

TOWN OF GORHAM LOAN COMMITTEE GUIDELINES

Purpose: The Town of Gorham Revolving Loan Fund Committee shall be established for the purpose of providing oversight to the commercial loan programs of the Town of Gorham. These programs include the Revolving Loan Fund (RLF) funded by the Tax Increment Financing District approved by the Department of Economic and Community Development on_____.

Authority: The RLF Committee shall have the authority to approve or reject loan applications, make major loan modifications, and oversee loan foreclosure actions. The RLF Committee is also responsible for making recommendations to the RLF Loan Policy within the guidelines established by the respective funding agencies.

Structure: The Gorham Town Council will make all appointments to the Loan Committee. The Loan Committee shall consist of seven members, all of whom must reside in the Town of Gorham. Every effort shall be made to ensure that representation on the committee includes individuals from each of the following sectors: private lending institutions, the accounting profession, business owners and organizations that provide business services in the Town of Gorham.

Committee Meetings: Meetings of the RLF Committee will be held on an as-needed basis and will be scheduled by staff after consultation with Committee members. For voting purposes, a quorum shall consist of at least five members. Any committee member who misses at least three consecutive meetings will be asked to resign from the Committee unless extenuating circumstances exist.

The principal responsibility of Loan Committee members will be the approval (or denial) of loan applications to Town of Gorham loan funds. Staff, consisting principally of the President of the Gorham Economic Development Corporation (GEDC), will provide a loan application summary and make recommendations to the Committee prior to each loan committee meeting. Staff will invite a representative of each applicant to make a brief presentation and answer questions from Committee members. Approval of loan applications requires a majority vote of all Committee members present and eligible to vote. In the event of the absence of a committee member, a vote by telephone, e-mail, or FAX prior to the Loan Committee meeting, may be allowed.

In the case of small financing requests (those in the amount of \$5,000 or less), Loan Committee staff, in consultation with the Loan Committee Chair, shall have the authority to approve the request without a formal meeting of the Loan Committee. In these cases, such a process shall be reserved for requests that in the estimation of staff and the Committee Chair represent routine risk.

Terms of Membership: Terms for Loan Committee members shall be for a period of three years, except that after initial adoption of this policy, the initial term for four of the Loan Committee members shall be for a period of two years and the remainder for a period of three years. Upon expiration of their terms, Loan Committee members will be asked if they wish to serve a second term of three years. Members will be limited to two consecutive terms.

When vacancies occur on the Loan Committee either as a result of resignation or the expiration of a member's term, the staff at GEDC, in consultation with Loan Committee members, shall make recommendations to the Gorham Town Council, which shall retain the final authority to appoint new Loan Committee members.

Officers: The Loan Committee shall have the following officers: Chair and Vice-Chair who will be chosen on an annual basis by the members of the Committee at the first meeting during each calendar year. The Chair shall call all meetings to order and perform all other appropriate functions. The Vice-Chair will serve the functions of the Chair in the Chair's absence. Neither the Chair nor Vice-Chair can serve more than three consecutive one-year terms in this capacity.

Committee Staff: GEDC staff will provide professional support to the Loan Committee to include loan underwriting and servicing functions as required by the Loan Committee and by the programs' funding sources. Staff shall provide reports to the Committee as required, to include an annual report that summarizes the loan programs of the organization, an update on the status of each loan and a summation of the amount of funds available for lending. This report shall be provided to the Committee within ninety days of the end of the calendar year. GEDC staff shall also provide any other reports as requested by the Committee and shall report to the Gorham Town Council as required on behalf of the Loan Committee. It is the responsibility of staff to make loan recommendations to the Loan Committee but it remains the exclusive right of the Loan Committee to approve or deny all loan applications, except as noted above on loans of \$5,000 or less within the restrictions of each loan program's requirements.

The Town Manager of Gorham shall serve the Loan Committee in an ex-officio capacity.

Confidentiality: To the extent permitted under law, all information that is financial or proprietary in nature and is provided to Loan Committee members shall be held in strictest confidence by GEDC staff and Committee members. Because of the public nature of these loan funds, the Committee's decisions may be made public, as a means of communicating and publicizing the role of the Committee and the loan funds that it oversees.

Conflict of Interest: A conflict of interest on the part of a Loan Committee member shall disqualify that member from participating in discussion or voting on the specific loan application as to which the conflict of interest exists. In order to facilitate the identification of conflicts of interest, GEDC staff members shall with each loan package clearly and conspicuously identify the proposed borrower and all other financial institutions that may be involved. Each Loan Committee member is responsible for disclosing all potential or actual conflicts of interest that may exist with respect to a proposed loan transaction before discussion and consideration by the Loan Committee of the proposal. Loan Committee members are also encouraged to explain the nature of the conflict of interest. Examples of conflicts of interest include but are not limited to: (i) a Loan Committee member or member of the Loan Committee's immediate family employed by a lending institution that is or may be a participant in the financing package for a business; (ii) a Loan Committee member or member of the Loan Committee members' immediate family who has or had a previous business or personal relationship with the loan applicant, where the relationship may or could prejudice the Loan Committee member's ability to make an objective decision; or (iii) a Loan Committee member or member of the Loan Committee member's immediate family with an ownership or other pecuniary interest in a business that is seeking financing. When a conflict of interest is identified, the Loan Committee member with the conflict shall refrain from attempting to influence other Loan Committee members. The remaining members of the Loan Committee shall have sole and absolute discretion to determine whether a conflict of interest exists.

In addition, if any GEDC staff member involved in making recommendations to the Loan Committee has a conflict of interest, either directly or through the family of the staff member, that staff member is obligated to inform the Loan Committee of that relationship prior to discussion of the application by the Loan Committee.

Adoption of Loan Committee Guidelines: Authority to approve these guidelines rests solely with the Gorham Town Council.

