

THE OREGON B&I CREDIT MEMO....

News & insights for USDA Business & Industry
Guaranteed lenders – May 2007



Committed to the future
of rural communities.

OREGON B&I ACTIVITY RANKS #3 IN US – FY2007 year to date

Entering the second half of the federal fiscal year, Oregon USDA Rural Development's team is celebrating a strong and growing partnership with Oregon bankers. As of May 15, 2007, **Oregon's B&I activity totaled \$21,983,537, ranking #3 in the nation** – only behind our larger neighbor to the south and Louisiana. That's more than Oregon's total B&I loan volume last year, with five more months remaining in our fiscal year!

Temecula Valley Bank continues to be our #1 B&I lender, and we are delighted to welcome three more lenders to the Oregon B&I family – **Oregon Pacific Bank**, **Oregon Coast Bank**, and **Capital Pacific Bank**. We are eager to partner with even more Oregon lenders and help you reach your rural business lending goals.

Mark Simmons

Mark Simmons, State Director

Jeff Deiss

Jeff Deiss, Business & Cooperative Program Director

DONE DEALS! – Highlights of recent B&I guaranteed loans in Oregon



\$4,999,667 B&I

Temecula Valley Bank
(Lake Oswego)

New winery and events center
in Polk Co.



\$1,020,000 B&I

Oregon Pacific Bank
(Florence)

Debt refinancing for a retail
garden center in Lincoln Co.



\$2,800,000 B&I

Oregon Coast Bank
(Newport)

Debt refinancing for a motel in
Lincoln Co.



\$3,013,000 B&I

Temecula Valley Bank
(Lake Oswego)

Debt refinancing & working capital for
a vertically-integrated potato operation
in Washington Co.



\$953,870 B&I

Capital Pacific Bank
(Portland)

Debt refinancing for a veterinary
clinic in Klamath Co.



\$2,144,800 B&I

Temecula Valley Bank
(Lake Oswego)

Transfer of ownership for a
motel in Marion Co.

IT'S ALL ABOUT "THE BOTTOM LINE": *Harness the secondary market*

Why would your bank want to bother with a government guaranteed loan program? After all, you know your underwriting analysis is prudent, and you wouldn't be making the loan if the project wasn't solid. In fact, B&I guarantees are not primarily intended as loan loss protection (though they provide that benefit). Rather, USDA wants to encourage rural business lending by making it more profitable and attractive. With our B&I program, the guaranteed portion of your loan becomes the equivalent of a federally-backed security, and that's something many investors clamor for. Secondary markets will pay your bank a premium (plus a servicing fee to boot) to get the kind of a *guaranteed* income stream that comes from a commercial loan. Savvy banks often use revenue from this market to price their loan rates even more competitively. Want to meet some of these eager investors? Come to the "Secondary Market Strategies" workshop at the Oregon Bankers Association summer meeting on June 25, 2007. For more information, see: http://www.oregonbankers.com/summer_convention

The Oregon B&I Credit Memo is the newsletter for USDA Rural Development's Guaranteed B&I Program in Oregon.

For more information, contact us at 503-414-3366 or visit our web site at www.rurdev.usda.gov/or/rbs.htm

USDA is an equal opportunity lender, provider & employer.

FY2007 FUNDING REPORT: *Ample B&I funding = Lots of opportunity*

The Federal Budget for fiscal year 2007 (which began October 1) was finalized in late February. As expected, the B&I program is well-supported. **B&I authority in FY2007 is \$1.3 billion** (vs. \$923,194,154 in FY2006 & \$609,688,895 in FY2005). *As of May 15, 2007, roughly \$1 billion of guarantee authority is still available.* With no funding shortage on the horizon, this is a great time to try out the program.

B&I ANNUAL RENEWAL FEE – ¼% fee unchanged

It's official. **There will be no increase in B&I fees in FY2007.** B&I guarantees approved in FY2007 will continue to carry a ¼% annual fee – a fee which helps support B&I funding levels. (The actual fee, payable by the lender, is calculated based on a ¼% of the guaranteed principal balance owing on the loan as of each December 31.) *The \$9006 Rural Energy program's annual fee also remains unchanged at 1/8%.*

“WIN-WIND” FOR RURAL ENERGY LENDING – \$9006 “Combos” = Guaranteed Loans + Grants

Did you know USDA Rural Development makes **grants for energy efficiency and renewable energy projects** in rural areas? Through our “Section 9006” program, farmers or “small businesses” (using the SBA definition) may receive up to 25% of the cost of such projects. Most of these \$9006 grants are awarded through a highly-competitive, national awards process. But **lenders can help their business and ag customers access these grants more directly** by participating in the project financing with a \$9006 Guaranteed Loan. The program is very similar to the B&I guaranteed lending. Last year two Oregon lenders used the \$9006 Guaranteed Loan program, and in so doing, they not only received 80-85% loan guarantees, they also helped their respective borrowers snag a \$500,000 grant for a large biomass project and a \$35,000 grant for energy efficiency improvements. Find more information about our \$9006 rural energy programs at <http://www.rurdev.usda.gov/or/9006.htm>

HELPFUL HINTS – Links, Tools, & Shortcuts

- ☆ **But is it rural?** Verify your B&I deal is in a “rural area”. Just go to <http://eligibility.sc.egov.usda.gov> (loading may take a moment); select “Business Programs”; and enter the project address (including zip code).
- ☆ **Need a B&I lender manual?** Yes! We now have **FREE** B&I lender manuals for Oregon lenders containing a comprehensive set of B&I guides and regulations. Just e-mail Julie at julie.stedman@or.usda.gov
- ☆ **B&I application forms available in Word.** Both the regular and the One-Doc B&I application forms can be downloaded **free** from our web site. You'll find them at <http://www.rurdev.usda.gov/or/ghelp.htm>
- ☆ **Oregon's B&I web site.** Next only to your friendly local USDA loan officer (see below), your best B&I buddy is Oregon's B&I web site. You'll want to bookmark it! <http://www.rurdev.usda.gov/or/bi.htm>

ON THE ROAD AGAIN – free banker workshops coming to a location near you

We are teaming with SBA, USDA Farm Service Agency, and Oregon Economic & Community Development to teach ½-day lender workshops around the state on government business loan programs. Next up: **PENDLETON** – May 30; **ONTARIO** – May 31; **PORTLAND** – June 6. To reserve your spot, contact melissa.davis@sba.gov

GET THE INSIDE TRACK – meetings, training, & networking opportunities:

Your cooperative partners in rural business finance! Oregon's team:

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