



# Linked-Deposit Loan Programs

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# Low Interest Loans

- Illinois Law – Treasurer has authority to deposit state money at a reduced rate of interest to financial institutions that will be passed on to qualified individuals and businesses for specific development projects and programs.
- Illinois is among 20 states nationwide that offer Linked Deposits
- The Linked Deposit program was created in the early 80's to help Illinois farmers
- Today nearly one out of every seven farmers in Illinois participates in the program

# Moratorium

- Established guideline to review purpose, classifications and guidelines
- Changes to compliance measures
- 150 basis points less treasury rate
- Rate subject to a 2% floor
- Site visits

# Program Features

- Easy to use
- Minimal paperwork
- Short turnaround time

# How Does It Work?

- Get a loan approved at an eligible bank
- Bank approves the loan
- Bank and business owner complete a 2 page application
- Application is presented to loan committee that meets every 2 weeks
- Treasurer places a treasury note for the amount of the loan with the FI at a discounted rate for 2 years
- The bank agrees to pass along the interest savings to the business owner's loan
- After a 2 year compliance, it is renewed for another 3 years and then it is closed out

# Rate Calculation

- Treasurer's Discounted Deposit Rate =  
U.S Treasury Rate – 1.5%
- Financial Institution's Spread = 3% maximum

# Rate Calculation

Deposit Rate	2.00%
+ <u>FI's Maximum Spread</u>	<u>3.00%</u>
= Maximum Rate to Borrower	<b>5.00%</b>

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## Linked Deposit Impact

Loan Amount: \$500,000

Conventional Loan Rate:	6.00%
Linked Deposit Rate:	5.00%

**Savings to Borrower: \$30,000**

# Financial Institutions

- Banks, credit unions, savings and loans located in the State of Illinois
- Over 400 financial institutions (1000's of branches) are approved lenders

# Linked-Deposit Loan Programs

- **Employ Illinois:**  
Economic Development
- **Opportunity Illinois:**  
Consumer Loans  
Community Development
- **Cultivate Illinois:**  
Agriculture  
Environmental

# EMPLOY ILLINOIS

- **Business Loans**

- **Child Care Loans**

# **EMPLOY ILLINOIS**

## **Business Loan Program**

### **How Can Funds Be Used?**

- Real Estate
- Construction
- Furniture, Fixtures & Equipment
- Inventory
- Working Capital



# EMPLOY ILLINOIS

## Business Loan Program

### Amounts and Terms

#### ■ Small Business

- For Illinois businesses with gross annual receipts of up to \$3M
- Businesses in low-income areas may have gross annual receipts of up to \$5M
- Maximum deposit per project = \$1M

#### ■ Job Creation

- Business must create new jobs in order to qualify for loan
- Businesses typically use program to start up or expand
- Deposit amount based on annual payroll + benefits costs associated with jobs created

# EMPLOY ILLINOIS

## Business Loan Program

### Example

- Illinois business looking to expand
- Expansion will create 20 new jobs, each paying \$40,000 per year
- Business qualifies for Employ Illinois loan of up to \$800,000

# EMPLOY ILLINOIS

## Child Care Loan Program

### How Can Funds Be Used?

- Real Estate
- Construction
- Furniture, Fixtures & Equipment
- Working Capital



# EMPLOY ILLINOIS

## Child Care Loan Program

### Amounts and Terms

- Qualifying projects must generate new DCFS-licensed child care spaces
- Start-ups & expansions
- Treasurer's Office deposits up to \$10,000 per space created

# EMPLOY ILLINOIS

## Child Care Loan Program

### Example

- Opening of new child care center
- New center will create 40 new child care spaces each at \$10,000
- Center qualifies for Employ Illinois loan of up to \$400,000

# OPPORTUNITY ILLINOIS

## Two Categories

### Consumer Programs

- **Illinoisans with Disabilities**
- **Citizen Soldiers**
- **Disaster Recovery**

### Community Programs

- **Community Development**
- **Banking Development**
- **Hospital Loan Program**

# **OPPORTUNITY ILLINOIS:** **Consumer Loan Program**

## **Illinoisans with Disabilities**

**This program helps provide low interest loans to Illinois residents with disabilities for construction projects or purchasing equipment that will help them achieve a greater degree of mobility and independence.**

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### **What can funds be used for?**

- **To purchase assistive technology devices**
- **To modify a home or vehicle**

# **OPPORTUNITY ILLINOIS:** **Consumer Program**

## **Illinoisans with Disabilities**

### **Amounts and Terms**

- Borrower can receive a maximum amount of \$100,000
- The amount of the loan is based on the cost of the project or item
- State can participate for the first 5 years of the loan

# **OPPORTUNITY ILLINOIS:**

## **Consumer Loan Program**

### **Citizen Soldier**

**This program helps provide low interest loans to members of the U.S. National Guard or U.S. Military Reserve to help support their families financially during their time in service.**

# OPPORTUNITY ILLINOIS:

## Consumer Loan Program

### Citizen Soldier

#### Program Eligibility

- The borrower must certify that he or she has been called up to serve in the U.S. Military
  - The borrower must submit a copy of the call-up order along with the application
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#### What can funds be used for?

- To pay for household expenses and emergencies that might arise during the time that the borrower is called into active service.

# **OPPORTUNITY ILLINOIS:**

## **Consumer Loan Program**

### **Citizen Soldier**

#### **Amounts and Terms**

- Borrower can receive a maximum loan amount of \$10,000
- Loans can be issued for a term of 2 or 3 years depending on the number of times the borrower has been deployed
- Low interest rate of 3%
- The borrower is not required to make payments on the loan during deployment

# **OPPORTUNITY ILLINOIS:**

## **Consumer Loan Program**

### **Disaster Recovery**

**This program helps provide low interest loans to storm victims for repairs and expenses.**

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### **Program Eligibility**

**Area must be declared a disaster area by the Governor or local government official.**

# OPPORTUNITY ILLINOIS: Consumer Loan Program

## Disaster Recovery

### Amounts and Terms

- Loan amount is based on the cost of repairs and expenses.
- For those with adequate insurance coverage, 1 year interest only loan.
- For those without adequate insurance coverage, a low interest loan for up to 5 years depending on the cost of the repairs and expenses.

# **OPPORTUNITY ILLINOIS:**

## **Community Development Loan Program**

### **Community Development**

**The Community Development Loan Program helps provide low interest loans to businesses and organizations that provide community programs and services throughout Illinois.**

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#### **Program Eligibility**

- Non-profit organizations must provide their non-profit certification letter or tax-exempt letter.
- Faith-based organizations must certify that state funds will not be used for non-secular purposes.

# **OPPORTUNITY ILLINOIS:**

## **Community Development Loan Program**

### **Community Development**

#### **What funds can be used for?**

- Purchase land or building
- Construction
- Renovation/Preservation/Expansion
- Purchase of equipment

#### **Amounts and Terms**

- Borrower can receive up to \$10 million
- State can participate up to the first 5 years of the loan

# OPPORTUNITY ILLINOIS:

## Community Development Loan Program

### Banking Development

The Banking Development Loan Program is designed to encourage financial institutions to open or expand a branch in a low or moderate income community so that the community's credit and development needs are met.

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### In what areas can we assist?

- Distressed or underserved communities; or
- Communities that need to be revitalized or stabilized

# OPPORTUNITY ILLINOIS:

## Community Development Loan Program

### Banking Development

#### What funds can be used for?

- Land acquisition
- Construction
- Equipment
- Programs and services that will help the community, e.g., free checking, senior citizen accounts

# OPPORTUNITY ILLINOIS:

## Community Development Loan Program

### Banking Development

#### Amounts and Terms

- Financial institution may receive up to \$5M for hard costs
- Financial institution may receive matching funds for financing to be provided to the community (up to the dollar amount of the hard costs)
- \$10 million maximum
- State can participate for the first 5 years of the loan

# OPPORTUNITY ILLINOIS:

## Community Development Loan Program

### Hospital Loan Program

This program helps provide low interest loans to hospitals so that they can better serve the community.

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### What can funds be used for?

- Construction
- Land Acquisition
- Purchasing Equipment
- Infrastructure improvement
- Expansion or renovation of the facility

# OPPORTUNITY ILLINOIS:

## Community Development Loan Program

### Hospital Loan Program

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#### Amounts and Terms

- Borrower can receive up to \$10 million
- State can participate up to the first 5 years of the loan

# Cultivate Illinois

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- **Cultivate Annual**

Assisting with normal operating expenses

- **Cultivate Long Term**

Helping with capital expenditures for the future of your Agribusiness

- **Cultivate Alternative**

Assisting innovation as Illinois agriculture enters a new era

# **Cultivate Illinois**

## **Annual Loan Program**

### **What can funds be used for?**

- Seed, feed, fertilizer, plants, chemicals
- Veterinary expenses
- Livestock/breeding stock
- Cash rent
- Soil & water conservation expenses
- Construction related costs
- Equipment



# **Cultivate Illinois**

## **Annual Loan Program**

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### **Amounts and Terms**

- Deposit rate is guaranteed for one year (365 days)
- Maximum loan amount of \$200,000 per farm operation
- Agriculture lenders may charge up to 3% more than the interest rate set for the time of deposit

# **Cultivate Illinois**

## **Long Term Loan Program**

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### **What can funds be used for?**

- New or used farm equipment
- Purchase of livestock/breeding stock
- Seed, feed, fertilizer, plants, chemicals, crop insurance
- Cash rent
- Construction related costs



# **Cultivate Illinois**

## **Long Term Loan Program**

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### **Amounts and Terms**

- Deposit rate is guaranteed for two years with a possible three-year renewal after a compliance evaluation for a max of 5 years
- Maximum loan amount of \$100,000
- Agriculture lenders may charge up to 3% more than the interest rate set for the time of deposit

# Cultivate Illinois

## Alternative Loan Program

**The Alternative Loan Program is designed to help start a winery, tree farm, greenhouse or interests are in aquaculture and program production in State of Illinois.**

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### What can funds be used for?

- Land acquisition
- Inventory
- New and used equipment
- Specialty crops
- Construction related costs
- Plant stock (i.e. for grapes being processed into wine)



# Cultivate Illinois

## Green Energy Loan Program



- The Illinois State Treasurer's Office is proud to offer this program to businesses, non-profit organizations and local governments that want to reduce their energy costs by using environmentally friendly equipment and resources.
- The Treasurer's Office secures below-market interest rates for borrowers who finance their purchase or installation of energy efficient and renewable energy equipment with participating lenders. Projects can range from \$10,000 to \$10 million.

# Cultivate Illinois

## Green Energy Loan Program

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**Green Energy** can fund the purchase or installation of the following:

- Solar panels
- Solar Thermal energy systems
- Small wind energy systems
- Other energy efficiency equipment or upgrades



**Participants can work independently or in conjunction with the following partners:**

- Illinois Department of Commerce and Economic Opportunity
- ComEd
- Ameren

# Innovative Programs

- Green Rewards Auto Rebate
- Flex Loans
- Line of Credit

# Innovative Programs

## Green Rewards

### Auto Rebate Program

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#### What is the **Green Rewards** Auto Rebate Program?

The Treasurer's Office partnered with financial institutions statewide to offer \$1,000 rebates to the buyers of hybrid and other fuel efficient vehicles.

#### How did the program work?

The Treasurer's Office deposited \$25,000 in a financial institution for at least one year at a 4% below market rate, which funds the \$1,000 rebate rewarded by the lender at the time of the purchase.



# Innovative Programs

## **EMERGENCY FLEX LOANS**

- Current Non-Profits and Hospitals
- Structure varies from other Link Deposits
- Deposit not made – borrower drawdown
- Each project capped at \$5 million
- Program capped at \$50 million

# Innovative Programs

## Line of Credit

- Cultivate Annual Only
- Banks charged Market Rate
- Farmers – Below Market Rate
- Compliance Form

# **Innovative Programs**

## **Credit Crunch - Economy**

- Watch Code List
- Collateral
- Capping Limits on Programs
- Lowering the ATC funds to FI

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