

April 20, 2006

**To:** LCOG Executive Committee

**From:** Steve Dignam

**Subject:** Application for a \$500,000 Intermediary Re-Lending Program loan from USDA Rural Business Services.

**Action Requested:** Recommend Adoption of Resolution 2006-5

**Background**

LCOG has been approved for a \$500,000 loan from the USDA under its Intermediary Re-Lending Program. This will be the sixth round of funding under this program and will bring the total amount borrowed from the USDA to \$4,878,000. LCOG has managed this program since 1995 and has made a total of 73 small business loans since inception which have led to creation/savings of 300 jobs. The loan program is available to any small business located outside of the Eugene-Springfield Urban Growth Boundary.

The USDA loan is structured as a thirty-year fully amortizing note with interest at 1.0%. LCOG “re-lends” the loan proceeds to small businesses at the prime rate, currently 7.75%. The interest rate differential is used to pay program operating expenses, for debt service and to create a reserve for bad debt.

The program has a good track record with only two loan losses in the total amount of \$90,000 since 1995. Our reserve for bad debt stands at \$300,000 as of 12/31/05, adequate to meet any current or anticipated loan loss.

The Regional Investment Board is currently reviewing our request for a \$125,000 matching funds grant.