

EFFICIENCY MAINE TRUST

Loan Accounting Policy

1. **TITLE**

Loan Accounting Policy

2. **PURPOSE**

The Efficiency Maine Board of Trustees establishes this Loan Accounting Policy (the "Policy") to define the procedure to be followed for collecting loan accounts owed to the Trust under Efficiency Maine Trust financing programs ("Loan Accounts") and for identifying and processing Loan Accounts that cannot be collected upon or which require a commitment of resources beyond that which would be cost effective to continue collection efforts.

The purpose of this Policy is to establish a system whereby the Trust will consistently administer its Loan Account assets, identify non-performing Loan Accounts, and ensure the financial records of the Trust accurately represent the current collectability of each Loan Account. The Policy establishes a procedure requiring diligence in monitoring repayment of Loan Accounts through satisfaction of the debt evidenced thereby or, where warranted, bad debt write-off. Bad debt write-off is a generally accepted accounting principle that allows the Trust to purge uncollectible debt on a Loan Account from the assets shown in the Trust's financial records, so that such records more accurately reflect the Trust's program assets and liabilities.

3. **APPLICATION**

This Policy applies to all Loan Accounts owed to the Trust.

4. **PROCEDURE**

- a. Once a Loan Account has been created, it becomes subject to the billing and payment procedure created by the Trust for that specific financing program (the "Billing Procedure"). The Billing Procedure may encompass invoicing, notices of late payments, pre- or post-default opportunities for restructuring, default notices, and collection activities as contemplated by such financing program and permitted by law.
- b. Oversight of all Billing Procedure implementation shall rest with a loan administrator designated by the Executive Director from time to time (the "Loan Administrator"). The Loan Administrator is responsible for managing the collection of Loan Accounts and review of all outstanding Loan Accounts on a monthly basis, evaluating performance, and ensuring compliance with the Billing Procedure and this Policy.
- c. If a Loan Account remains unsatisfied for 120 days after the application of all applicable elements of the Billing Procedure (or in the judgment of the Loan Administrator, certain of such elements cannot or should not be applied, for any of the reasons stated in Section 5(a) through (f) of this Policy), the Loan.

Administrator shall refer the Loan Account to a committee consisting of the Deputy Director, Controller, and Program Manager for the applicable financing program (the "Program Loan Review Committee") for determinations as to collectability and potential write off, in accordance with Section 5 below, transmitting a written report including the Loan Account name and number, the balance and payment history thereof, a chronological description of steps taken under the applicable Billing Procedure, and the reasons for referral.

5. DETERMINING UNCOLLECTIBILITY AND POTENTIAL WRITE OFF

The Program Loan Review Committee shall meet periodically to determine which, if any, Loan Accounts referred to the Committee are uncollectible and recommended for write off.

A Loan Account shall be determined to be uncollectible and recommended for write off if the Committee, using reasonable commercial discretion, finds that it meets two or more of the following criteria:

- a. The applicable Billing Procedure has been followed with respect to the Loan Account (or for one or more of the reasons listed in criteria (b) through (f) below, the applicable Billing Procedure cannot or should not be followed) and the Loan Account remains unpaid.
- b. The obligor(s) on the Loan Account ("Obligor") no longer exists, cannot be located, or has been discharged in bankruptcy, and there are no available assets securing the Loan Account as collateral.
- c. The Obligor does not and will not for the foreseeable future have, or have a reasonable likelihood of acquiring, assets from which the Trust could collect the debt owed on the Loan Account.
- d. The costs likely to be incurred in continuing collection efforts outweigh the amount owed on the Loan Account or it is otherwise determined that it is uneconomical to continue collection efforts.
- e. Due to non-financial factors, pursuing collection efforts would not be in the best interest of the Trust and the furtherance of its overall goals.
- f. The debt on the Loan Account is disputed and the Trust has insufficient documentation to support a pursuance of the collection effort.

If the Committee determines that the Loan Account is uncollectible and recommended for write off, it shall follow the procedure set forth under Section 6 below.

If the Committee does not determine that the Loan Account is uncollectible and recommended for write off, it shall so notify the Loan Administrator in writing, and the Loan Administrator shall continue to apply the applicable Billing Procedure to the Loan Account, but shall refer the Loan Account to the Committee again if it remains unsatisfied 180 days after such notification from the Committee.

6. PROCEDURE ONCE A LOAN ACCOUNT IS DEEMED UNCOLLECTIBLE AND RECOMMENDED FOR WRITE OFF

- a. Upon determining that a Loan Account is uncollectible and recommended for write off, the Program Loan Review Committee shall provide to the Executive Director a written report supporting the write-off of the debt of the Loan Account, including, at minimum: the name and number of the Loan Account, the amount that is to be written-off, the collection procedures followed, and a description of why the Program Loan Review Committee determined that the debt on the Loan Account is uncollectible and should be written-off. The Executive Director shall schedule a review, by the full Board of Trustees, of the Committee's determination that the criteria listed in Section 5 above supports a write off. The Board shall approve or deny the write-off in the exercise of the Board's reasonable commercial discretion. Such approval or denial shall be communicated in writing to the Controller with a copy to the Loan Administrator and Program Loan Review Committee.
- b. Upon receipt of the notification described in Section 6(a) above, the Controller shall make the appropriate entries in the Trust's accounting and financial records to reflect any approved write off.
- c. Upon receipt of the notification described in Section 6(a) above reflecting the approved write off of a Loan Account, the Loan Administrator shall cease collection efforts with respect to such Loan Account. **A write off of a Loan Account does not extinguish the debt written off, but justifies a cessation of collection efforts and financial re-characterization of the Loan Account. Subsequent payment on a written off debt may be accepted.** If any subsequent payment is received on a written off Loan Account, the Loan Administrator will process such payment as contemplated by the applicable Billing Procedure and shall promptly notify the Controller who will make appropriate entries in the Trust's accounting and financial records.
- d. Upon receipt of the notification described in Section 6(a) above reflecting the denial of a recommended write off of a Loan Account, the Loan Administrator shall continue to pursue the Billing Procedures applicable to such Loan Account, but shall refer such Loan Account again to the Program Loan Review Committee for reconsideration if continued application of said Billing Procedures has not resulted in satisfaction of such Loan Account within 180 days after the notification from the Board.