Idaho Housing and Finance Association

Discussion on Sustainability
Idaho Collateral Support Program
May 25, 2017
Loan Volumes (by lender type)

- Community Banks: 58% ($138M)
- Regional Banks: 38% ($90M)
- Credit Unions: 4% ($9M)
Journey to Sustainability

- Obtained feedback from participating lenders before program changes implemented
- Incenting higher use on short term loans
  - Pricing practices and amount of CSP
- Claw-back practices/Agency borrowings
- Leveraging CSP (50% Deposit)
- Managing risk – It is OK to say No
## Journey to Sustainability

<table>
<thead>
<tr>
<th>Loan Term</th>
<th>Original Program Terms</th>
<th>Collateral Deposit Fee</th>
<th>August 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 1 Year</td>
<td>Lesser of 20% of loan or $1,000,000</td>
<td>0.5% of support provided</td>
<td>50% of CSP deposited at loan closing, remaining 50% deposited within 45 days of being notified of a potential risk of loss against the Lender's loan.</td>
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<tr>
<td>&gt; 1 Year, ≤ 5 Years</td>
<td>Lesser of 20% of loan or $500,000</td>
<td>1.0% of support provided</td>
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<tr>
<td>&gt; 5 Years</td>
<td>Lesser of 15% of loan or $250,000</td>
<td>1.5% of support provided</td>
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Journey to Sustainability

• May 2013 – Ability to attract non federal funding sources into the program
• August 2015 – Implemented leveraged funding on the CSP accounts
• Constant communication with partnering Lenders regarding CSP
Contact Information

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Collateral Support
Sustainability
Collateral Support Sustainability

- Fees
- Loan Structuring
- Withdrawals
- Economic Impact
Fees

• MI charges fees both at closing and annually
  – Closing fee to minimize requested amount
  – Annual fee to prompt discussion between lender and borrower on whether collateral remains necessary

• Fees are charged to the lender and could prompt a return of collateral if not paid.
Loan Structuring

• Discuss with the lender the anticipated amount of time that the collateral will be needed.

• Lender financial covenants prompt re-investment in the balance sheet of the borrower
  – Fixed charge or debt service
  – Minimum tangible net worth
  – Limits on owner compensation
  – Borrower base formula for working capital lines (excluding SSBCI funding)
Withdrawals

• No time limit for return of collateral
• Withdrawals are made based on amortization of term debt
  – Quarterly inquiries for balance of loan and balance of collateral deposit account
  – Difference between principal loan balance and SSBCI collateral balance is returned.
  – Threshold set at $10,000 for balance returns as to not create additional administrative burden for MEDC and lenders.
Economic Impact

• Limit support to industries which generate the most significant economic impact.

• Eligible industries for MEDC Collateral Support:
  – Manufacturing
  – Wholesale & trade
  – Research & development
  – High technology
  – Mining
  – Office operations
  – Film & digital media productions
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