



## Town of Wartrace – UDAG Program

TOWN OF WARTACE P.O. BOX 158 WARTRACE, TN 37183

The Urban Development Action Grant (UDAG) is a U.S. government program that has provided federal funds to local governments or private investors for urban redevelopment projects. The federal UDAG program began in 1977. After more than four decades of careful fiduciary management, the Town of Wartrace has funds available for kick-starting a new business or for remodeling and restructuring homes within Wartrace city limits. Although the process is highly detailed and reviewed by a panel of banking and financial experts, loans remain available to those who are in need.

No initial operating capital shall be provided through the loan program. However, the loan categories are available to applicants that are requesting from the Town of Wartrace. Any legal action will be borne by loanee. All titles will be checked for liens prior to final loan approval.

### Eligibility Requirements to Applicants Requesting Loans from the Town of Wartrace.

Any person(s) or corporation can apply for an Economic Development Loan. The request for consideration should be in writing with a brief explanation of the purpose of the loan and activities to be undertaken. Letter shall require signature(s) of principal.

### Briefing information to applicants requesting loan from the Town of Wartrace.

Additionally, the following instruments shall be submitted for evaluation:

1. Letter of type of loan requested signed by principals.
2. Type of repayment.
3. Three (3) Credit References (may include banks)
4. Applicant could be required to pay a specified percent of the loan.
5. Personal financial statement.
6. Two (2) years income tax return – copy.
7. For Commercial/Retail Loans
  - A. Profit/loss statement – Last quarter/year.
  - B. Balance Sheet (Pro-Forma).
8. Firm bid from construction company for proposed residential renovation and for commercial and retail purchases and building modifications
9. Firm bid from suppliers for equipment.
10. Loan Securities.
11. Building Purchase – Appraisal Required
12. Proof of insurance upon closing of loan.

POLICY STATEMENTS ECONOMIC DEVELOPMENT LOAN ACTIVITIES  
WARTRACE, TENNESSEE

Goal. To provide economic assistance to entrepreneurs and to those who wish to call Wartrace home.

Established residential and businesses in Wartrace are welcome to apply for a loan local assistance program that can be used to revitalize homes and businesses. Further assistance is available to homeowners inside Wartrace city limits through a residential loan. This loan program is administered by the Wartrace Board of Mayor and Aldermen (BOMA) with assistance of a board that is also appointed, and that is our Town's Loan Screening Committee (LSC).

Policies. The following policies have been established as a guide to provide assistance in the administration of the local economic development program. They are designed to outline the general provisions of the program and are in no way absolute and/or inclusive. It is realized that circumstances and special needs will exist and it is the intent of BOMA to carefully weigh each request on its own merits. In each loan consideration, the betterment of the Town will prevail in any decisions.

1. Types of Loan. The following categories of loan types will apply:
  - a. Remodeling for purpose of safety, customer convenience, growth needs, etc.
  - b. Purchase of an existing ongoing business.
  - c. Purchase of an existing building with a definite purpose in mind.
  - d. Purchase new equipment for expansion and/or modernization.
  - e. New construction for an industry or business.
  - f. Renovation of business/commercial facades with emphasis in the downtown area.
  - g. Residential loan; to renovate, rebuild, or restructure a personal home.
  - h. Personal home improvement loans require 0% down and will have a maximum amount of \$10,000.
  - i. Commercial loans will have a maximum amount of \$100,000. These loans may be required to pay up to 10% of the loan that is requested.

No initial operating capital will be provided through the program.

2. Length of Loan. The following limits on the lengths of loans will generally apply but can be modified if extenuating circumstances can be shown.

COMMERCIAL/RETAIL

A. Loan of less than \$50,000 5 years

B. Loan between \$50,000 to \$100,000 10 years

RESIDENTIAL (repayment based on amount)

A. Max loan of \$10,000 3 years

3. Interest. The Town of Wartrace will require a qualified Applicant to repay the loan over the designated time period at the following rates of interests:

Commercial and Retail

Interest is to be figured on a yearly basis on the unpaid balance figured on simple interest. \$50,000 loans are to be paid within 10 years at 3.99% and \$100,000 loans to be paid in 10 years at 4.5%

Residential

Rate to be .50% below current conventional market rate.

4. Loan Payment. Payments are to be paid on the principal and on a monthly basis. The loan will be due on the first of every month and the payment will be considered late after 15 days. Once payment is deemed late, there will be a late fee. See section 7 Late Fees.
5. Early Loan Retirement. Loans can be repaid to Wartrace at any time ~~without~~ penalty, yet can be required to pay that year's remaining interest balance. Ex, if the loan is paid off in January, there would be an additional 11 months of interest added to the final payment to account for that year's interest.
6. Eligibility. Any city limit resident, business, commercial or individual can qualify for a loan and will be subject to review by LSC and subsequent loan recommendation. Preference will be given to Town residents and existing establishments in the Town. Loans will not be made to an Applicant should the project be located outside the corporate limits unless it can be clearly demonstrated that our Town can and will benefit.
7. Loan Amounts. Each Applicant will identify a total amount needed to meet his/her project plans. Costs are to be documented for easy verification of overall need.  
Applicants are eligible for up to a ninety percent (90%) project loan.

Payment Type. All payments will be required to set up as electronic and ACH. Cash and Checks are not permissible forms of payment.

Default. Commercial loans will go in default status after 90 days of no payment being received. Residential loans will go into default status after 180 days of no payment received.

Late Fees. Commercial late fees will have a late fee of 5% for that month's missed payment and will then be added to next month's balance. Residential loans will not have late fees as an option.

Loan amounts for building remodeling and/or business façade should not exceed fifty percent (50%) of the valuation of the building. The LSC may request evidence of the value of the building. Value shall not include existing or proposed equipment that is not permanently affixed to the structure.

In general, loans of any type are not to exceed \$100,000 unless satisfactory justification and need can be shown to BOMA.

Should a project be scaled back and monetary needs reduced during the course of the project, the loan amount is to be reduced accordingly. But will be responsible for the interest rate that was due upon the initial application.

For residential, loans cannot exceed \$10,000. Residential Loans distributed through Wartrace UDAG cannot exceed a total of \$10,000 and any limit over that will be reviewed by LSC and BOMA.

8. Residential Applicant's Contribution. Each Applicant is required to contribute 0% of the total project cost to the full implementation of the plan. Evidence of the ability to contribute this amount to the project should be provided with the initial application.
9. Business Applicant's Contribution. Each Applicant is required to contribute up to 10% of the total project cost to the full implementation of the plan. Evidence of the ability to contribute this amount to the project should be provided with the initial application.
10. Project Cost Verification. Each recipient of loan funds will be required to maintain a record of all costs associated with the project as presented to LSC and BOMA. At any point during the course of the project and upon completion, BOMA may request evidence of the overall cost to justify the loan amount. Such records shall be in accordance with generally accepted principles of good accounting practices.

The Applicant is not to benefit in any manner from loan funds by "in-kind services". Money not actually expended is to be retained by the Town or to be repaid immediately upon request.

A quote from an insured and licensed contractor is needed in addition to approval of loan. Included in quote but not limited to, material, location, labor costs and duration. Liability insurance and bondedness is required. No appliances may be purchased. But can be reviewed by LSC and BOMA. If the

submitted quote does not reflect the approved intent, repayment will be expected for breaking the loan agreement.

11. Insurance Requirements. The Applicant will be required to maintain proper insurance on the property for the length of the loan and will provide this verification to the Town with said policy containing a loss payable clause to the Town of Wartrace.

12. Loan Screening Committee - The LSC will be appointed by BOMA for the purpose of reviewing a loan request. This committee will be composed of and at minimum, contain three individuals with knowledgeable industrial/commercial development, i.e., banking, accounting, construction, industrial development, commercial operations, etc. This group will act in an advisory capacity to BOMA for the purpose of determining the feasibility of a project and the credit risks/security involved in a project. The Committee will generally have the following functions:

- a. Credit checks.
- b. Determination of the amount of loan need and eligibility.
- c. Review plans.
- d. Review financial records, pro forma and other information submitted for review.
- e. Type of loan security.
- f. Final recommendation.

The LSC will possess the authority to request any pertinent information necessary to review the qualifications of the Applicant and the overall project.

The conclusion of the investigation and any loan recommendations/restrictions should be submitted to BOMA in writing. If LSC suggests that a loan be denied, it is required that it is documented clearly as to why it was denied.

Any personal information submitted to the Committee will be treated in strictest confidence and not made public, except as otherwise required by law. If an application is initially rejected, then information of a personal nature shall be returned to the applicant after the expiration of the ninety (90) day review period described in Section 13 provided that no reconsideration is requested within that time period. The personal information shall not be copied or reproduced without written consent of the applicant. In the event that the loan application is accepted and a loan made, then the LSC shall preserve the financial information during the period of the payback of the loan.

A statement shall accompany all loan requests indicating project shall benefit one of the following areas:

- g. Low-and Moderate-Income Families
- h. Blighted or slum Area
- i. Imminent Threat

The LSC will have the authority to review, study and report to BOMA on any matter which the latter shall so request.

13. Applying For a Loan. Any person(s) or corporation can apply for an economic development loan. At minimum, the request for consideration should be in writing with a brief explanation of the purpose of the loan and activities to be undertaken. This information should be submitted to the Town Hall. Processing fees will be applied during application process.

The LSC will be notified of the request and will meet to review materials submitted. Once eligibility is determined, the Applicant will be informed as to other information needed to evaluate the request further. Applicants may be required to attend revisions and meetings that are in regards to their application.

14. Reconsideration. Any Applicant whose application has been acted upon adversely by BOMA, may within ninety (90) days, apply and appeal as in writing to BOMA for reconsideration. A hearing will be held by BOMA for the Applicant and new or additional evidence may then be considered to overturn decision. At the request of either the Applicant or any two members of BOMA (including the Mayor), the LSC may be asked to consider any new or additional evidence and make a supplemental recommendation to BOMA. The members of the LSC are encouraged to attend BOMA meetings on the reconsideration.

These meetings can be closed to the public, consistent with current State Law, if it is determined that information and circumstances of a confidential nature on the part of the Applicant is to be discussed.

Nothing in these policy statements shall be construed to prevent an Applicant from filing a new application for a loan at any later date. Any application made after ninety (90) days following and adverse decision by the BOMA shall be considered a new application and not a request for reconsideration.

15. Multiple Loans. A single entity can apply for more than one type of loan, i.e., new construction and equipment. Loan limit is set to a max of 2 per residence and 3 for business. If an additional loan is requested, the maximum restriction for type of loan is still in place. If multiple loans are requested, interest rates may vary.
16. Loan Agreement. The Applicant will be required to sign a Loan Agreement with the Town before funds are obligated to the project. This will be a legal and binding agreement prepared by the Town Attorney and will provide that Wartrace

receive full restitution and/or priority in case of any foreclosure/bankruptcy proceedings.

17. Ownership Change. The borrower will not permit ownership change without the consent of Wartrace. Should BOMA feel that an ownership change would jeopardize the loan, the entire unpaid principle shall be due immediately upon demand of the Town.
18. Discrimination. No person, entity, business, or applicant shall be denied equal consideration under this program due to; race, color, religion, sex and/or national origin.
19. The Applicant will be responsible for all close-out costs relevant to his/her loan.
20. Any business with an outstanding loan balance that moves his/her business out of the city limits of Wartrace may have the remaining balance immediately called for payment.

*The sole purpose of this loan is for our Town of Wartrace to give back to those that are in need. And so, we shall invest in our residents and businesses who wish to see our town thrive.*

*Good luck and we thank you for choosing to call our town Home.*