

BUSINESS FINANCE PROGRAM OVERVIEW

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Finance Programs

- Direct loans, loan guarantees, private activity bonds
- Intent: Leverage private capital, geographic diversity, increase financial capacity, and support business expansion/retention
- Funding: Non-recurring appropriations (Lottery, General, Federal Funds), Other Fund limitation

Loan Insurance Programs

Capital Access Program 1991

- 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%
- Average enrolled loan is approximately \$60,000
- Average number of employees per borrower: 6

Credit Enhancement Fund 1993

- Loan insurance program available to private lenders to assist businesses with loans and lines of credit
- Available to most businesses statewide regardless of industry
- Insurance fee of 1.25% to 3.5% (1 to 15 year term)
- Covers up to 80% of a term loan or 75% of a line of credit
- Average enrolled project is \$685,000
- Average number of employees per borrower at application: 22

Insurance Comparison Table

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

Direct Loan Programs

Oregon Business Development Fund

1983

- Direct loans to small businesses
- Revolving loan fund, with fixed-rate financing for land, buildings, equipment, machinery, and permanent working capital.
- Participants must project to create or retain jobs and must be traded-sector.
- Up to \$1m and 20-year term – HB 2037 increases limits to \$2m
- Average enrolled project is \$5-700,000
- Average number of employees per borrower at application: 18

Entrepreneurial Development Loan Fund

1991

- 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 \$250,000 and 10-year terms
- Fixed rate loans starting at prime + 2% APR
- Includes mentorship from Small Business Development Centers and other culturally specific technical assistance providers
- Average enrolled project is \$75-100,000
- Average number of employees per borrower at application: 2

Oregon Royalty Fund 2018

- 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
- Average enrolled project is \$75-100,000
- Average number of employees per borrower at application: 2

Direct Loan Comparison Table

Primary:	EDLF	OBDF	ORF
Industry Sector(s)	Retail and Service	Traded Sector	Traded Sector
Use of Proceeds	Fixed Assets	Fixed Assets	Working Capital
Security (Collateral)	Fixed Assets, Corporate and Personal Guarantees	Fixed Assets, Corporate and Personal Guarantees	Personal Guarantee, Corporate Guarantee, or Fixed Assets
Repayment Terms	Principal and Interest	Principal and Interest	Revenue Payments
Processing Time	2-3 weeks	3-4 weeks	2-3 weeks
Loan Rate of Return	1.1 to 1.2X	1.1X	1.6 to 2.0X
Average Loan Size	\$75-100,000	\$500-700,000	\$150-250,000
Default Rate	10-12%	2-5%	20-25%

Questions