

Agenda Item Number 10.A.

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

Presenter: Steve Dignam

Action Recommended: Adopt Resolution 2002-05

Background:

LCOG has been approved for a \$500,000 loan from the USDA under its Intermediary Re-Lending Program. This will be the fifth round of funding under this program and will bring the total amount borrowed from the USDA to \$4,378,000. LCOG has managed this program since 1995 and has made a total of 44 small business loans since inception which have led to creation/savings of 167 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, minimum 7.0%. The interest rate differential is used to pay program operating expenses, debt service and 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 \$216,000 as of 3/31/01, adequate to meet any current or anticipated loan loss.

This Intermediary Relending Program project received the number one ranking earlier this year from the Regional Investment Board. The RIB approved a \$75,000 matching funds grant which was one of the key variables in gaining USDA approval for the incremental \$500,000. The \$75,000 will serve to immediately provide a larger loan loss reserve cushion.

Resolution 2002-05

Resolution Regarding New Loan for \$500,000 from the USDA for the Intermediary Re-Lending Program

WHEREAS, LCOG currently operates a \$3,878,000 loan program known as the Rural Business Development Fund for rural Lane County businesses; and

WHEREAS, LCOG has been approved by the USDA for a new \$500,000 loan under its Intermediary Re-Lending Program; and

WHEREAS, the Benton, Lane, Lincoln and Linn Regional Strategy Board has committed \$75,000 as an equity contribution for the subject new loan request.

NOW, THEREFORE, Lane Council of Governments does hereby agree to authorize the Executive Director to execute such documents as are necessary to borrow \$500,000 for the Rural Business Development Fund from USDA Rural Business Services.

PASSED AND APPROVED THIS 27TH DAY OF JUNE, 2002, BY THE BOARD OF DIRECTORS OF THE LANE COUNCIL OF GOVERNMENTS.

ATTEST:

George Kloeppe
Executive Director
Lane Council of Governments

Peter Bartel, Chairman
Board of Directors
Lane Council of Governments