulfilled precedent to a closing on the RMAP assistance.
- (i) Any other information that could reasonably be expected to influence the borrower's decision to accept the terms of the loan commitment.

6.2 Closings. The CSIDA Attorney shall have the responsibility to prepare and/or require the preparation of all appropriate closing documents. The borrower shall be required to pay all closing costs incurred by the CSIDA including costs incurred by the CSIDA acting on behalf of the borrower. CSIDA's Attorney shall determine the appropriate closing documents to be executed based upon the terms and conditions of the loan approval and

standard commercial lending policies. Such documents shall generally include the following:

- (a) A note or notes to evidence the indebtedness and the terms of repayment.
- (b) The appropriate documents to evidence and record mortgages, liens, guarantees, and such other security as may be required by the terms of the loan.
- (c) Other appropriate documents as determined by CSIDA's Attorney.
- (d) If applicable, an agreement outlining the conditions associated with any grant.

6.3 Security. CSIDA's Attorney will be responsible for perfecting all security interests including, where appropriate, the execution of security agreements, the filing of financing statements, the execution and filing of mortgage documents, the execution of guarantees, and any other appropriate actions to adequately protect the RMRF's security interest. Intercreditor agreements should be executed where appropriate to further protect the RMRF's interests and to facilitate the processing of defaults and foreclosures.

6.4 Disbursements. The disbursement of loan and/or grant proceeds shall be the responsibility of CSIDA's Executive Director. For such disbursement, the following guidelines shall generally apply:

- (a) Subject to the borrower's compliance with the terms and conditions of the loan agreement, all documents evidencing and securing the loan, and other guidelines for disbursements as described in this Section 6.4, the Executive Director may disburse loan proceeds upon the borrower's presentation of vouchers and other such evidence satisfactory to CSIDA's Executive Director that represent paid or accrued expenses of the borrower and which are eligible costs as determined by CSIDA's Executive Director.
- (b) Where other debt or equity financing is to be used in conjunction with the RMAP financing, such debt or equity must, in the option of the Executive Director of CSIDA be firmly committed for such use. Evidence of the commitment(s) must be submitted by the borrower.
- (c) Where other debt or equity financing is to be used in conjunction with the RMAP financing, the Executive Director of CSIDA will, at her discretion, determine an appropriate draw schedule for RMAP assistance based on such factors as the magnitude of risk assumed by the RMAP assistance, the nature of the activities being financed and the draw schedule for the other financing. The manner and terms of the disbursement of the RMRF financing should normally be included in the approval of the financing by the RMAP Review Committee. However, in instances where the RMAP Review Committee has not prescribed a draw schedule, the Executive Director of CSIDA may approve a draw schedule.

6.5 Fees; Administration.

- (a) Fee. The RMAP Administration Fee to cover administrative expenses associated with a loan shall be two (2%) percent of the amount of the loan.

- (b) CSIDA Attorney Fee. CSIDA's Attorney shall charge a fee equal to the greater of one (1%) percent of the RMRF loan or Five Hundred and 00/100 (\$500.00) Dollars, plus disbursements.

**Section 7. MANAGEMENT**

- 7.1 Delinquencies. CSIDA's Executive Director will contact the borrower in the event of any delinquency of payment to inform the borrower of the delinquency and to determine if there is a need to procure additional information or to provide credit counseling. Delinquencies that continue for sixty (60) days will be referred to CSIDA's Attorney and RMAP Review Committee for further action.
- 7.2 Default. The RMRF loan is NOT a grant.
- 7.3 Compliance Monitoring. The Executive Director shall be responsible for monitoring the borrower's compliance with all of the conditions and covenants of the RMAP documents. Such responsibility shall include taking appropriate actions in the event of non-compliance, informing the RMAP Review Committee and CSIDA's Attorney of any incidence of default under the terms and conditions of the loan agreement, and providing file documentation as appropriate.