

May 18, 2006

To: LCOG Budget Committee
From: Bob Swank
Subject: LCOG Business Loan Program
Action Requested: None. Information only.

At the Budget Committee meeting in April, more detailed information was requested about the LCOG Business Loan Program. The following information provides more detail about the specific loan programs and how they are represented in the LCOG budget.

1) SBA 504 Loan Program

a) LCOG packages loans for the US Small Business Administration. We act as an agent for Cascades West Financial Services, Inc., a 501c3 non profit corporation headquartered in Albany, OR. We receive a packaging fee plus an ongoing servicing fee for outstanding loans.

b) Loan packaging fees, loan servicing fees, salary, indirect and materials and services are budgeted.

c) These loans are not part of LCOG's loan portfolio.

2) Intermediary Relending Program

a) LCOG borrows money from the USDA and relends these funds to small businesses located in the rural portions of Lane County. We borrow the money from the USDA at an interest rate of 1.0%, payable over 30 years. The most recent approval from the USDA will bring our total borrowings to \$4.9 million.

b) Budgeted revenues consist of new federal money borrowed from USDA, principal, interest and late fees on the business loans, along with salaries, indirect, estimate of loan disbursements, and repayment to USDA (debt principal and interest).

Since the funds for this loan program are held in a separate bank account, interest revenue is also budgeted and the fund balance reflects the available cash.

c) We have loans outstanding to ultimate recipients as of 12/31/05 in the amount of \$3,351,287. In addition, we have cash available to lend of \$1,087,407. These assets are part of LCOG's portfolio.

3) EDA Revolving Loan Fund

a) LCOG recently received a \$500,000 grant from the US Economic Development Administration plus local match of \$333,333 for a total loan program of \$833,000. Loans through this fund may be made anywhere in the County.

b) Since the start-up monies have already been received, future budgets will include principal and interest on the business loans, salary, indirect and loans to be disbursed. The funds for this program are also in a separate bank account. Interest income will be budgeted and the fund balance will reflect the cash available in this program.

c) We have made 5 loans in the amount of \$742,500 which leaves a balance available of \$90,833. These assets are part of LCOG's portfolio.

4) Other Loan Programs

a) LCOG packages loans for several other programs including the SBA 7A and the State of Oregon OBDF. We receive a packaging fee for this service.

b) Loan fees, salary and indirect expenses are budgeted in this area.

c) These loans are not part of LCOG's loan portfolio.