

# What's New in Lending

Sandy Croft  
Commercial Loan Officer  
VEDA  
September 25, 2014

# What's New in Lending

- Lending partnerships
  - Provides borrowers with the funds they need to expand
  - Keeps the bank within their lending ratios, thereby increasing your chance of a loan approval

# VEDA's Role

- Provide subordinate debt to help companies grow jobs in Vermont through expansion.

# How is this done?

- VEDA has a number of loan programs designed to meet different needs
- One or more loan program will work for almost every situation.

# Common Loans for Manufacturers

- VEDA's Direct Loan Program
- SBA 504 Loans
- VEDA's Small Business Loans

# VEDA's Direct Loan Program

- Can finance Capital Expenditures
  - Real estate purchases
  - Renovations
  - Equipment purchases

# VEDA's Direct Loan Details

- Amortization and term based on use of funds
- Low variable rate - tiered based on job creation and other economic factors
  - Typically 2.75%
- No prepayment penalty
- VEDA's maximum is \$1,500,000

# SBA 504 Loan Program

- Can finance Capital Expenditures
  - Real estate purchases
  - Renovations
  - Equipment purchases



# SBA 504 Details

- Term based on use of funds
  - 20 year based on real estate
  - 10 year based on equipment
- Low fixed rate for full term
  - Rate is set after closing
- Prepayment penalty during the first half of the loan term
- Maximum 504 portion is \$5,500,000 for certain manufacturers and \$5,000,000 for all others

# VEDA's Small Business Loan Program

- Can finance Capital Expenditures
  - Real estate purchases
  - Renovations
  - Equipment purchases
- Can finance working capital through term debt

# VEDA's Small Business Loan Details

- Amortization and term based on use of funds
- Low fixed rate for first 5 years then turns variable
  - Currently the fixed rate is 4%
- No prepayment penalty
- Maximum VEDA loan of \$350,000

# Typical VEDA Structure

- Purchase equipment for \$2,000,000
- \$200,000 (10%) in equity from borrower
- \$1,000,000 (50%) from the bank
- \$800,000 (40%) from VEDA

# Typical VEDA Structure

- \$15,000,000 facility purchase
- \$1,500,000 (10%) equity from borrower
- \$8,000,000 (53%) bank loan
- \$5,500,000 (37%) VEDA through 504 loan

# VEDA Energy loan Programs

- Finance energy generation or energy efficiency projects
- Commercial Energy Loan Program
  - Larger projects
  - VEDA maximum of \$2,000,000
- Small Business Energy Loan Program
  - Smaller projects
  - VEDA maximum of \$350,000

# Brownfields Revitalization Fund (BRF)

- Provides funding to assist in the redevelopment of contaminated properties.
- The Agency of Commerce and Community Development administers the BRF;
- The Agency of Natural Resources is responsible for overseeing site management and approving redevelopment work plans
- The Vermont Economic Development Authority is authorized to use the funds in the BRF to make loans to eligible and qualified applicants.

# Tax Exempt Revenue Bond

- Tax-exempt bonds traditionally carry lower interest rates than conventional bank loans because the income earned by the purchaser of the bond is exempt from federal and, in some cases, state tax.
- VEDA acts as a conduit issuer, thereby enabling eligible borrowers to access the tax-exempt market.
  - Generally \$1 million bond minimum and \$10 million bond maximum.



# Tax Exempt Revenue Bond

- **Eligibility**

- Federal tax code provisions must be complied with to assure eligibility for tax-exempt financing

- **Use of Proceeds**

- Must be used for the acquisition of capital assets directly related to manufacturing, including:
  - Purchase / renovation of a facility
  - Purchase equipment

# Questions?

Sandy Croft

Commercial Loan Officer

VEDA

802-828-5472

[scroft@veda.org](mailto:scroft@veda.org)