

**Memorandum of Understanding
between
Clackamas Federal Credit Union and
The City of Oregon City**

Purpose

This agreement outlines a partnership between the Clackamas Federal Credit Union (“CFCU”) and the Economic Development Department of the City of Oregon City (“the Department”) for the purpose of administering the Oregon City Entrepreneurial Loan Program (“the Program”), a loan program to support start-up businesses in Oregon City and to foster local economic vitality.

Both organizations agree to work collaboratively to establish a pilot program that makes “patient capital” available to qualifying startup entrepreneurs. Patient capital here is defined here as a financial injection into a business whereby the first loan payment is not required until after one year. A full description of loan conditions is included in this Memorandum of Understanding (“MOU”).

Source and Use of Funds

Both organizations agree to provide \$50,000 each to the Entrepreneurial Opportunity Loan Program, for a total fund of \$100,000. These funds will be deposited into a CFCU non-interest-bearing account until disbursements are made. The City of Oregon City will complete the wire transfer of funds when this MOU is finalized with authorizing signatures from both organizations.

Loan Approval

The Economic Development Department of Oregon City will establish a loan review committee for the purpose of reviewing and approving loan application. The loan review committee shall be comprised of three members, including a loan officer from CFCU or another financial Institution, a local accountant, and the Economic Development Manager of Oregon City. The loan review committee will have the final approval on all loan applications.

Loans will not be approved on a first come, first served basis. Rather, loan applications will be accepted during an application period, August 15 – September 23, 2022. (The dates for the application period may be adjusted if this MOU is not finalized by June 30, 2022.)

Loan Administration

CFCU will serve as the program administer and be responsible for:

- a) the disbursement of loan funds to approved loan applicants on a 50/50 basis, (50% from City designated funds and 50% from CFCU designated funds.
- b) regular communication with loan recipients.
- c) the collection of loan payments

- d) implementing collection procedures against borrowers that are either delinquent or in default of their loan repayment obligations.

As a standard part of loan management, CFCU will regularly communicate to the Department regarding the status of the loans on a quarterly basis.

CFCU shall provide a quarterly statement of the program's financial performance to the Economic Development Department.

Loan Terms

The Entrepreneurial Opportunity Loan Program is designed to be a source of "patient capital" for startup businesses less than three years old. Loan awardees are required to become members of CFCU. To be eligible for membership, program participants must open an account with CFCU and maintain a \$5 balance in that account. In addition, program participants may not have caused financial harm to another credit union.

The terms of the loan program are:

- a) Program participants may apply to borrow up to \$20,000.
- b) Applicants must provide a personal guarantee(s). They may also offer an additional guarantor on the loan.
- c) Program participants may wait up to twelve months following loan approval before making their first payment.
- d) During the period between the loan disbursement and the first loan payment, interest on the loan will accrue at a rate of 0.5%.
- e) Following the first 12-month period of low interest, the interest rate for the loan will be the prime rate + 3 percentage points.
- f) Loans must be repaid in full within five years from the date of the initial loan agreement.

CFCU will retain any interest earned from the loan repayments from borrowers.

CFCU will return all principal repayments of the City's portion of all loan disbursements to approved borrowers.

Default

If a program participant defaults on his/her loan, a joint letter of default will be issued from both CFCU and the City.

Program Renewal

After the first year of the program, CFCU and the City agree to review program performance and discuss on-going value of the program.

Termination of MOU

This MOU may be terminated by either party by giving a 30-day advance notice without legal proceedings or legal recourse against either party.

Existing Loans

All loans made after termination of this Agreement will continue to be serviced by CFCU until either full loan repayment or after completion of all collection procedures against borrowers under the program.

Signed this _____ day of _____, 2022.

City of Oregon City

Clackamas Federal Credit Union

By _____

By _____

Anthony Konkol III
City Manager

Katie Gillespie
Director of Business Services

Economic Development Department

By _____

James Graham
Economic Development Manager

