

# Agenda Item Number 14.g.

## Status of Intermediary Relending Program (IRP)

**Presenter:** Steve Dignam

**Action Recommended:** Information Only

### **Background**

LCOG has borrowed \$4,878,000 from the USDA Rural Business Services under its Intermediary Relending Program (IRP). These loans were made in six installments between 1997 and 2008. The loans bear an interest rate of 1.0% and are payable over 30 years. LCOG uses these funds to make loans to eligible small business borrowers in the rural portion of Lane County. LCOG provides gap financing in partnership with financing from local banks. The LCOG portion of the total financing package is typically between \$25,000 and \$150,000. LCOG is typically in a second lien position on available collateral. This program is designed to stimulate economic development and job creation in the rural areas of Lane County.

### **Current Situation**

LCOG currently has 38 loans to small business borrowers. All but two of these borrowers are current with their monthly payments. We are currently working on revised repayment plans for these two borrowers.

LCOG maintains a loan loss reserve to cover anticipated losses from the loan portfolio. This loan loss reserve is estimated on a quarterly basis and is reviewed annually during our audit. The loan loss reserve currently sits at \$250,000. This represents approximately 9% of the total loans to small businesses of \$2.7 million. LCOG has realized total loan losses of \$68,000 since the inception of the program in 1997.

The following spreadsheet represents the balance sheet for the program:

\$ Millions	
Cash	2.37
Loans to Small Businesses	2.70
Less Loan Loss Reserve	-.25
Total Assets	4.82
Loans Payable to USDA-RBS	3.87
Fund Balance	.95

The balance sheet for this program is quite strong as of 9/30/08 based on the following factors:

- The loans payable to USDA-RBS have been paid down from the original loan amount of \$4,878,000 to the current balance of \$3,870,000.
- The program currently has a cash balance of \$2,370,000. This represents approximately 61% of the total remaining loans payable to USDA-RBS.
- The program currently has a fund balance of nearly one million dollars. This represents the equity position in the program. It represents the cushion of our total assets (including loans to small businesses plus cash) over our current loan payable to USDA-RBS.
- The small businesses in the loan portfolio are currently under tremendous financial stress due to the downturn in the economy. Nonetheless, 95% of the loan portfolio is currently making all payments as agreed.