

## **Loan Agreement to Affiliated Fire Company**

*The information below is provided by the Pennsylvania Department of the Auditor General as a resource to support Volunteer Firefighter Relief Associations across the Commonwealth.*

Volunteer Firefighter Relief Associations (VFRA) may make loans to its affiliated fire company(ies) if the VFRA's bylaws allow this type of transaction.

The authorization of such loans must be approved by a vote of the membership at a VFRA meeting and duly recorded in the minutes (35 Pa.C.S. § 7416 (d)). The meeting minutes documenting the vote must be maintained.

At a minimum, the loan agreement should include the following:

- Date
- Name of the VFRA, and full address including the County and location
- Name of the affiliated fire company, legal name and location
- The amount of the loan
- Interest rate
- Length of loan payoff (term of the loan)
- Identify frequency (monthly, quarterly, annual) and amount of payments
- Breakdown of the monthly/quarterly payments and balance after each on time payment (amortization schedule)
- Payment begin date
- How the payments shall be applied - late fees, interest, principle, costs incurred, etc.
- Provisions to address prepayment and any associated penalties for prepayment
- Loan acceleration for late payments
- Legal and collection costs, if incurred
- Approval by both entities and noted in their respective meeting minutes
- Security or collateral provided for the loan, describe in detail.
- Collateral provisions which pledge assets of the affiliated fire company and have a capital value equal to at least 150 percent of the amount of the loan. If a vehicle is used as collateral, a lien can be registered with PennDOT.
- Signatures of at least two officers, one of which shall be the disbursing agent of the VFRA in compliance with their bylaws, is necessary to form an enforceable contract.