

MWVCOG Small Business Loan Program



Overview



- Started in 1983.
- Low interest loans to assist small businesses expand or start new ventures.
- Provide access to commonly used government finance programs:
 - U.S. Small Business Administration (SBA)
 - U.S. Small Business Administration (Community Advantage)
 - U.S. Department of Agriculture (USDA)
 - U.S. Economic Development Administration (EDA)
 - State of Oregon Business Development Fund (OBDF)

Purpose



- Loan programs have targets and goals such as diversifying the regional economy, stimulating investment and jobs growth.
- However, common to all of the programs is job creation by using loan program funds as a catalyst to leverage private participation to the maximum extent possible.

The Why It Works



- Job creation is accomplished by preserving working capital in the businesses to use for hiring (or retaining employees):
 - by structuring long term fixed asset financing using low interest rate subordinate debt to leverage bank financing, and
 - by extending term working capital loan when it is necessary to bridge working capital gaps in the business' conventional bank lines of credit loan limits.

We Counsel Businesses



- To structure financing that is flexible in the long or intermediate term.
- Advance rates and collateral pledges.
- Businesses learn the financing function of buying fixed assets and securing working capital loans.

The Process



- Meet with the business individually or together with their lender to determine loan structure and the financial information for the loans to be underwritten.
- If the business does not have a primary lender make referrals to banks and loan officers to expedite the process. The business chooses their bank.
- We provide a typical timeline for a financing project plan to meet deadlines.

Traditional Bank Loans



- Commercial Real Estate Requirements:
 - Borrower equity: 20% or more
 - Terms: 10 Year Term (Amortization varies)
 - Interest rates: Market Rate
 - Collateral: 1st Lien Position

Newer Buildings in Active

Commercial Real Estate Market



Small Business Loan Programs

- Usually 40% of a project and combined with bank funding (50%) for 90% financing
- Borrower equity: 10-20%
- Terms: varies up to 20 years
- Interest rates: Depends on program
- Subordinate Lien Position



Types of Loan Assistance

- 2 Main Types of Loan Assistance:

- 1. Direct lender

- Money is loaned directly to the borrower
 - For example: revolving loan funds



- 2. Intermediary

- COG packages, closes and services loans funded through contractual agreements
 - For example: U.S. SBA through Oregon Business Development Corporation, State of Oregon Business Development Loan Program.



The Paperwork (or scanned paperwork)



- Documentation List:
- Short history of your business including your locations, strengths and weaknesses, your market and customers, how you have grown the business, how the business is managed/the management team, etc.
- Short resumes of owner/managers
- 3-Years of IRS returns for the Corporation
- In-house Year to Date Balance Sheet and Income Statement for the Corporation
- Income Projections next two fiscal years with assumptions
- 3-Years of IRS returns for the owners
- Updated personal financial statement
- Purchase Agreement for the property
- Copies of Contractor Bids

Typical Follow-up Email

(Assuming the SBA 504 loan program is used)



- Nice to meet you folks and discuss your business and your project. I have an estimated budget of a Project Cost and the structure of a typical Bank loan participating with the SBA 504 loan program (the interest rates are a guess as rates are subject to changes).
- The Timeline for your Project shows that a couple of very important tasks for you: get contractor estimates ASAP because the appraisal includes the renovations in the “as completed” valuation and necessary to support the Project financing; and, the loans are approved and the funding will not occur until satisfactory appraisal and environmental reports are completed (appraisals are taking 4 weeks or more currently and you will need to make timely decisions on your choice of lenders).
- Please review these schedules and get back to me with any questions.
- I suggest that when you begin to choose a Bank to participate with the 504 loan that you draft an Executive Summary letter. We can assist you at that time.

Sources and Uses of Funds



Costs

Description	Amount	%
Purchase Land	0.00	0.00%
Purchase Land and Improvements	600,000.00	78.20%
Purchase Improvements	0.00	0.00%
Construct a Building	0.00	0.00%
Add an Addition to a Building	0.00	0.00%
Make Renovation to a Building	0.00	0.00%
Make Leasehold Improvements to a Building	150,000.00	19.50%
Purchase/Install Equipment	0.00	0.00%
Purchase/Install Fixtures	0.00	0.00%
Pay Outstanding Debt	0.00	0.00%
Other Expenses (construction contingencies, interim interest)	10,000.00	1.30%
Professional Fees	7,500.00	1.00%
TOTAL Project Costs	767,500.00	100.00%

Sources

Source	Amount	%	Monthly P&I	Term	Amort	Rate	Lien
Bank	383,750.00	50.00	2,532	10.00	20.00	5.000	1
Oregon Business Development Corporation 334 NE Hawthorne Avenue/Bend	307,000.00	40.00	2,018	20.00	20.00	4.500	2
Business Cash	76,750.00	10.00					
TOTAL Financing	767,500.00	100.00	4,550	Annual P&I		54,608	

What Wall Street Looks Like

(When the SBA 504 loan program is the lender)



Financing

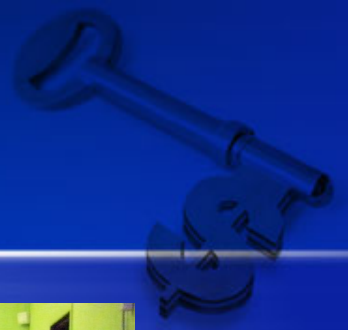
Debenture Pricing		
A. SBA Share of Project Costs:	40.00 %	\$ 307,000.00
B. Administrative Costs		
1. SBA Guaranty Fee (A * 0.000)		0.00
2. Funding Fees (A * .0025)		767.50
3. CDC Processing Fee (A * 0.015)		4,605.00
4. Closing Costs		5,000.00
5. Total (B1 through B4)		10,372.50
6. Underwriters Fee *		1,276.00
7. Total (B5 + B6)		11,648.50
C. Total Debenture Amount (A + B7, rounded up to next thousand)		319,000.00
D. Balance to Borrower		351.50
* Underwriters fee calculated as follows: For 20 year Debentures, the sum of A. and B.5 divided by 0.99600; round this number up the next highest thousand; multiply this number by 0.00400. For 10 year Debentures, the sum of A. and B.5 divided by 0.99625; round this number up to the next highest thousand; multiply this number by 0.00375.		

Project Timeline with Purchase and Renovations



Tasks	Month						
	1	2	3	4	5	6	7
Purchase Agreement							
Renovation Bids							
Appraisal							
Environmental Report							
Choose Bank							
Bank and SBA 504 Loan Approval							
Bank Funds Interim Loan							
Renovations							
SBA Funding Process							

Success Stories



Small Business Financing Programs									
Programs:	Rural Community Loan Program	Regional Revolving Loan Fund	SBA 504	Newberg Revolving Loan Fund	OBDF Oregon Business Development Fund	Independence Revolving Loan Fund	Yamhill County Revolving Loan Fund	SBA ILP	SBA Community Advantage
Uses	Land, building acquisition, new construction, equipment, working capital.	Land, building acquisition, new construction, equipment, working capital.	Land, building acquisition, new construction, equipment, working capital.	Land, building acquisition, new construction, equipment.	Land, building acquisition, new construction, equipment, term working capital.	Land, building acquisition, new construction, equipment, working capital.	Land, equipment, construction, working capital.	Land, building acquisition, new construction, equipment, working capital.	Land, building acquisition, new construction, equipment, working capital
Eligibility	Business in communities less than 50,000 population in Marion, Polk, Yamhill and Clackamas Counties.	Agriculture processing and manufacturing related businesses in Marion, Polk and Yamhill Counties.	For-profit small businesses.	Businesses in the City of Newberg.	Manufacturing, processing and tourism related businesses.	Agriculture, manufacturing, retail and commercial businesses in the City of Independence.	Businesses in Yamhill County.	Businesses in Yamhill, Polk, Marion & Clackamas Counties	Businesses in Yamhill, Polk, Marion & Clackamas Counties
Amounts	\$150,000-\$200,000 \$250,000 maximum;	\$300,000; maximum	SBA will fund up to 35-40% of the total project with maximum funding of: see below ‡	Max \$200,000; maximum of 50% of project cost. *	Up to \$1,000,000 or 40% of project. *	Max \$100,000; maximum of 30% of project cost. *	33% of project cost. *	\$200,000 Maximum	\$250,000 Maximum
Bank/Other Funding	25 to 50% minimum	50% minimum	50%	50%	60%	50%	50%	NA	N/A
Borrower Equity	10% minimum	10-17% minimum	10-15-20%	10%	10-20%	10-20%	10-17%	10% Minimum	10% Minimum
Rates	Minimum 5%. (Rate determined by Loan Committee.)	Minimum 5%. (Rate determined by Loan Committee.)	20 Yr Term (approximately) 10 Yr US Treasury Note rate+2.8%.	70% of prime rate, but not less than 6%.	1% above US Treasury securities (fixed rate). 4% minimum rate.	Minimum of 2% below US Treasury bonds.	50% of prime rate but not less than 6%.	Determined by Loan Committee	Prime Plus 6%
Term/Amortization	Up to 20 year term & amortization	Up to 20 year term & amortization	Real Estate and Equipment 10, 20 or 25 year fully amortized terms	Real Estate 10 Years Equipment 5 years.	Useful life of the collateral, up to 25 yr term & amortization.	To be determined on a case-by-case bases.	Negotiable, but not greater than 120 months.	Up to 20 Yr term & amortization	Up to 25 yr term & amortization
Fees	1.5%	1.5%	Approx 2.75% financed in loan	1.5%	\$200 application fee 1.5% closing fee	0	1.5%	1%	2% ≤ \$150,000 3% > \$150,000
Prepayment Penalty	No	No	Yes	No	No	No	No	No	No

C.C.D. Business Development Corporation



- Certified Development Company
- Intermediary lender
- SBA 504 loans





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