



Mid-Columbia Economic Development District

MCEDD Loan Administration Board Meeting
Tuesday, November 2, 2021
8:00am

Remote only

<https://zoom.us/j/96813684043?pwd=SzZwbWRoZUIyc2hhdGdjelZxWWZJQT09>

Or call 669-900-6833, Meeting ID: 968 1368 4043, Passcode: 813870

AGENDA

<u>Topic</u>	<u>Estimated Time</u>	<u>Item</u>
Call to Order, Introductions		
Loan Administration Board Minutes <i>October 19, 2021</i>	5 minutes	Approval
Microlending Program Terms	10 minutes	Approval
Funded Loan Updates	5 minutes	Approval

Executive Session per ORS 192.660 (f) (Exempt Documents)
Regular Session Reconvened

Staff Updates

Adjourn

The meeting location is accessible to persons with disabilities. If you have a disability that requires any special materials, services, or assistance, please contact us at (541) 296-2266; TTY 711 at least 48 hours before the meeting. MCEDD is an equal opportunity employer, lender, and provider.

Executive Session Protocol

MCEDD Loan Administration Board

After discussion agenda items are presented in open session by MCEDD staff, the LAB Chair will state the following: "Pursuant to ORS 192.660(f), Exempt Documents, I call the Executive session of the MCEDD Loan Administration Board to order".

LAB Chair asks all non-staff and non-LAB members to leave the meeting. Staff will explain to visitors where they can wait and that they will be invited into Executive Session when their agenda item will be discussed.

For each discussion item on the agenda for Executive Session, the LAB Chair will follow the following procedural steps:

1. Invite the loan applicant (or their representative) into the Executive Session for the presentation of their loan request. LAB Chair requests a brief presentation from MCEDD staff on a summary of the loan proposal or other discussion item.
2. After presentation of information by staff, the LAB Chair asks if there are any questions for the loan applicant or MCEDD staff.
3. Following questions and discussion by the LAB, the loan applicant (and/or their representative) is asked to leave Executive Session with instruction that they will be invited into the Open session when Executive Session is adjourned.
4. LAB Chair asks LAB members if there is any discussion related to loan request that needs to take place before inviting the next loan applicant or other persons into Executive Session for the next discussion item.
5. Additional discussion between the LAB members takes place then Steps 1-5 are repeated for each following discussion item for Executive Session.

At the end of discussion, the LAB chair will close the Executive Session. The LAB moves back to open session. At this point, the LAB Chair asks for a motion on the decision items in open session. Following a proper motion (motion and a second), the LAB chair requests discussion on the motion. Following any discussion, the LAB chair requests a vote ("all those in favor, signify by saying aye" "all opposed signify by saying nay" "any abstentions?"). Staff may ask for a roll-call vote, if the responses are unclear.

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MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT LOAN ADMINISTRATION BOARD MEETING MINUTES

Tuesday, October 19, 2021

Virtual Only

ATTENDANCE

BOARD: Scott Clements, Dillon Borton, AJ Tarnasky, Steve Kramer, Joe Dabulskis, Dave Sauter

STAFF: Jessica Metta (Executive Director), Ami Beaver (Assistant Program Manager)

GUESTS: Danielle and Alexander Stevens from Hood View Services and Rose Mays from SBDC

CALL TO ORDER INTRODUCTIONS

Scott Clements called the meeting to order at 8:02 a.m. A quorum was present. Jessica introduced Danielle and Alexander Stevens of Hood View Services.

MINUTES

Steve Kramer motioned to approve the minutes from October 5, 2021. AJ Tarnasky seconded the motion. Five voted in favor and Dave Sauter abstained because he was not in attendance. Motion passed.

LOAN REQUEST: HOOD VIEW SERVICES, LLC

Jessica thanked Danielle, Alex and Rose for the additional work they put into the proposal and noted they worked with Michele Laird from CCD Business Development.

EXECUTIVE SESSION

Per ORS 192.660 (f) Exempt Documents, the MCEDD Loan Administration Board moved into Executive Session at 8:04 a.m.

Regular session was reconvened at 8:10 a.m.

LOAN ACTION

Steve Kramer moved to approve the loan to Hood View Services, LLC as recommended by staff. Dave Sauter seconded the motion. Motion passed unanimously.

Terms:

- Loan amount: \$100,000
- Interest Rate: 10%
- Loan Term: 60 months fully amortized
- Loan Fee: \$1500 (1.5% of the loan amount)

DRAFT MICROLENDING TERMS

Jessica Metta presented draft microlending terms for the board to review. She noted the amounts and terms could be adjusted. She had received earlier feedback from Scott Clements and the SBDC. She requested feedback from The Next Door Inc. but did not hear back yet. This program is intended to make the process simpler for smaller loan requests and to encourage loans to minority- and women-owned businesses.

Discussion: Scott noted the motivation was to address the details. He said there had been some reservations and he was interested in hearing board perspective and reaction. Dave asked what the difference is between this program and our other lines of business. He said he is still getting used to the level of risk we take. Jessica said the main difference is that for a smaller loan staff would spend less time on detailed analysis and the borrower would provide a token piece of collateral rather than the loan being fully collateralized. Dillon said he is interested in details around risk criteria. He asked if there were different tiers of risk. Jessica said we haven't developed that but could develop that for the board to review. AJ agreed that it should be tiered based on their credit score. He said there should be some consideration for credit score cut offs.

Dillon noted the other thing he was looking at was minimal documentation – he noted the length of application and supporting documents didn't seem minimal. He said at the bank for unsecured loans, stated income is what they use. Jessica said she would be interested to hear more about what they would require. Dillon used the example of a 5-tier system – tiers 1,2, 3 wouldn't need financials, but if you are tier 4 or below, we would want to see those financials. AJ agreed. Dillon suggested a tiered approach that is score driven and noted staff is going to need to have some discretion. Steve wanted to clarify this microlending would only be available if the borrower was denied from another lending institution. Jessica said she would add that specification. Dillon said he was in full support of this and said there are many small businesses that could fit in this loan size, and they could be creating jobs and growing their business. He asked if staff could have a draft of this to share for a vote at the next meeting. Steve said flexibility is the key word we would want to use in this.

AJ asked if this is something staff would approve or if it would be brought to the board. He said if it came to the board for approval, he would want to see it outside of the rest of the portfolio. Dave suggested if staff felt they needed more direction or wanted some cover they could come to the board, but otherwise staff could follow the matrix and use their discretion. Dillon suggested the parameter could be that if it fits in the matrix staff can approve, but if outside the matrix then bring it to the board.

Scott asked for some feedback on next steps. Jessica said if Dillon and AJ can send matrix examples, we can draft up additional language and bounce it off Dillon and then bring it to the next meeting. Scott said the board appreciates the active participation of Dillon and AJ on the board. Steve said he would like staff to look at the bylaws to see if there are any limitations on staff authorizing this amount, just to make sure.

EXECUTIVE SESSION

Per ORS 192.660 (f) Exempt Documents, the MCEDD Loan Administration Board moved into Executive Session at 8:30 a.m. for updates on Funded Loans.

Regular session was reconvened at 8:33 a.m. No actions were taken.

ADJOURN

Scott Clements adjourned the meeting at 8:34 a.m.

Respectfully submitted by Ami Beaver, Assistant Project Manager

Memorandum

To: MCEDD Loan Administration Board
From: Jessica Metta, Executive Director
Date: October 26, 2021
Re: Draft LAB Microlending Terms and Risk Matrix

The Loan Administration Board (LAB) discussed draft microlending terms at the October 19th LAB meeting and requested that staff develop a matrix based on applicant credit scores that would dictate documentation required for review of the application.

A draft summary of the terms and a documentation/ interest rate matrix based on client credit scores is provided below. Underlined items reflect a change from the Oct. 19 materials.

Fund Summary:

- Maximum Loan Amount: \$40,000
- Eligible Applicant Types: Entrepreneurs, new business start-ups, expanding businesses, existing businesses for debt refinancing, and most legal business ventures. Women and minority-owned businesses are encouraged to apply.
- Term: For loans of \$5,000-\$20,000, one-to-three-year term maximum. For loans of \$20,001-\$40,000, one-to-five-year term maximum. Fully amortized.
- Interest Rate: Dependent on risk criteria, generally 8-12% with performance incentives to lower the interest rate during the loan term.
- Collateral: Personal guarantee required. A token piece of collateral is required but not full collateralization.
- Flexibility in Loan Requirements: Minimum 5% applicant funds, with up to 95% MCEDD loan.
- Minimal Documentation: Simple application, credit report, references and minimal supporting documentation dependent on credit score. No minimum credit score required.
- Minimal Insurance Requirements: Basic insurance on collateral and business required.
- Business Counseling: Requirement to meet with the Small Business Development Center or SCORE prior to or as part of the application process.
- Decision within two weeks of receiving all completed documentation.

Documentation and Interest Rate Matrix:

- **Tier 1 -780 and above:** Simple application, credit report, references, bank denial, business experience and management information. Interest rates 1-2% above WSJ Prime.
- **Tier 2 - 779-740:** Simple application, credit report, references, bank denial, business experience and management information. Interest rates 2.25-3.25% above WSJ Prime.
- **Tier 3 - 739-700:** Simple application, credit report, references, bank denial, business plan, business experience and management information. Interest rates 3.5-4.5% above WSJ Prime.
- **Tier 4 - 670-699:** Simple application, credit report, references, bank denial, tax returns, financial statements, cash flow projections, business plan, business experience and management information. Interest rates 4.75-5.75% above WSJ Prime.

- **Tier 5 – 669 and below:** Simple application, credit report, references, bank denial, tax returns, financial statements, cash flow projections, business plan, business experience and management information. Interest rates 6-7.5% above WSJ Prime.

Loan Approvals

The LAB also stated their desire for staff to approve these loans if a client meets the criteria and conforms with MCEDD's bylaws for spending limits, but that staff can bring approvals to the Board for final confirmation. MCEDD's current various Revolving Loan Fund Plans all require LAB approval of loans. EDA has said we are able to do what we like with the defederalized EDA funds. My recommendation would be to make an addendum to the current EDA RLF Plan to reference this program and procedures, allowing staff approvals.

Regarding staff spending limits, MCEDD does not have rules that would apply to this situation. We follow some procurement guidelines that specify when to engage the MCEDD Executive Committee, but we those would not apply for loan approvals.