



Oregon CRA Roundtable 2013

Portland, Oregon

January 8, 2013



Business Oregon

- Mission
 - Business Oregon works to create, retain, expand and attract businesses that provide sustainable, living-wage jobs for Oregonians through public-private partnerships, leveraged funding and support of economic opportunities for Oregon companies and entrepreneurs.
- Resources
 - Regional Business Development
 - Innovation & Global Strategies
 - Finance
 - Two unique direct loan programs (OBDF & EDLF)
 - CAP Program (CAP)
 - Loan Guarantee Program (CEF)
 - Industrial Development Revenue Bonds (IDB)



Business Finance Tools

- Direct Loan Programs
 - Oregon Business Development Fund (OBDF)
 - Entrepreneurial Development Loan Fund (EDLF)
- Loan Guarantee & Loan Loss Reserve Programs
 - Capital Access Program (CAP)
 - Credit Enhancement Fund (CEF)
- Conduit Bond Programs
 - Industrial Development Bond (IDB)
 - Express Bond Program (IDB)

business
oregon.

A map of Oregon showing its 37 counties, color-coded into four regions:

- Blue (Northwest):** Clatsop, Columbia, Tillamook, Washington, Multnomah, Clatskanie, Yamhill, Polk, Marion, Lincoln, Benton, Linn, and Lane.
- Orange (Central):** Washington, Multnomah, Clatskanie, and Marion.
- Yellow (South):** Jefferson, Crook, Deschutes, Coos, Douglas, Curry, Josephine, Jackson, Clatskanie, and Lane.
- Green (East):** Hood River, Wasco, Baker, Gilliam, Morrow, Grant, Harney, Malheur, Union, and Wallowa.

work: 503-986-0175



Small Business Jobs Act of 2010

State Small Business Credit Initiative (SSBCI)

- 2008-2009 Access to capital constraints
- Legislation introduced to capitalize state finance programs to rapidly deploy working capital aiding in business retention and expansion
- \$1.5 Billion in capital to support new and existing state small business programs
- \$16.5 Million allocated to Oregon
 - Application Verbally Approved on July 11, 2011
 - Anticipate Contract Execution by August 1, 2011
 - Leverage 10 : 1 private to public funds by December 31, 2016

Oregon's SSBCI Capitalization Strategy

- Capitalize Existing Programs
 - Program Demand (2011-2012)
 - Demand for state programs generally up 50-200%
 - Finance Officers market to their regions
 - Increased limits and expanded eligibility
 - State programs generally accept more risk due to capital infusion

Oregon SSBCI Allocation by Program

Program	Allocation	Projected Volume	Projected Leverage
CEF (Loan Guarantees)	\$10 MM	300	\$120 MM
CAP	\$4 MM	1,000	\$60 MM
OBDF (Direct Loan)	\$2.5 MM	10	\$10 MM
Total	\$16.5 MM	1,310	\$170 MM





Capital Access Program (CAP)

- Loan Portfolio Loss Reserve
 - Increase availability of bank loans to small businesses
- Transaction Between Business Oregon & Lender
 - 24 Enrolled Lenders
- Bank Assesses Risk and Sets Loan/Line Terms
- Loss Reserve Program Structure
 - 3% to 7% fee paid by borrower
 - Deposited into the loan loss reserve account
 - 3 to 5 days for Business Oregon to match fee
 - Distressed areas and new banks receive double match
 - Reserve grows as lenders participate
 - Draws made against loss reserve account to cover default losses
- Lender develops strategy to utilize program
 - Mitigate insufficient cash flow, collateral and credit
- 2,510 enrolled loans totaling \$136.6 million
- Leverage (Private to Public Funds) – 30:1



Oregon Loan Guarantee Program (Credit Enhancement Fund)

- Established 1991
 - Capitalized with \$7 million
 - Target “Traded Sector” Firms with 100 or fewer employees.
 - Primary Partners Community Bank
 - Limited to Insured (FDIC) Lenders
 - Typically guarantee up to 80% of a loan
- 4 Types of Guarantees
 - Conventional Insurance (Term Loans)
 - First Loss Insurance/Collateral Support (Term Loans)
 - Entrants Program (New LOC)
 - Plus Program (LOC Increase)
- Portfolio
 - Approximately 60% LOC
 - Approximately 65% guarantees provided in distressed markets

CEF Program Modifications Due to SSBCI

- Expanded eligible firms in distressed and non-distressed areas until June 30, 2015 (CEF)
- Increase exposure limits (CEF) as a result of SSBCI capitalization
 - Operating lines increased from \$500,000 to \$1.5 million
 - Term loans increased from \$700,000 to \$2.0 million
- First Loss Collateral Support Insurance
 - Mitigate a collateral shortfall up to \$1 million
 - May also be used to payoff an existing loan where collateral is no longer adequate to secure the loan mainly due to the decline in the value of existing collateral (Internal refinance requires hard maturity and 'new money' whereas Bank A refinancing Bank B debt does not)
- Lower maximum guarantee of 80% for operating lines and on term loans (was 90% prior to SSBCI)
- Preferred Lender Program (CEF) to expedite guarantee requests to qualified lenders (individuals, not financial institutions)
- Increase guarantee capacity from \$32 million to \$80 million





CEF Processing

- Lender applies to enroll/insure loan in CEF
- Business Finance Officer (BFO) reviews credit request and performs independent analysis
- BFO makes recommendation for approval and will make recommendations for additional covenants (7 to 10 days)
- Business Oregon retains approval authority. Decision may be deferred or appealed to Finance Committee
- Issue a Loan Insurance Authorization with covenants
- Lender closes, funds and monitors loan
- Event of a default, notify Business Oregon, provide requested documentation, and lender liquidates assets
- After liquidation complete, if there is a deficiency, Business Oregon pays the claim
- Key – Customer service



Oregon Business Development Fund (OBDF)

- Revolving Loan Program
- Eligible Loan Purpose
 - Equipment, Tenant Improvements, Commercial Real Estate, and Working Capital
- Subordinate Gap Financing Tool
- Traded Sector & Job Creation/Retention Required
- 40% of project up to \$1,000,000
- 10-20% equity depending on assets being financed
- Rates – U.S. Treasury index plus 1% (4% floor)
- \$25.0 Million Total Capitalization
- 440 Loans Issued Totaling \$70 Million
- Leveraged Over \$335 Million in Private Money
- Current portfolio
 - \$28 million in receivables
 - \$12 million in cash (\$8 million uncommitted)

Oregon SSBCI Update

- Shorter processing times with new staff
- Projected dates to request additional tranches
 - 2nd tranche – January 31, 2013
 - 3rd tranche – August 30, 2013
- Date to fully commit SSBCI resources
 - March 31, 2014

Current SSBCI Projections (all programs)

Year	Loans (#)	Committed (\$)	Leverage (\$)
2012	125	\$6.0 MM	\$25 MM
2013	160	\$7.0 MM	\$35 MM
2014	160	Balance	\$35 MM
2015	160	-	\$35 MM
2016	160	-	\$35 MM
Total	765	\$16.5 MM	\$165 MM



Oregon's Opportunities

- Additional enhancements to loan guarantee program
 - Collateral Support Insurance providing insurance on under-secured loans
 - Launched January 1, 2013
- 3 new staff to help market programs
- Partner feedback
 - Maintaining strong relationships with lending community – routinely meet and ask for input
- Early stage lending
 - Royalty/Revenue capital lending
 - Consider request to transfer \$2.5 - \$3 MM from CAP to OBDF depending on demand



Questions

<http://www.oregon4biz.com>

John Saris

(503) 986-0163

john.saris@state.or.us