

DDD-PI-047

TO: D.D. Service Providers

FROM: Robert Graham, Acting Director  
Developmental Disabilities Division

DATE: July 1, 1988

SUBJECT: Bank of North Dakota Participation in Loans  
for Cash Flow

The North Dakota Department of Human Services recognizes that there are some developmental disability service providers who are currently experiencing a problem with their monthly cash flow. It also acknowledges that the potential exists for other developmental disability service providers to experience the same problem. The following protocol will provide guidelines for a viable alternative to deal with this problem.

The alternative will involve the Developmental Disabilities service provider negotiating a loan with an originating lender or financial institution of their choice. This type of loan would be intended to establish a line of credit to meet monthly cash flow deficits. It would have to be renegotiated only at the request of the originating lender or if significant changes in the cash flow deficit could be shown by the service provider. As a part of this alternative, the Bank of North Dakota will, at the request of an originating lender, consider participation in the loan.

INTRODUCTION

The department has been in contact with the Bank of North Dakota to secure whatever assistance might be available through the state. While the Bank of North Dakota is precluded by law from making direct operating loans to a provider, it has the ability to participate in a loan made to a service provider by an originating lender.

While participation by the Bank of North Dakota will be an available option, it will not be a mandatory part for the financing of a loan to deal with cash flow problems. Consideration for participation in such a loan would be available only if requested by the originating lender. The method of participation will be negotiated between the local lender and the Bank of North Dakota.

Such participation by the Bank of North Dakota will be at a reasonable rate of interest. The rate and terms will be established by the Bank at the time the participation is negotiated.

The originating lender who requests the Bank of North Dakota participation in their note must initiate contact with the Bank of North Dakota. The contact person at the Bank of North Dakota who will coordinate the negotiations will be:

Ms. Sue Hartmann  
Commercial Loan Officer  
Lending and Correspondent Marketing Department  
Bank of North Dakota  
Box 5509  
Bismarck, ND 58502-5509  
Telephone: 224-5670

Bank of North Dakota participation in a loan to deal with a cash flow problem will not alter the department's policies regarding reimbursable expenses. The principal amount associated with a loan of this nature will not be reimbursable. Appropriate interest expense will be allowed for these loans in compliance with the provisions of NDAC 75-04-05 (specifically, NDAC 75-04-05-16).

#### BANK PARTICIPATION

To submit a loan request to the Bank of North Dakota, the developmental disabilities service provider must first secure an originating lender who will work with the provider in structuring the loan, participating in and servicing the loan. The loan will establish a line of credit which would be available to the developmental disabilities service provider on a regular basis to meet its cash flow problems.

The developmental disabilities service provider must also complete and submit, through the originating lender, SFN 1877 (see Appendix A), Request for Bank of North Dakota Participation, to the Developmental Disabilities Division. The form will indicate to the department that no more than 50% of the funds necessary to meet the cash flow deficit are being provided by the Bank of North Dakota. In addition, the Bank of North Dakota's participation will be limited to no more than 4.167% of the developmental disabilities service providers' current annual operating budget. The above percentage (4.167%) is equal to one-half of a provider's monthly operating budget.

Form SFN 1877 will include the following information:

1. Total line of credit established by the originating lender to meet the cash flow deficit.
  - 1a. Total line of credit x 50%.
2. The developmental disabilities service providers' total operating budget, as approved by the Developmental Disabilities Division, for the current fiscal year.
  - 2a. Total operating budget x 4.167%.
3. Certification of the amount of money to be provided by the originating lender.
4. The amount of money requested from the Bank of North Dakota for participation in the loan.
5. Signature of a corporate officer and the executive director of the corporation certifying the correctness of the information provided.

Upon its receipt, the Developmental Disabilities Division will review the information provided on the form. If the request for participation falls within the guidelines set out in this protocol, a representative of the Division will sign the form indicating approval of the request. The form will then be forwarded to the Bank of North Dakota with a copy sent to the originating lender to be included in their loan files. Participation by the Bank of North Dakota in a loan for cash flow problems will not be available without the approval of the Developmental Disabilities Division. Finally, a completed form will need to be resubmitted at any time there is a change in the information provided.

#### PROTOCOL DURATION

A lack of adequate cash reserve is the factor which has given rise to this problem with cash flow. While it is incumbent upon service providers to establish a cash reserve to deal with problems such as this, some providers have been unable to do so. Program development pressures, client movement and other factors have not allowed service providers the time to direct sufficient energies toward the acquisition of such a reserve.

The guidelines established in this protocol will be in effect for five years from the date of its implementation. It is expected that this period of time will allow providers the opportunity to establish a cash reserve and thereby minimize the effect of cash flow deficits.

ADDITIONAL INFORMATION TO BE SUBMITTED TO THE PROGRAM CONTROL UNIT

- 1) Copy of last 3 fiscal years financial compilations to include balance sheet and income statements.
- 2) Copy of current year-to-date operating expenses.
- 3) Current year's operating projections.
- 4) Borrowing authorization.

CONCLUSION

It is believed that the implementation of this protocol will offer developmental disability service providers a reasonable method to deal with their cash flow problems. Any questions or concerns regarding this protocol or SFN 1877, Request for Bank of North Dakota Participation, should be directed to the Program Control Unit of the Developmental Disabilities Division, Department of Human Services, State Capitol, Bismarck, ND 58505, (701) 224-2768. Questions about the Bank of North Dakota participation in such a note should be directed to Ms. Sue Hartmann, Bank of North Dakota, Bismarck, (701) 224-5670 or ND WATS 1-800-472-2166, extension 5670.

REG:krw/pg

enclosure

c: Regional DD Program Administrators  
Human Service Center Directors  
Court Monitor

bc: Lee Smutzler  
DD Staff

## REQUEST FOR BANK OF NORTH DAKOTA PARTICIPATION

1. Total line of credit established by the loan to meet cash flow deficit \$ \_\_\_\_\_
- 1a. Total amount from line 1 above x 50% \$ \_\_\_\_\_
2. Developmental Disability Service Providers' Operating Budget (as approved by the Developmental Disabilities Division for current fiscal year) \$ \_\_\_\_\_
- 2a. Total Operating Budget from line 2 above x 4.167% \$ \_\_\_\_\_
3. \_\_\_\_\_  
 \_\_\_\_\_

### CERTIFICATION OF LOCAL LENDER

Financial Institution			Street Address	
City	State	Zip	Contact Person	Phone

\_\_\_\_\_ Hereby certifies that \$ \_\_\_\_\_  
 shall be disbursed to \_\_\_\_\_ at \_\_\_\_\_%  
 interest for a term not to exceed thirty days.

Signature, Financial Institution Officer	Date
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4. Amount requested in participation by Bank of North Dakota (this amount cannot exceed the smaller of the amounts on line 1a. or 2a.) \$ \_\_\_\_\_
5. We hereby certify that the information provided herein is true and correct to the best of our knowledge and belief. The Request for Bank of North Dakota Participation shall be signed by a corporation officer, and the Executive Director of the Corporation.

Executive Director	Date
Corporate Officer	Date

6. I certify that the amount falls within the guidelines set in DDD-PI-047. This Request for Participation is therefore approved for further processing by the Bank of North Dakota. This certification expresses no opinion as to the appropriateness or necessity of this loan pursuant to the provisions of NDAC 75-04-05 for allowable interest expense.

Developmental Disabilities Division (Name/Title)	Date
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