

CHANGES TO BUSINESS FINANCE PROGRAMS (OBDF & EDLF)

- EFFECTIVE DATE OF SB 1017
 - The bill was signed into law on April 1, 2010.

OREGON BUSINESS DEVELOPMENT FUND (OBDF)

- EXPAND OBDF ELIGIBILITY:
 - If two or more lenders have denied financing requests and the applicant has no other available financing. The following may occur:
 - No commercial or private lender or local development group commitment is required.
 - OBDF loan may exceed 40% of the cost of a project

Questions:

1. Up to what percentage? Depending upon use of proceeds and available collateral, final Loan to Value (LTV) for the project may be 40-90%

2. How much equity is to be required? 10-60% depending on use of proceeds and available collateral

3. What do turn down letters look like/require? Loan denial will be for a loan request similar (both in purpose and repayment structure) to the OBDF request. Denial letters from two Financial Institutions must include the specific acceptable reasons for the decline (i.e. insufficient collateral, insufficient historical cash flow, credit risk or delinquent credit history, etc). Letters of convenience and/or letters indicating an incomplete application will not be accepted. Statement from borrower indicating there is no other available financing will be required.

4. What will the rate on these loans be? Rates and terms on requests above 40% of total project cost will be set based on risk analysis. (minimum prime plus 5%, fixed)

- Department Approval Limit Increased:
 - OBDF approval limit by Business Oregon increased to \$250M from \$100M.
- Funding - \$5.0MM in direct funding from general fund. (SB 1017 & HB 3698).
- Changes Sunset: OBDF changes repealed to the original program requirements on June 30, 2011.

ENTREPRENEURIAL DEVELOPMENT LOAN FUND (EDLF)

- EXPAND EDLF ELIGIBILITY: EDLF loans eligibility is expanded to larger and more established enterprises.
 - Eligibility –Applicant must meet one of the two following requirements:
 - a) Annual revenue for the previous 12 months is less than \$500,000 (increased from \$175,000).
 - b) Business is owned by a person certified as having a severe disability.
 - Time in operation limit (36 months) is removed.
- EDLF Collateral: EDLF Collateral requirements have changed as follows:
 - EDLF loans may be secured by “good and sufficient collateral,” replacing the term that the EDLF loans must be “fully secured.”
- Funding: No new direct funding.
- Changes Sunset: EDLF changes repealed to the original program requirements on June 30, 2011.

HB 3698 – Building Opportunities for Oregon Small Business Today (BOOST)

- Established within the Oregon Business Development Fund (OBDF) program.
 - o PURPOSE: Promote access to working capital that results in immediate job growth and job retention through the making of loans and awarding of grants to traded sector small business in Oregon.
 - o Targets employers who expand employment, create full-time positions, and fill the positions with employees who have been unemployed for a minimum of 60 days at the time of hire.
- Funding: \$5.0MM maximum provided for BOOST in 2009-11.
 - o BOOST is funded with revenue from the newly established Tax Enforcement Fund.
- Begin processing applications on June 1, 2010.
- **BOOST PROGRAM**
 - o ELIGIBILITY: Any traded sector small business employer may apply.
 - “Small business employer” is a business with 100 or fewer employees.
 - o GRANTS -
 - Grant may not exceed \$2,500 per new full-time job filled after the date of application approval.
 - Grant may not be made under this section unless:
 - The new full-time employee has been unemployed for at least 60 days preceding the date of hire, and
 - The new full-time job is held by the employee for a minimum period of six consecutive months which results in a net employment increase by the business.
 - Applicant may not receive more than \$50,000 in any calendar year.
 - The Department may approve an application for a grant if after investigation it finds:
 - Applicant demonstrates reasonable capacity to increase employment opportunities in Oregon.
 - Applicant has a demonstrated history of providing comparable wages to its employees.
 - Moneys are or will be available in the BOOST account.
 - Seasonal employment is not eligible.
 - o LOANS:
 - Loans are to fund working capital and may not exceed \$150,000.
 - Loans may not exceed a term of four years
 - Secured with good and sufficient collateral.
 - Interest rate of prime +6%, fixed.
 - Job retention eligible, however preference given to applicants that propose to create new full-time jobs.
 - The Department may approve an application for a loan if, after investigation it finds:
 - Applicant demonstrates a reasonable capacity to retain or create jobs in this state.
 - Applicant has established goals of retaining existing jobs in Oregon with reasonable prospect of achieving such goals.
 - Applicant has a demonstrated history of providing comparable wages to its employees.
 - Applicant can demonstrate a reasonable prospect of repayment
 - Applicant can provide good and sufficient collateral for the loan.
 - Moneys are or will be available in the BOOST account.

EFFECTIVE DATE OF HB3698 – 91st day after the date on which the special session adjourns (5/28/2010).

- o BOOST program sunsets on June 30, 2013.

Any small business employer may file an application with Business Oregon to **borrow money** or **receive a grant** from the BOOST Account for industry development purposes as defined by rule of the department. The application shall be filed in the manner and be accompanied by such information as the department may prescribe by rule.