

RURAL DEVELOPMENT FINANCE CORPORATION (RDFC) Board Policy #008
PACE - FLEX PACE* Community Loan Fund Guidelines

The PACE - FLEX PACE Community Loan Funds are used to help local development groups expand their capacity to participate in the Bank of North Dakota (BND) PACE and Flex PACE program.

The objectives of this loan fund:

- To assist communities with expanding their ability to buy the interest down for PACE and Flex Pace loans so their local businesses can start, grow, expand and make strategic improvements.
- To assist service/retail owners in business improvements that assists or improves quality of customer service.
- To assist service/retail business with store front, interior and exterior building improvements that result in a positive image.
- To assist projects that enhance existing primary sector and service/retail business.
- To grow rural businesses by utilizing the BND PACE and FLEX PACE programs, hence leveraging BND's interest buy down funds.

To access a Bank of North Dakota PACE/Flex PACE loan, a community is required to participate in the funding of the interest rate buydown at a rate determined by BND. The RDFC loan funds can be used to help the community meet their required community participation. RDFC will loan up to 50 percent of the participation requirement for projects approved by BND.

Consideration will be given for projects that target job retention/creation, provide additional new products/services and remodeling/storefront renovations.

Interest rate: 2%; Interest accrues from the effective date of the loan through payoff. Principle and interest payments begin after buydown period through date of payoff.

Origination fee: 1%

Repayment: Payments shall start 6 months after the last interest payment (example 5 year loan, 1st principal payment would be due 5.5 years from loan date).

- Up to \$3,000 loan shall be repaid in one principal payment
- Over \$3,000 to \$7,500 loan shall be repaid in two, equal annual principal installments
- Over \$7,500 loan shall be repaid in three, equal annual principal installments.
- Other terms may be considered based on the local terms and the bank loan terms.

Security: Unsecured credit with no collateral requirement.

Loan amount: Maximum loan amount is under the Board's discretion. Loans cannot exceed 50% of the local portion of the buy down.

Eligibility: Any local development group located in the State of North Dakota with a rural or cooperative focus.

Application must contain:

- Completed application form
- Requires a Letter of Commitment from a local lead lender to finance project using PACE or Flex Pace funds.
- Letter from the local development group committing to local interest buydown share
- Applicant's current financial statement and annual revenue sources.
- An attorney's opinion verifying the applicant has the legal authority to incur debt.

Review process:

- The lead bank shall perform all due diligence and upon their willingness to lend funds for the project by using the Bank of North Dakota PACE or Flex Pace program, application can then be made to RDFC.
- Applications shall be reviewed by the board of directors with a meeting date to be set once the application is received.
- Notification of whether the loan has been approved will be made within 30 days of receiving a complete application.
- Approved projects will receive a written notification of terms and conditions.

NOTE: Upon loan approval – the loan must be closed within 180 days. After that period of time, the board may reaffirm the offer or the offer may expire.

Return completed applications to:

RDFC - NDAREC
3201 Nygren Drive NW
PO Box 727
Mandan, ND 58554

Contact: Lori Capouch (701)663-6501 Email: lcapouch@ndarec.com

The Bank of North Dakota PACE – Flex PACE loan program consists of an interest buy down to as low as 1% with a 30% local and 70% Bank of North Dakota match (*local percentage varies by community – contact the Bank of North Dakota to verify your percentage. Interest rate varies based on current prime interest rate*).