

# City of South Sioux City



## Intermediary Relending Program (IRP)

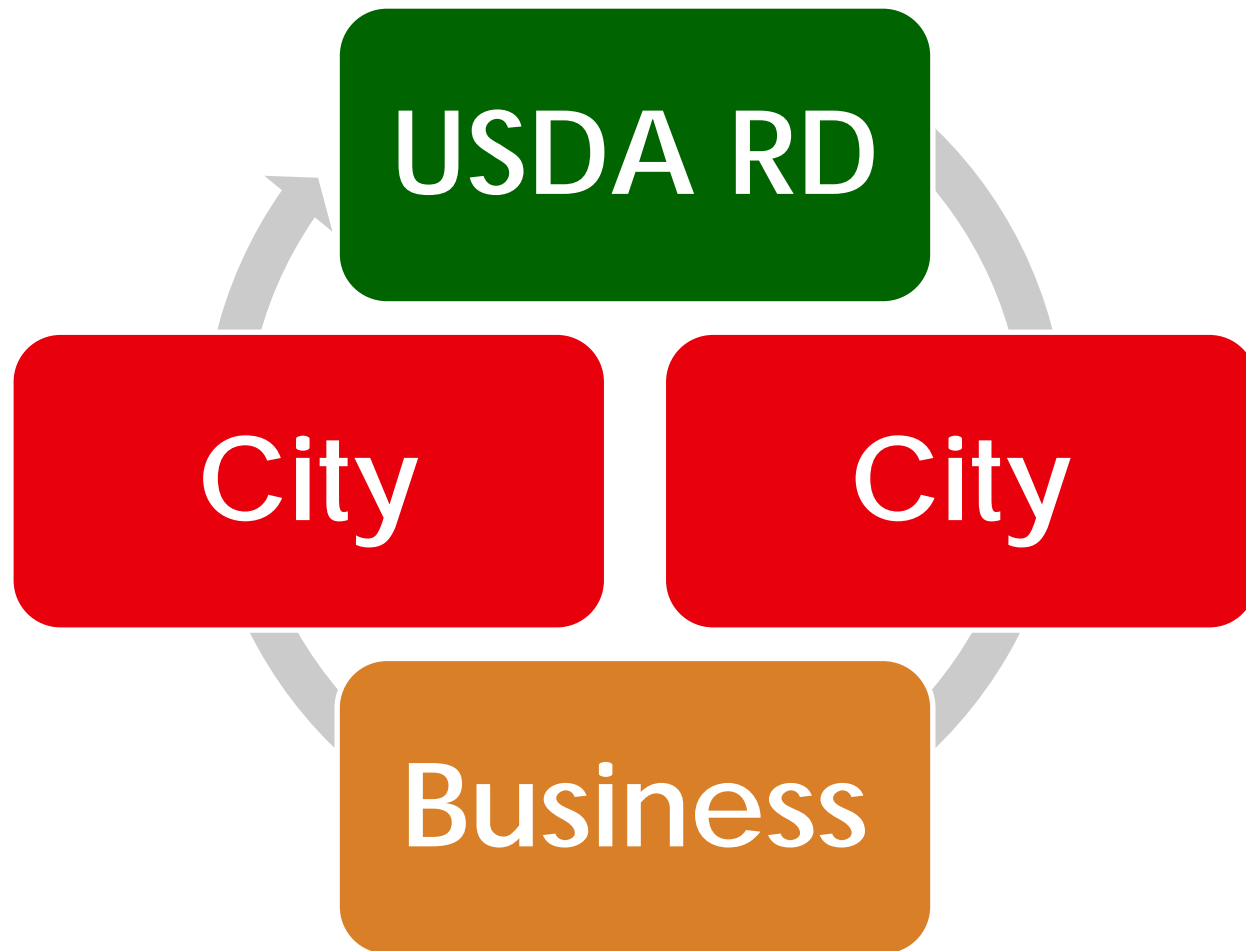
# Loan Terms and Conditions

- USDA Rural Development makes loans to intermediaries who establish revolving loan funds to assist small non-farm ultimate recipient businesses who are unable to obtain adequate bank financing.
- The term of the intermediary's loan is for **30 years** at a **one percent rate of interest**.
- The term of the loan from intermediaries to ultimate recipients is set by the intermediary. The interest rate is negotiated between the intermediary and the ultimate recipient.
- Loan funds of ultimate recipients may be used to purchase real estate and equipment, and for working capital or refinancing. Funds cannot be used for agricultural production, golf courses, racetracks, or gambling facilities.
- Intermediary loan funds to ultimate recipient businesses cannot be used for more than 75 percent of the total project cost or \$250,000, whichever is less.
- Eligible areas include unincorporated rural areas, cities, and towns with populations of 25,000 or less.

# Why Establish a Revolving Loan Program?

- To provide a **flexible gap financing measure** to assist and aid the development and expansion of small businesses in the City.
  - It can be used in combination with more conventional sources; as a bridge between the amount the borrower can obtain on the private market and the amount needed to start or sustain a business.
  - It also can be used to help kick-start new small businesses in the City that their owners can not secure the needed startup capital from conventional sources due to lack of credit or residential history.
- Serve as **public investment instrument**, contributing to economic growth and community revitalization.
  - By creating and/or retaining jobs in the City.
  - By increasing City tax revenue.
  - By encouraging more private funding of local businesses, via reducing the cost of capital to new small businesses.
  - By helping low and moderate-income citizens, via enabling business ownership or providing job opportunities.

# The Basic Flow!



# Why choose the USDA IRP?

1. **Scope:** IRP funding may be used for a number of purposes but to be eligible, ultimate recipients (businesses) as long as they located in a rural area.
  - The acquisition, construction, conversion, enlargement, or repair of a business or business facility, particularly when jobs will be created or retained.
  - The purchase or development of land (easements, rights of way, buildings, facilities, leases, materials).
  - To purchase equipment, leasehold improvements, machinery, supplies.
  - Start up costs and working capital.
  - Pollution control and abatement.
  - Transportation Services.
  - Feasibility studies.
  - Hotels, motels, B&Bs, convention centers.
2. **Terms:** IRP loan has one of the best favorable terms for starting a revolving loan program:
  - 30 year repayment schedule with the first 3 years of interest-only payments.
  - 1 percent interest rates, current 30 years Treasury Note yields around 3.5% .
3. **Size:** IRP funding can be up to \$2 million under its first financing and up to \$1 million at a time thereafter.

# IRP vs. REDLG vs. RMAP

vs.	IRP	RMAP	REDLG
Loan Size	Max. (\$2 M)	Max. (\$0.5 M)	Max. (\$2 M)
Interest Rate	1%	Low	%0
Repayment Period	30 Years	20 Years	10 Years
Grace Period	3 Years	2 Years	1 Year
Scope Covered	Least Restrictive	Less Restrictive	Most Restrictive
Size to Ultimate Recipient	Up to \$150,000	Up to \$50,000	Open

# Difficulties to Overcome to Secure the Loan

- Score a high score on the IRP Priority Scoresheet; preferably nothing less than 140 points out of 245 points available from all 6 categories.
  1. Other Funds.
  2. Employment.
  3. Intermediary Contribution.
  4. Experience.
  5. Community Representation.
  6. Administrative.
- Develop a solid and comprehensive IRP Work Plan, which should include the following sections.
  1. Goals and Objectives.
  2. Credit Criteria.
  3. Underwriting Criteria.
  4. Operation of the IRP Revolving Fund – Loan Making.
  5. Operation of the IRP Revolving Fund – Loan Servicing.



Priority Scoresheet.xps



Work Plan  
(Sample)

# Items to be Discussed!

- **Priority scoring system:** how to secure Other Funds and Intermediary Contribution?
- **Governing mechanism:** who administer the Revolving Loan Program and approve loans? City Council or Community Development Agency (CDA)?
- **Goal and objectives:** outcome sought, e.g., numbers of jobs created. Also include priorities and targeting criteria.
- **Loan terms and conditions:** loan size, interest rate, amortization period, loan structure, collateral/guarantees, down payment, and fees.



# Thank You