



COMMUNITY LOAN POLICY MANUAL WORKBOOK

A project of CAMEO's MicroLending Academy



CAMEO is committed to building scale, capacity and professionalism among its lending network. The high-volume, successful lenders in our network have clear lending strategies based on their mission and financial acumen. They have created solid manuals and policies that are consistent with their strategy and lending expertise. They have taken the time to write down their over-arching goals with the detailed tasks needed to run a professional lending program. All have the end goal to grow their volume, increase their capital base and maintain solid portfolio performance.

Without a complete, thorough, loan manual, an organization will not reach its full growth and performance potential.

HOW TO USE THIS MANUAL

We have created this workbook to assist community lenders to create fully developed loan policies manual. Lenders of every stripe that address each topic and answer all the questions will have a complete loan manual that reflects a comprehensive approach to the details of running a high-quality program. Each organization may tailor this outline to its specific needs, as there are options in how to organize all the elements.

This product contains the table of contents of a community lender loan manual. Under each heading are a list of topics or questions.

Your organization's job is to address each topic or question.

POLICIES VERSUS PROCEDURES

Ideally, a community lender would have two manuals, one for policy and another for procedures. For example, a policy manual might state that all loan payments must be made by Automatic Clearing House (ACH). A procedure manual, in contrast, would list the steps to set up ACH payments and the steps to change the account out of which the borrower makes loan payments, and the like.

Creating two manuals is a tall order for small community lenders! We recommend starting with the policy manual as explained in this project. An asterisk (*) by an item in this workbook indicates that it is likely to require elaboration in a separate procedure manual.

A double asterisk (**) indicates an area that is a priority element for detailed written procedures.

ORGANIZATIONAL COACHING

CAMEO will be offering this loan manual along with a series of webinars that will coach organizations through the process of developing their manual.

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1. INTRODUCTION

Your organization's name:

Your corporate status:

Your CDFI Certification status:

Provide an overview and history of your loan program:

Who is responsible for writing the loan manual:

Person #1 Name, Title:

Person #2 Name, Title:

Person #3 Name, Title:

Person #4 Name, Title:

Person #5 Name, Title:

1. INTRODUCTION (cont.)

How is the loan manual to be used:

How will the loan manual be updated:

Who has the authority to approve changes:

Person #1 Name, Title:	
Person #2 Name, Title:	
Person #3 Name, Title:	
Person #4 Name, Title:	
Person #5 Name, Title:	

2. MISSION STATEMENT AND GOALS

Your organization's mission:

Your loan program's mission:

List major past performance and successes:

2. MISSION STATEMENT AND GOALS (cont.)

List your loan program's impact goals (modify to fit your organization).

	2017	2018	2019
Businesses started			
Jobs created			
Women served			
Minorities served			
Distressed communities			
Other targeted populations			

List your loan program's loan volume goals.

	2017	2018	2019
Number of loans			
Dollar value of loans			

2. MISSION STATEMENT AND GOALS (cont.)

List your portfolio performance goals.

	2017	2018	2019
Repayment Rate			
Delinquency Rate			
Default Rate			
Deployment Rate			
Recovery Rate			

3. LOAN CAPITAL STRUCTURE

List your total loan capital and the debt and equity percentages.

Total Loan Capital	\$
Percent Equity	%
Percent Debt	%

List the names of your sources and amounts capital. You can list each source or aggregate. The goal is to provide a general picture of how your program is capitalized.

Source	Amount
Foundations	
Corporations	
SBA	
USDA	
CDFI Fund	
Others:	

4. TARGET MARKET AND OUTREACH

Provide a description of your loan program's Target Market, including characteristics such as income level, gender, ethnicity, location

Describe your program's Outreach and Marketing Process:

List strategies used to find borrowers.

4. TARGET MARKET AND OUTREACH (cont.)

Describe the staff roles in marketing and outreach.

Provide a description of your annual outreach and marketing calendar and/or include a copy of your calendar in the attachment section.

4. TARGET MARKET AND OUTREACH (cont.)

List your outreach goals (modify to fit your organization):

	2017	2018
Numbers of businesses contacted		
Number of startup clients		
Realization Rate		

5. LOAN PRODUCTS

Describe your loan products (add products as necessary):

	Product 1	Product 2	Product 3
Name (if applicable)			
Loan Size (dollar amount)			
Interest Rate (percent)			
Term			
Eligible Uses			
Collateral Required			
Loan Fee			

	Product 4	Product 5	Product 6
Name (if applicable)			
Loan Size (dollar amount)			
Interest Rate (percent)			
Term			
Eligible Uses			
Collateral Required			
Loan Fee			

5. LOAN PRODUCTS (cont.)

Describe Your Interest Rate Policy:

How are your interest rates determined?

Does your organization have goals regarding earned revenue from interest as part of a sustainability plan? If yes, describe strategy and goals.

How are interest rate policies approved and by whom: CEO? Board? Loan Committee? Funders?

5. LOAN PRODUCTS (cont.)

Describe Your Term Policy:

Are all loans fully amortized?

Do you provide an interest-only period?

Do you structure loans with balloon payments?

Do you charge an Application fee? If yes, describe.

5. LOAN PRODUCTS (cont.)

Describe your Eligible Uses Policies (If you need more room than in the table above):

Startup costs

--

Working capital

--

Inventory purchases

--

Equipment

--

Leasehold improvements

--

Refinance

--

5. LOAN PRODUCTS (cont.)

Describe your Collateral Policies:

Is collateral required?

Is there a minimum loan to value requirement?

Inventory purchases?

What type of collateral will you take?

Describe your process for perfecting security interests.

5. LOAN PRODUCTS (cont.)

Describe your basic eligibility requirements (if necessary, create a section for each loan product):

Describe any demographic eligibility criteria: income level, gender, ethnicity, location, etc.

Is a bank turn-down required?

Must an applicant be 18 years old or older?

Are all owners included on an application?

Do you require an equity injection? What percent of loan request/project costs?

Other Eligibility Requirement

5. LOAN PRODUCTS (cont.)

Is a startup eligible? What is your definition of start-up? Is industry experience necessary for startups?

Can a borrower have a criminal history? If so, what type? How long ago?

Are your borrowers required to receive business coaching services? If yes, please describe.

Are any business activities excluded?

5. LOAN PRODUCTS (cont.)

Is business license required? Are other certifications required?

Can a client apply for a second loan?

Are there a minimum number of months of success with first loan?

Is the underwriting or eligibility criteria different on a second loan?

Must the second-time client repeat the entire application?

6. OTHER BUSINESS SUPPORT SERVICES/PROGRAMS

Does your organization provide business coaching services? Describe.

How are your coaching and consulting services integrated with your loan program?

Or does your organization partner with other agencies to provide pre- and post-loan business coaching services? Describe.

7. STAFFING ROLES

Provide an organizational chart with job titles for your organization as an attachment.

Describe the staff roles for your loan program. Include staff roles in the various elements of the origination- to-close-out process outlined below.

Marketing; outreach; sourcing deals

Coaching

Loan origination and application completion

Underwriting

7. STAFFING ROLES (cont.)

Approval process

Servicing and Portfolio Management

Closing out a paid-in-full loan

Describe how you separate authority at each step to support strong internal controls.

7. STAFFING ROLES (cont.)

Describe your code of conduct regarding conflict of interest, disclosure of financial interest, gifts from clients, transparency, discrimination, prohibitions from owning equity in borrowers' businesses, etc.

Describe your organization's staff incentive structure. Does staff receive compensation for achieving volume, size or loan performance goals?

8. LOAN PLATFORMS OR SERVICES USED TO SUPPORT ORIGINATION

Many community lenders are using online or cloud-based lending platforms to assist with loan applications and processing. This section will provide prompts to describe these systems, their features and how they integrate with the rest of the loan program.

9. APPLICATION PROCESS

This section will provide prompts to describe the complete application process, including paper versus online applications, accompanying documents required, initial screening and more.

10. LOAN UNDERWRITING STANDARDS

This section will provide prompts for describing the organization's 'big picture' lending strategy, as well as detailed underwriting criteria, documentation, credit memo, how and when exceptions can be made.

11. LOAN APPROVAL PROCESS

This section will provide prompts for describing the loan approval process and loan approval authority.

12. CLOSING PROCESS

This section will provide prompts to identify all the closing documents used, and the closing process, including roles for staff, loan committee, board and attorneys. Additional prompts will delineate information processing and file maintenance.

13. PERFECTING COLLATERAL

This section will provide prompts to describe the policies on perfecting collateral.

14. DISPERSAL OF LOAN

This section will provide prompts on the organization's policies for loan dispersal.

15. RISK RATING SYSTEM TO ESTABLISH LOAN LOSS RESERVE

This section will provide prompts to describe an organization's risk rating system

16. COLLECTING AND RECORDING PAYMENTS

This section will provide prompts to describe:

- Loan disbursement policy
- Policy and methods for payment collection and recording payments
- Policies regarding late fees, responses to Not Sufficient Funds, pre-payment policies, etc.

17. MODIFICATIONS, EXTENSIONS AND WRITE-OFFS

This section will provide prompts to describe:

- Definitions of late payment, delinquency, default
- Response to delinquencies
- Policies for detecting, analyzing, and working out problem loan situations
- Policies on loan restructures, extensions, and interest-only periods
- Staff roles, responsibilities, and authority in offering and finalizing a restructure
- Policy regarding entering loan structure changes in documentation/filing systems and in portfolio management software

18. LOAN LOSS RESERVE AND STATE GUARANTEE POLICIES

This section will provide prompts to describe:

- Loan Loss Reserve Policy and its relationship to the risk rating system
- Role of guarantee programs in determining loan loss reserve

19. BORROWER FINANCIAL REPORTING AND MONITORING

This section will provide prompts to describe:

- Documents required from borrowers for ongoing monitoring
- Schedule and frequency for collecting these documents
- Staff responsible for collecting these documents
- Analysis and standards used to ascertain borrower status
- Communication and reporting on borrower status to staff, management, and board

20. PORTFOLIO MANAGEMENT POLICY

This section will provide prompts to describe:

- The organization's portfolio management philosophy
- Description of software system used to maintain portfolio and policies on entering, changing, and maintaining loan portfolio data
- Portfolio quality standards definitions, performance goals and reporting on quality, including financial statement standards, portfolio mix, industry concentrations
- Capitalization tracking and projections
- Impact analysis, such as jobs created, increased income, business starts, businesses retained

21. LOAN WRITE OFF AND LIQUIDATION

This section will provide prompts to describe:

- Definition of a default
- Loan write-off policy and procedures
- Collections policies and procedures

22. OTHER, WHERE APPLICABLE

This section will provide prompts to help an organization determine whether it needs to include any of the following policies: Environmental and Hazardous Substance Risks; Construction Loan Underwriting and Management; Real Estate Appraisals

23. ATTACHMENTS

- Organizational Chart
- Annual Marketing and Outreach Plan
- Application
- Credit Memo Template
- Closing Documents

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