

**INTERMEDIARY RELENDING PROGRAM
RURAL MICROENTERPRENEUR ASSISTANCE PROGRAM
LOAN AGREEMENT**

This agreement dated as of _____ is between the United States of America, acting through the U.S. Department of Agriculture (USDA), and _____ (hereinafter called "Intermediary/Microenterprise Development Organization"). In consideration of the mutual covenants and agreements contained herein, parties agree as follows:

1. Loan Terms:

USDA agrees to loan the principal sum of _____ (hereinafter referred to as "Loan"), to be disbursed as hereinafter provided, bearing interest at the fixed rate of _____ per annum from the date funds are advanced as more specifically set forth in paragraph 2 below. The term of the loan is for _____ years from _____.

This loan is evidenced by a promissory note of even date herewith made payable to the USDA. Intermediary/MDO agrees to use the loan and its proceeds solely for activities as set forth in its Intermediary Relending Program (IRP)/Rural Microentrepreneur Assistance Program (RMAP) application including the "work plan/supporting narrative" submitted to USDA (including any supplements or modifications thereof agreed to by both parties) and in accordance with the loan terms and conditions, the terms and conditions of this Loan Agreement and the rules and regulations (as they may be amended) governing the IRP (7 CFR Part 1951, subpart R, 7 CFR Part 4274, subpart D), or RMAP (7 CFR Part 4280, subpart D).

2. Repayment:

Repayment of this loan shall be made as follows:

- 2.1 Interest only will be paid on the unpaid balance for the first _____ years for IRP.
- 2.2 Principal and interest will be paid in _____ equal annual/monthly amortized installments beginning on _____, _____ (For RMAP, date 2 years from the date of this Agreement) with any remaining balance due and payable _____ years from the date of the note.
- 2.3 Intermediary/MDO shall pay a late charge of 4% of the payment due of principal or interest if payment for any of these installments is not received within 15 calendar days following the due date. The late charge shall be considered unpaid if not received within 30 calendar days of the missed due date for which it was imposed. Any unpaid late charge shall be added to principal and bear interest at the same rate as noted above for said principal. Acceptance of a late charge by USDA does not constitute a waiver of default.
- 2.4 (RMAP only) - An MDO will be considered in monetary default if it fails to make 3 or more scheduled loan payments in a row.

3. Organization:

Intermediary/MDO shall not change its articles of incorporation, or charter, or by-laws without the written consent of USDA.

4. Disbursement Procedure:

- 4.1 Disbursement shall take place after this Loan Agreement and the promissory note are executed, and any other conditions precedent to disbursement of funds under this award are fully satisfied. The Intermediary/MDO may not make a loan commitment from USDA IRP loan funds to a project without first receiving USDA's written concurrence in the proposed use of loan funds. RMAP is exempt from this requirement.
- 4.2 The Intermediary/MDO may draw down up to 25 percent of the USDA IRP/RMAP loan funds at loan closing. Thereafter, the intermediary may draw down under this award, for IRP, only such funds as are necessary to cover a 30-day period in implementing its approved work plan. For RMAP, the MDO may draw down under this award quarterly until the full amount of the loan to the MDO is disbursed or until the end of the 36th month, or whichever occurs first. Advances will be requested by the Intermediary/MDO in writing. The date of such drawdown shall constitute the date the funds are advanced under this Loan Agreement for purposes of computing interest payments.

4.3 Intermediary/MDO shall maintain a separate ledger and segregated bookkeeping and bank accounts for IRP/RMAP funds as required in 7 CFR Part 4274/7 CFR Part 4280.

5. Reporting Requirements:

Intermediary/MDO shall provide USDA with the following reports as required by law or as deemed appropriate by USDA, plus any other report as USDA shall from time to time require:

5.1 Annual audit; dates of audit report period need not necessarily coincide with other reports on the IRP/RMAP program. Audits must cover all of the Intermediary's/MDO's activities and shall be due 90 days following the audit period.

5.2 Quarterly reports (done 30 days after the end of the period) on Form RD 1951-4, "Report of IRP/RDLF Lending Activity." This report will include information on the Intermediary's/MDO's lending activity, income and expenses, and financial condition, and a summary of names and characteristics of the ultimate recipients/microenterprises the Intermediary/MDO has financed.

5.3 An annual budget and/or administrative budget for the following year.

5.4 These reports shall contain information only on the IRP/RMAP loan funds, or if other funds are included, the IRP/RMAP loan program portion shall be segregated from the others; and in the case where the Intermediary/MDO has more than one IRP/RMAP loan, from USDA, a separate report shall be made for each of these IRP/RMAP loans, if USDA has issued a requirement, in writing, that separate revolving funds be maintained.

6. Relending:

6.1 Before the first relending of USDA funds, Intermediary/MDO must obtain written USDA approval of:

A. All forms to be used for relending purposes, including application forms, loan agreements, promissory notes, and security instruments; and

B. Intermediary's/MDO's binding policy with regard to the amount and form of security to be required.

6.2 Intermediary/MDO must obtain USDA approval before making any major changes in forms or policy including its work plan/supporting narrative.

6.3 It is the responsibility of the Intermediary/MDO to make and service loans to ultimate recipients/microenterprises in such a manner that will fully protect the interests of the Intermediary/MDO and the USDA.

6.4 (a) For IRP Intermediaries, Intermediary will strive to use the proceeds of this loan promptly in accordance with work plan. If any part of the loan has not been used by a date 3 years from the date of this agreement, USDA may cancel the approval of any funds not yet delivered to the Intermediary and demand the return, as an extra payment on the loan, of any funds delivered to the Intermediary that have not been used by the Intermediary in accordance with the work plan.

(b) For MDOs, failure to disburse one or more loans within 60 days of the microlender receiving an advance of funds, may result in the Agency demanding return of any funds already disbursed to the microlender and the microlender not receiving any additional funds from the Agency.

7. Default:

On the occurrence of any event of default, USDA may declare all or any portion of the debt and interest created hereby to be immediately due and payable and may proceed to enforce its rights under this Loan Agreement or any other instruments securing or relating to this Loan and in accordance with the law and regulations applicable hereto.

Any of the following may be regarded as an "event of default" in the sole discretion of the USDA:

(A) Failure, inability or unwillingness of Intermediary/MDO to carry out or comply with the specific activities in its loan application as approved by USDA, or Loan Terms and Conditions, or any terms or conditions of this Loan Agreement, or any applicable

Federal or State laws, or with such USDA regulations as may become generally applicable at any time.

- (B) Failure of Intermediary/MDO to pay any installment of principal or interest on its promissory note to USDA when due as specified in paragraph 2 above.
- (C) The occurrence of: (1) Intermediary's/MDO's becoming insolvent, or ceasing, being unable, or admitting in writing its inability, to pay its debts as they mature, or making a general assignment for the benefit of, or entering into any composition or arrangement with creditors; (2) proceedings for the appointment of a receiver, trustee or liquidator of Intermediary/MDO, or of a substantial part of its assets, being authorized or instituted by or against it.
- (D) Submission or making of any report, statement, warranty, or representation by Intermediary/MDO or agent on its behalf to USDA in connection with the financial assistance awarded hereunder which is false, incomplete or incorrect in any material respect.
- (E) Failure of Intermediary/MDO to remedy any material adverse change in its financial or other condition (such as the representational character of its board of directors or policymaking body) arising since the date of USDA's award of assistance hereunder, which condition was an inducement to USDA's original award.
- (F) (RMAP only) - When the amount deposited in the revolving loan fund, plus the loan loss reserve fund, and the outstanding balance of microloans is less than 105 percent of the amount owed to the Agency.

8. Collateral:

- 8.1 The Intermediary/MDO shall pledge as collateral its IRP/RMAP Revolving Fund, including its portfolio of investments derived from the proceeds of this loan award. It shall also pledge real and personal property, and other rights and interests USDA may require. Intermediary/MDO shall execute any instruments, delivery any documents and take any action necessary or convenient to perfect a security interest in such collateral.
- 8.2 In the event the Intermediary's/MDO's financial condition deteriorates or the Intermediary/MDO takes action detrimental to prudent fund operation or fails to take action required of a prudent lender, the Intermediary/MDO shall provide additional security, execute any additional documents, and undertake any reasonable acts as USDA may request, to protect USDA's interest or to perfect a security interest in any assets, including physical delivery of assets and specific assignments. All debt instruments and collateral documents used by the Intermediary/MDO in connection with loans to ultimate recipients/microenterprises will be assignable.

9. Other Parties:

This Loan Agreement is not for the benefit of third parties. USDA shall not be under any obligation to any such parties, whether directly or indirectly interested in the Loan Agreement, to pay any charges or expenses incident to compliance by Intermediary/MDO with any of the duties or obligations imposed hereby.

10. Successors and Assigns:

The Loan Agreement shall be binding upon Intermediary/MDO and its successors and assigns and upon USDA and its successors and assigns, and shall survive the closing of the loan and disbursement of proceeds.

11. Insurance Requirements:

- 11.1 The Intermediary/MDO will require each ultimate recipient/microenterprise to provide hazard insurance with a standard mortgage clause naming the Intermediary/MDO as beneficiary in an amount that is at least the lesser of the depreciated replacement value of the property being insured or the amount of the loan. Hazard insurance includes fire, windstorm, lightning, hail, business interruption, explosion, riot, civil commotion, aircraft, vehicle, marine, smoke, builder's risk, public liability, property damage, flood or mudslide, or any other hazard insurance that may be required to protect the security. The Intermediary's/MDO's interest in the insurance will be assigned to the USDA, upon USDA's request, in the event of default under this Agreement by the Intermediary/MDO.
- 11.2 Ordinarily, the Intermediary/MDO will require ultimate recipients/microenterprises to provide life insurance, which may be decreasing term insurance, for the principals and key employees of ultimate recipients/microenterprises and such life insurance will be assigned or pledged to the Intermediary/MDO and subsequently, in the event of request by USDA following default by the Intermediary/MDO, to USDA. The MDO will not require life insurance to the extent that payment for such, by the microborrower is onerous.

11.3 The Intermediary/MDO will require each ultimate recipient/microenterprise to provide workmen's compensation insurance in accordance with State law.

11.4 The Intermediary/MDO is responsible for determining if an Intermediary/MDO-financed project is located in a special flood or mudslide hazard area anytime USDA loan funds are involved. If the Intermediary/MDO-financed project is in a flood or mudslide area, then flood or mudslide insurance must be provided.

11.5 The Intermediary/MDO will acquire and maintain such insurance coverage, including fidelity bonds, as may be required by USDA.

12. Applicable Laws:

Interpretation of this Loan Agreement shall be governed and enforced in accordance with applicable Federal Law.

IN WITNESS WHEREOF, USDA and Intermediary/MDO have executed this Agreement as of the date first above-mentioned.

INTERMEDIARY/MDO

USDA

BY: _____
(Signature)

BY: _____
(Signature)

(Name typed or printed)

(Name typed or printed)

Title: _____

Title: _____

Date: _____

Date: _____