

# Business Finance Programs

Ramona Rodamaker, Assistant Director of Operations  
John Saris, Business Finance Manager



# Presentation Overview

- Capital Gap Assessments
  - Oregon Capital Scan
- State Small Business Credit Initiative
  - \$16.6m funding from U.S. Department of the Treasury
- Finance Programs
  - General Overview, Program Trends, Portfolio Overview
- Statewide Distribution of Investments
- General Credit and Capital Observations and Trends

# Oregon Capital Scan

- Biennial Study of the Oregon Capital Ecosystem
  - Originated in 2012
  - Public/Private Partnership
  - Trends in Oregon's Capital Ecosystem
  - Opportunities

# Finance Programs

- Private activity bonds

- Industrial Development Bonds (IDB)
- Aggie Bonds

- Loan Insurance

- Credit Enhancement Fund (CEF)
- Capital Access Program (CAP)

- Direct Loans

- Oregon Business Development Loan Fund (OBDF)
- Entrepreneurial Development Loan Fund (EDLF)
- Small Business Expansion Loan Fund (SBELF)

# Finance Programs

- Intent:
  - Bridge specific capital gaps
  - Leverage private capital
  - Geographic diversity
  - Increase financial capacity
  - Economic diversification
  - Evergreen programs

# Cumulative Business Finance Program Capitalization by Source

Fund	Direct Lottery	Lottery Bonds	General Funds	Federal Funds	Transfers	Total
OBDP	\$8,269,789	\$6,561,097	\$6,071,848	\$5,500,000	(\$11,200,000)	\$15,202,734
SBELF					\$5,000,000	\$5,000,000
EDLF	\$1,590,000				\$3,050,000	\$4,640,000
CEF	\$3,481,283			\$12,924,704		\$16,405,987
CAP	\$2,104,326			\$317,315	\$3,150,000	\$5,571,641
Total	\$15,445,398	\$6,561,097	\$6,071,848	\$18,742,019	\$0	\$46,820,362

# State Small Business Credit Initiative (SSBCI)

Small Business Jobs Act of 2010  
U.S. Department of the Treasury

# SSBCI Summary

Program	Approved Projects	Committed SSBCI	Leverage	Admin Expenses	Program Income	Recycled Money
CEF	163	\$12,258,079	\$142,139,140	(\$361,923)	\$1,081,529	\$911,354
CAP	88	\$143,031	\$8,549,563	(\$16,416)	\$0	\$0
OBDF	14	\$3,360,669	\$24,974,411	(\$139,331)	\$368,395	\$100,000
Total	265	\$16,279,449	\$175,663,114	(\$517,670)	\$1,449,924	\$1,011,354



# SSBCI Close Out

- Federal program deployed more than \$1.4 billion
  - 50 states, District of Columbia and 4 US Territories
    - CAPs, Loan Guarantees, Loan Participations, Collateral Support & VC

Outcomes	National	Oregon
Allocation	\$1.4 billion	\$16.6 million
Transactions Closed/Funded	21,962	265
Total New Financing	\$10.7 billion	\$175.7 million
Leverage	7.65 : 1	10.79 : 1
Jobs Created	79,193	887
Jobs Retained	161,476	809

# Private Activity Bonds

Industrial Development Bonds  
Aggie Bonds

# Industrial Development Bonds

- Helps Oregon manufacturers grow by providing long-term financing for land, buildings and equipment through tax-exempt bonds issued by the state of Oregon.
- Lender is exempt from federal income tax on interest income and tax savings passed along to borrower.
- Not a state of Oregon obligation. Lender retains all risk and obligations associated with loan servicing.
- The role of Business Oregon is to ensure that the project meets the eligibility requirements of the Internal Revenue Code.

# **Aggie Bonds**

## **(Beginning and Expanding Farmer Loan Program)**

- Helps new farmers obtain lower-cost financing for land and equipment purchases through tax-exempt bonds issued by the State of Oregon.
- Lender exempt from federal income tax on interest income and tax savings passed along to borrower.
- Available to beginning farmers for depreciable agricultural property, used equipment and farmland purchases.
- Not a State of Oregon obligation. Lender retains all risk and obligations associated with loan servicing.
- The role of Business Oregon is to ensure that the project meets the eligibility requirements of the Internal Revenue Code.

# Direct Loans

Oregon Business Development Fund (OBDF)  
Entrepreneurial Development Loan Fund (EDLF)  
Small Business Expansion Loan Fund (SBELF)

# Oregon Business Development Fund

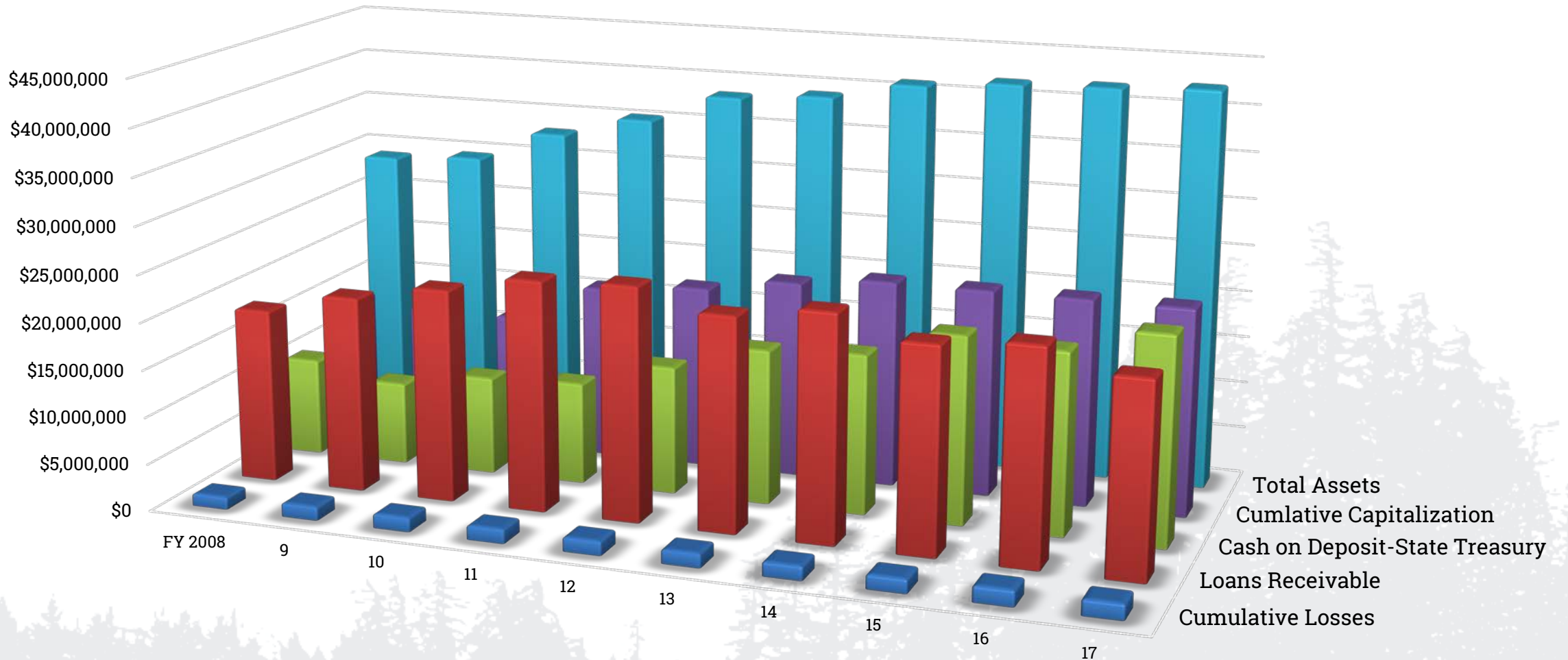
- Direct loans to small businesses
- Revolving loan fund, with fixed-rate financing for land, buildings, equipment, machinery, and permanent working capital.
- Applicant's project must anticipate job creation and/or retention and applicant must be traded-sector.
- Preference given to businesses located in, or that draw their work force from, rural or distressed areas
- Up to \$1m and 20-year term

# Oregon Business Development Fund

2015-17:

- 21 loans totaling \$6.7m approved
- Leveraged \$29.5m in private funding
- Projects projected to create/retain 363 jobs
- 80% of loans made outside of Portland metro area
- Average loan is \$300,000
- Average number of employees per borrower: 18

# Oregon Business Development Fund (OBDF)





# Entrepreneurial Development Loan Fund

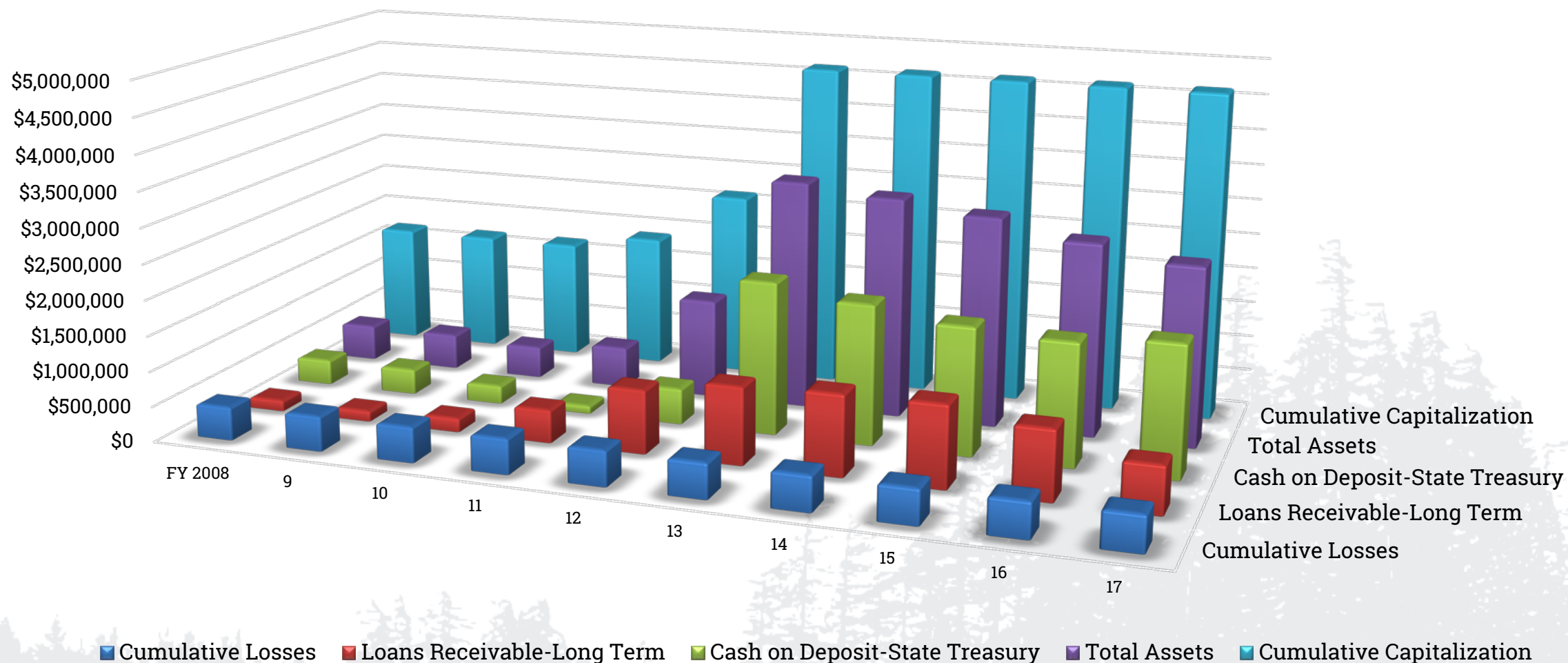
- Direct loans to help start-ups and micro-enterprises expand or become established in Oregon.
- Fills a niche not typically available through traditional lending markets.
- Up to \$75,000 and 10-year terms
- Fixed rate loans starting at prime + 2% APR
- Includes mentorship from Small Business Development Centers

# Entrepreneurial Development Loan Fund

2015-17

- 9 loans totaling \$353,000
- Leveraged \$1,258,784 in private funding
- Projected to create 37 jobs
- 100% of loans made outside Portland metro market
- Average loan is \$35,000
- Average number of employees per borrower: 1

# Entrepreneurial Development Loan Fund (EDLF)



■ Cumulative Losses 
 ■ Loans Receivable-Long Term 
 ■ Cash on Deposit-State Treasury 
 ■ Total Assets 
 ■ Cumulative Capitalization

# Small Business Expansion Loan Fund

- Direct loans to help traded sector, high growth companies grow in Oregon.
- Fills a niche not typically available through traditional lending markets providing capital typically used for sales and marketing.
- Up to \$250,000 and 5-year terms
- Repayment primarily based upon royalty payments that scale with company revenue growth
- Benefits – Retain ownership and control; Demonstrate proof of concept; Attract future equity funding; Repayment aligned with sales

# Small Business Expansion Loan Fund

2015-18

- 9 loans totaling \$1,729,110
- Projected to create 164 jobs
- 77% of loans made outside Portland
- Average loan is \$190,000
- Average number of employees per borrower: 10

# Direct Loan Comparison Table

Primary:	EDLF	OBDF	SBELF
Industry Sector(s)	Retail and Service	Traded Sector	Traded Sector
Use of Proceeds	Fixed Assets	Fixed Assets	Working Capital
Security (Collateral)	Fixed Assets, Corporate <u>and</u> Personal Guarantees	Fixed Assets, Corporate <u>and</u> Personal Guarantees	Personal Guarantee, Corporate Guarantee, <u>or</u> Fixed Assets
Repayment Terms	Principal and Interest	Principal and Interest	Revenue Payments
Loan Rate of Return	1.1 to 1.2X	1.1X	1.6 to 2.0X
Average Loan Size	\$40-60,000	\$400-600,000	\$150-250,000
Default Rate	10-12%	2-5%	25-30% Projected

# Loan Insurance

Capital Access Program (CAP)  
Credit Enhancement Fund (CEF)

# Capital Access Program

- CAP helps banks and credit unions make commercial loans to small businesses providing capital for business startup or expansion
- Loan proceeds can be used for the acquisition of fixed assets and working capital
- Enrollment fee: 3% to 7%
- Program used almost exclusively by community banks and credit unions

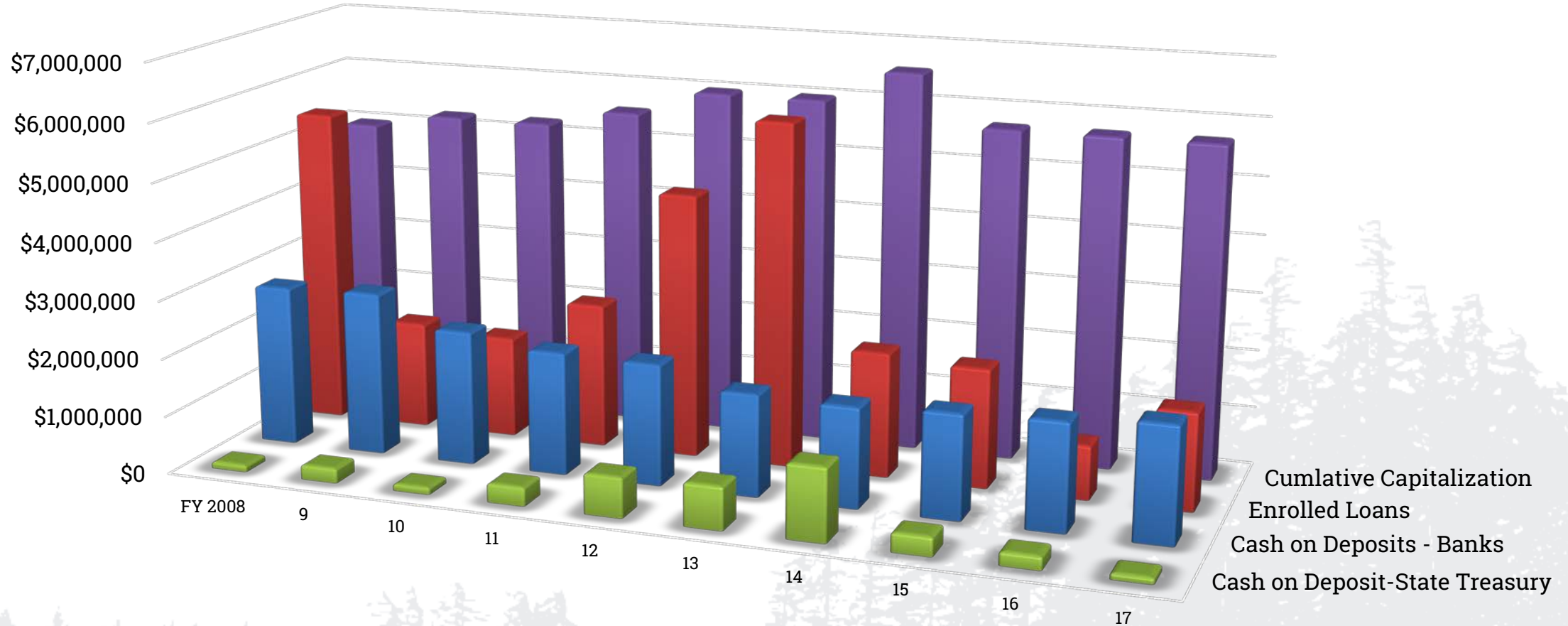


# Capital Access Program

2015-17

- Enrolled 44 loans matching \$92,146 in borrower, lender fees
- Average enrolled loan is approximately \$60,000
- Leveraged \$2,628,695 in private funding
- Projected to create and retain 186 jobs
- 60% of loans made outside Portland metro market
- Average number of employees per borrower: 6

# Capital Access Program (CAP)



# Credit Enhancement Fund

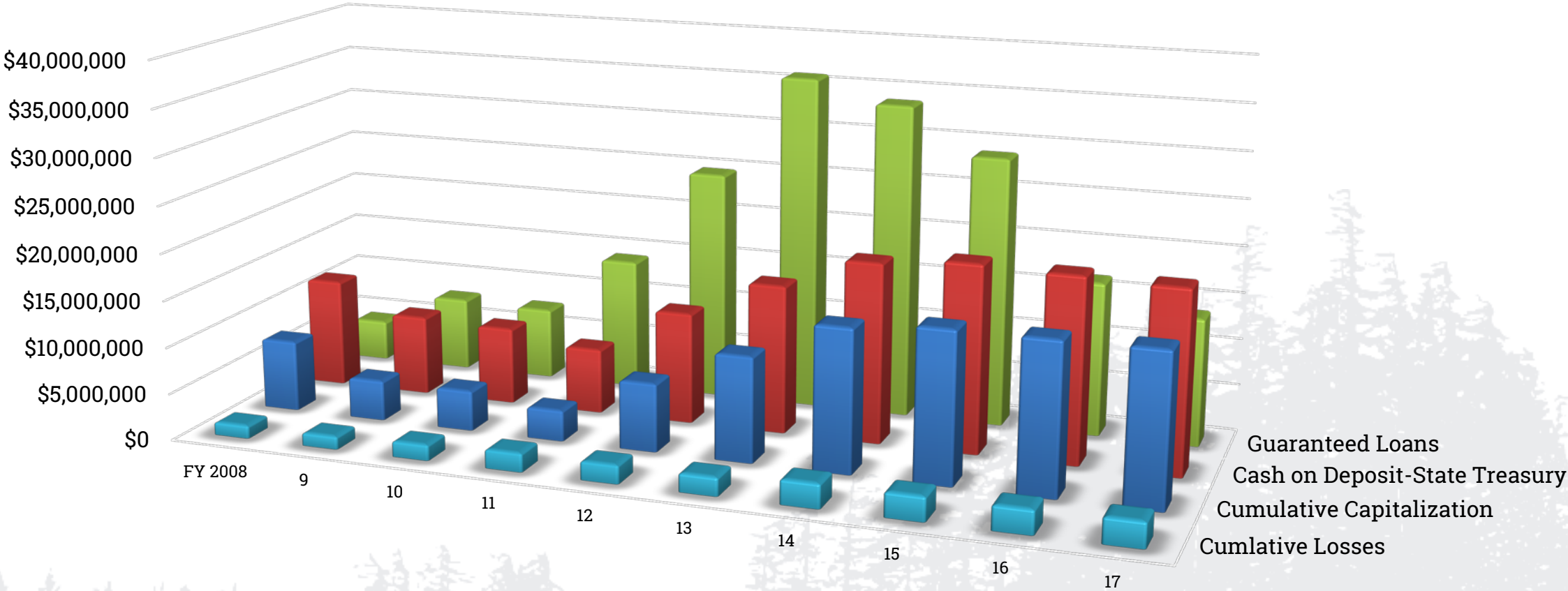
- Loan insurance program available to private lenders to assist businesses with loans and lines of credit
- Available to most businesses statewide regardless of industry
- Enrollment fee of 1.25% to 3.5%
- Covers up to 80% of the loan with a cap of \$2m and 15-year term
- Covers up to 75% of the lender's line of credit with a maximum term of one-year

# Credit Enhancement Fund

2015-17

- Approved 64 loans leveraging \$30.2m in private funding
- Projected to create or retain 707 jobs
- 93% of loans insured outside of the Portland MSA, with strongest demand from community banks, regional banks and credit unions
- Average enrolled project is \$685,000
- Average number of employees per borrower at application: 22

# Credit Enhancement Fund (CEF)



# Insurance Comparison Table

Primary:	CAP	CEF
Industry Sector(s)	Retail and Service	Traded Sector
Use of Proceeds	Fixed Assets – 75% Working Capital – 25%	Fixed Assets – 70% Working Capital – 30%
Security (Collateral)	Fixed Assets, Corporate <u>and</u> Personal Guarantees	Fixed Assets, Corporate <u>and</u> Personal Guarantees
Processing Time	1-2 business days	8-10 business days
Insurance Fee	3-7%	1.5-4%
Average Loan Size	\$50-75,000	\$500-700,000
Default Rate	5-8%	2-5%

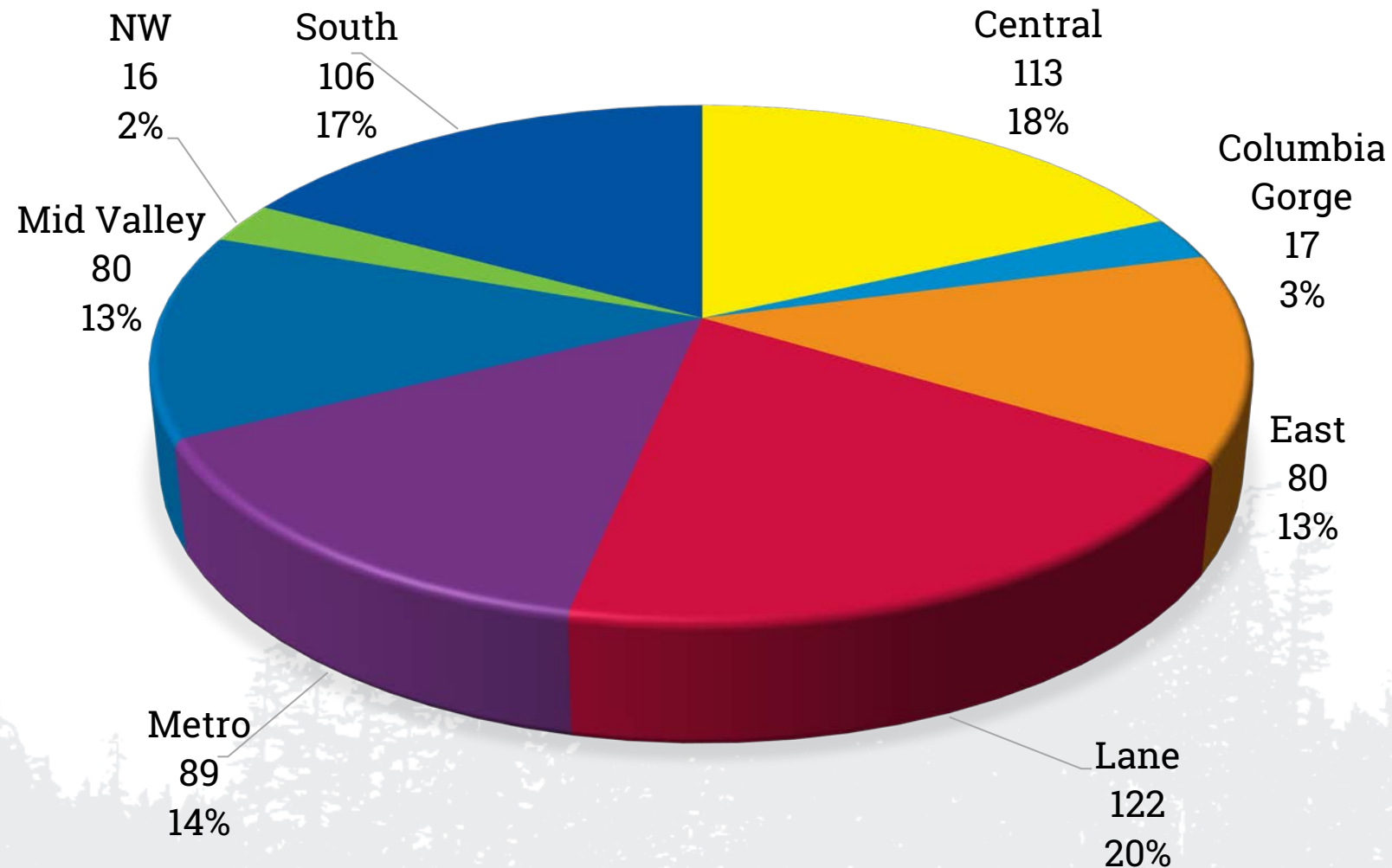
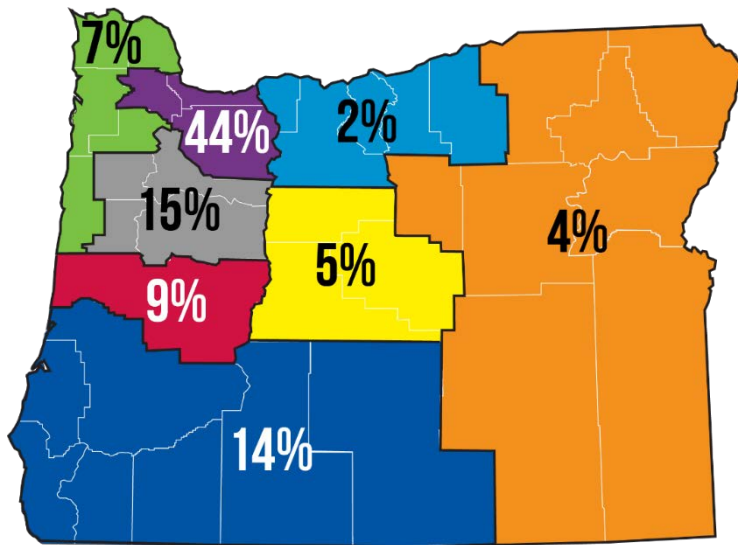
# Statewide Distribution of Loans

Loan Volume  
Capital Investment  
Jobs Created & Retained



## Projects by Region (CEF, OBDF, EDLF) 623

## Population by Region 2015 Census Data (4,028,977)

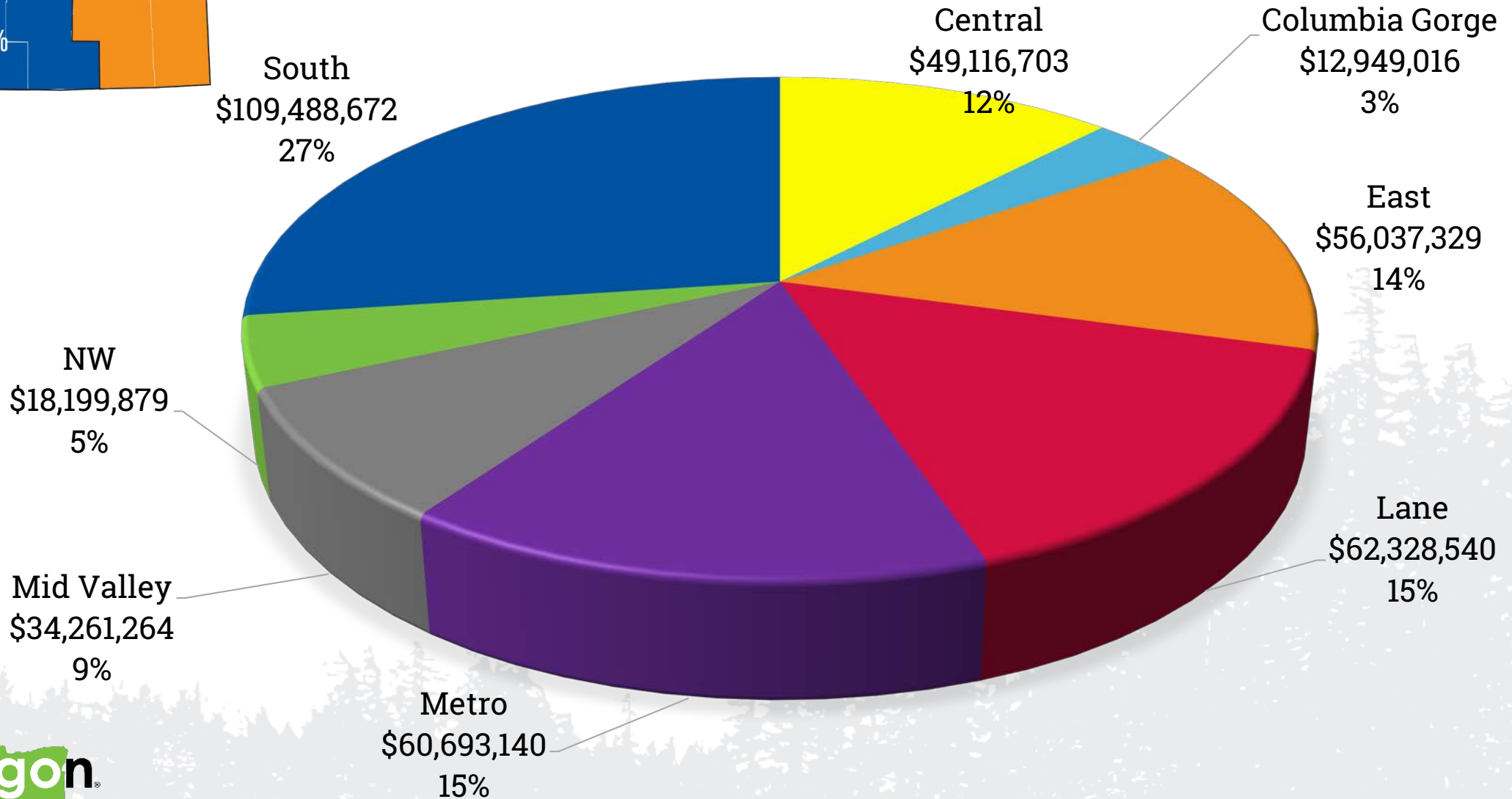
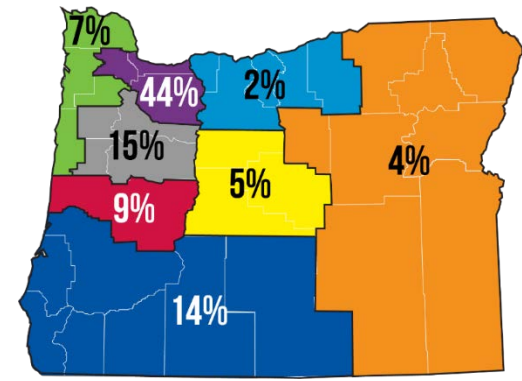




# \$ Leveraged by Region

(CEF, OBDF, EDLF)

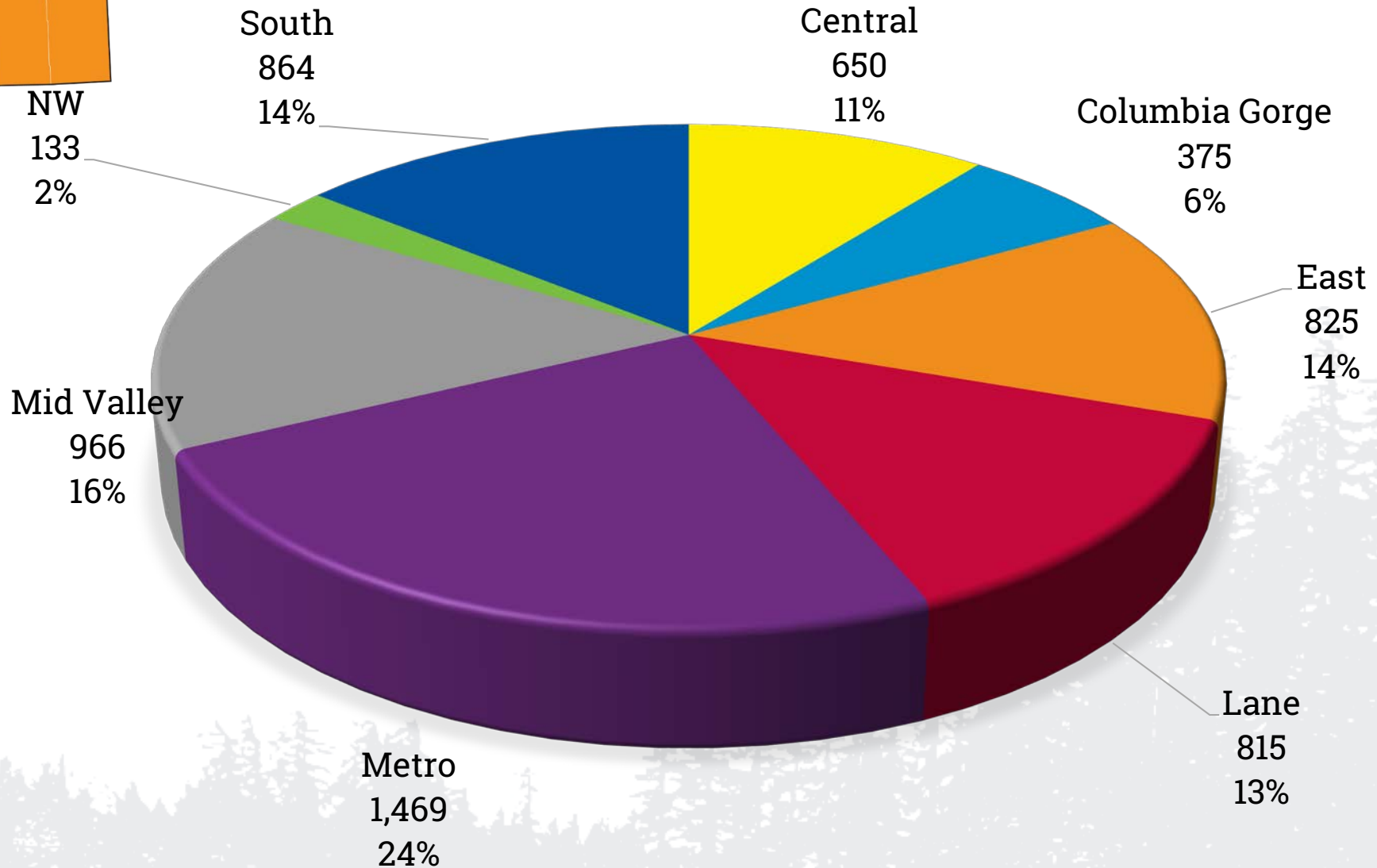
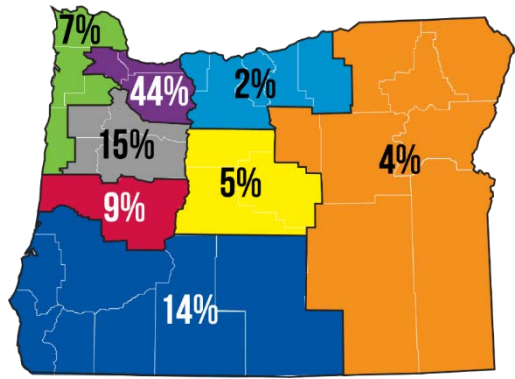
\$401,074,542



# Jobs Created/Retained by Region

(CEF, OBDF, EDLF)

6,096



# Questions

John Saris  
Finance Manager  
Business Oregon  
[john.saris@oregon.gov](mailto:john.saris@oregon.gov)