

MISSOURI LINKED DEPOSIT

Loans to Develop Our Future



CLINT ZWEIFEL
MISSOURI STATE TREASURER

WHAT IS THE MISSOURI LINKED DEPOSIT PROGRAM?

- ✦ The Missouri Linked Deposit Program allows State Treasurer Clint Zweifel to partner with lenders across the state to provide low-interest loans that help create and retain jobs, expand the economy and strengthen communities statewide.
- ✦ Qualified lenders are better able to serve Missouri-based companies, agricultural operations and public entities.
- ✦ Using the loan program allows lenders to lower the interest rate to the borrower by about 2-3 percentage points.
- ✦ Qualifying borrowers can expect to achieve a savings of 25-30% on their loan (borrowing) costs.
- ✦ The loan program's eligibility guidelines have expanded through Treasurer Zweifel's economic development legislation, [*INVEST IN MISSOURI*](#), making low-interest loans available to more borrowers, including small businesses creating jobs, alternative energy producers and consumers, agriculture operations and local governments. The signed legislation went into effect August 28, 2009.

MISSOURI
LINKED DEPOSIT
Loans to Develop Our Future



CLINT ZWEIFEL
MISSOURI STATE TREASURER

BENEFITS OF THE MISSOURI LINKED DEPOSIT PROGRAM

BORROWER

- ✧ Receives a low-interest loan, saving thousands of dollars each year

LENDER

- ✧ Accesses additional source of liquidity from Treasurer Zweifel
- ✧ Serves customers by providing a low-interest loan while preserving its spread on loans

MISSOURI

- ✧ Higher wages paid to Missourians
- ✧ Missouri jobs created and retained
- ✧ Strengthened economy
- ✧ Reinvestment in Missouri communities

THE MISSOURI LINKED DEPOSIT PROGRAM CONTAINS FIVE ELIGIBLE CATEGORIES

✦ SMALL BUSINESS

- Funding to help small businesses grow and prosper
- Borrower must be headquartered and operating in Missouri
- Must have less than 100 full-time employees
- The loan can be used to refinance an existing qualifying loan or for operating or capital expenses

✦ LOCAL GOVERNMENTS

- This newly created category is available to political subdivisions, as defined by the Revised Missouri Statutes, to make capital improvements or to implement significant public programs
- The entity has received the necessary approval from the governing board to initiate the project
- The entity is legally authorized to enter into a loan with a lender for the project.

✦ JOB ENHANCEMENT

- For businesses in the process of expanding or otherwise hiring additional employees, firms are eligible to receive a loan based on the number of employees hired, plus the cost of capital outlay, physical expansion or renovation.
- Borrower must be headquartered and operating in Missouri and have 10 or more employees
- The loan can be used to refinance existing loans or for operating or capital expenses.

LINKED DEPOSIT FUNDING PROGRAMS, continued

✦ AGRICULTURE

- Guaranteed Agribusiness – loans for purchases of shares in co-ops such as ethanol plants
- Guaranteed Livestock – loans for production of livestock or poultry
- Farm Operations – loans to assist established farms for operating funds
- Beginning Farmer – loans to help beginning farmers purchase land, equipment and buildings
- Facility Borrower – loans for a development facility or a renewal fuel production facility

✦ ALTERNATIVE ENERGY – OPERATION OR CONSUMER

- The Missouri Linked Deposit Program for Alternative Energy provides low-interest loans to stimulate alternative energy use, growth and development. Eligibility guidelines have expanded to make loans available to businesses producing energy for sale or for their own use and for consumers wishing to produce their own energy
- Businesses eligible for the Operation category need to be engaged in the production and sale or use of fuel or power from energy sources other than fossil fuels
- Consumers eligible for the Consumer category need to be engaged in purchasing, installing or constructing equipment related to the production of fuel or power from energy sources other than fossil fuels

MISSOURI LINKED DEPOSIT PROGRAM LOAN PROCESS

1. Borrower applies to a qualified lender for a loan. The lender assesses the creditworthiness of borrower and determines if the loan will be made to the borrower.
2. The borrower or lender expresses interest in the Missouri Linked Deposit Program.
3. If a loan is approved, the lender submits the Borrower and Lender applications through the Treasurer's secure online application system: (<https://www.treasurer.mo.gov/linkeddepositloanapps/default.aspx>) .
4. Treasurer Zweifel determines eligibility for the Missouri Linked Deposit Program, and if approved, his office notifies the lender.
5. Treasurer Zweifel's office works with the lender on the timing of placing the deposit.
6. Treasurer Zweifel transmits the deposit once the lender secures it with collateral.

GENERAL MISSOURI LINKED DEPOSIT PROGRAM REQUIREMENTS

- ✦ Maximum term for most Missouri Linked Deposit Program loans is 5 years
- ✦ Borrowers and lenders are eligible for a 5-year fixed rate
- ✦ Applicants must be headquartered in Missouri and be organized for profit (except those qualifying under Local Governments)
- ✦ Deposits are funded for one-year terms that can be renewed annually
- ✦ Most of the dollar limits and eligibility requirements for borrowers have been eliminated
- ✦ Loan and deposit applications are required for each linked deposit
- ✦ Borrowers must be current on state taxes and verify the immigration status of their employees
- ✦ Ineligible borrowers include speculative commercial developments, residential real estate, finance companies, subsidiaries of foreign companies, non-profit institutions

EXAMPLE OF RATE SETTING FORMULA

Loan Rate for Missouri Linked Deposit Program (5 year fixed rate)

*Borrower's rate

(Set at 70% of lender's quoted loan rate for the borrower)

Lender's Normal Loan Rate	6.50%
<u>x 70%</u>	<u>4.55% (New Loan Rate)</u>
Amount of Savings to Borrower	1.95%

*Lender's rate

(Set at 60% of the market rate as determined by the State Treasurer)

5-yr Market Rate	2.10%
<u>Less Cost of Collateralization</u>	<u>- 0.1250%</u>
Net Market Rate	1.98%
<u>Reduced by 60%</u>	<u>-60%</u>
Deposit Rate paid to Treasurer Zweifel	0.80% (rounded)

EXAMPLES OF SAVINGS TO BORROWERS

*Auto Body Repair Shop in St. Charles, MO

Amount of Loan \$600,000

Normal Borrowing Rate 7.125%

NEW Loan Rate 4.99%

Interest Rate Reduction 2.135%

First Year Debt Service Savings = \$12,810 or about \$60,000 over 5 years

*Pharmacy in Trenton, MO

Amount of Loan \$120,000

Normal Borrowing Rate 6.00%

NEW Loan Rate 4.20%

Interest Rate Reduction 1.80%

First Year Debt Service Savings = \$2,200 or about \$8,000 over 5 years

*Seed Cleaning Business in Marshall, MO

Amount of Loan \$3,400,000

Normal Borrowing Rate 7.50%

NEW Loan Rate 5.25%

Interest Rate Reduction 2.25%

First Year Debt Service Savings = \$76,500 or about \$300,000 over 5 years

CURRENT LINKED DEPOSIT LOAN VOLUME

(OCTOBER 15, 2010)

- ❖ The program is funded to \$720 million
- ❖ Current active linked deposits --
\$248,196,392.00
- ❖ Active linked deposits placed January 1, 2010 to
the present -- \$205,659,580.00
- ❖ Linked Deposits approved by Treasurer Zweifel
since January 1, 2009 -- \$413,354,493.00

IMPACT TO MISSOURI

The Missouri Linked Deposit Program is well-funded with a total of \$720 million available. The loan program has proven successful for nearly 25 years in creating and retaining jobs, expanding the economy and strengthening communities statewide.

Examples of businesses receiving loans through the Missouri Linked Deposit Program:

- ✦ Wineries and restaurants
- ✦ Dairy and meat processing
- ✦ Retail establishments
- ✦ Uniform and shoe parts manufacturing
- ✦ Ice production and distribution
- ✦ Auto, boat, and motor sports, sales, parts and repairs
- ✦ Sawmill and wood products
- ✦ Landscaping and yard maintenance
- ✦ Senior care facility



TO LEARN MORE OR ARRANGE FOR A MEETING

To learn more, visit: www.treasurer.mo.gov/LinkedDeposit

Here, you'll find information about:

- ✧ Loan Program Summary
- ✧ Application Forms
- ✧ Participating Lenders
- ✧ Interest Rate Information
- ✧ Overview of Eligibility Requirements

To arrange a meeting, contact:

Jason Ramsey

Relationship Manager

Office of Missouri State Treasurer Clint Zweifel

Truman Building, Room 780

PO Box 210

Jefferson City, MO 65102

(573) 526-3485

jason.ramsey@treasurer.mo.gov

MISSOURI
LINKED DEPOSIT
Loans to Develop Our Future



CLINT ZWEIFEL
MISSOURI STATE TREASURER