

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.

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 an agreement (lease-purchase) 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

Treasurer Zweifel is committed to making the Missouri Linked Deposit Program process simple and the program easy to use for approved lending institutions and borrowers.

1. A borrower applies for a loan at a qualified lending institution. The lending institution applies its normal lending procedures to assess the creditworthiness of the borrower.
2. Once the loan is approved, the borrower or lender expresses interest in the Missouri Linked Deposit Program.
3. The lender works with the borrower to submit the requisite loan and deposit applications via secure online application system found here: <https://www.treasurer.mo.gov/linkeddepositloanapps/default.aspx>
4. Treasurer Zweifel's office determines the eligibility of the borrower for the Missouri Linked Deposit Program.
5. Many loans can be approved within 10 business days. If there are problems with the application, Treasurer Zweifel's office will notify the lender so those issues can be addressed prior to approval.
6. The lender is notified if the Missouri Linked Deposit Program loan is approved and the staff works with the lender on placement of the deposit.
7. Upon approval by Treasurer Zweifel's office, the bank pledges collateral, if needed, and Treasurer Zweifel deposits the funds through ACH.

GENERAL MISSOURI LINKED DEPOSIT PROGRAM REQUIREMENTS

- ✦ Maximum term for most Missouri Linked Deposit Program loans is 5 years
- ✦ Borrowers 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)
- ✦ Linked deposits are most commonly funded for one-year terms and are renewed annually with an annual reset on the rate (unless a multi-year fixed rate is applied)
- ✦ Most of the dollar limits and eligibility requirements for borrowers have been eliminated
- ✦ Borrowers and lenders are required to each fill out an application
- ✦ 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 Borrower
(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%

✦ Deposit Rate lender pays to Treasurer Zweifel (5 year fixed rate)

5-yr Market Rate	1.81%
<u>Less Cost of Collateralization</u>	<u>- 0.1250%</u>
Net Market Rate	1.69%
 <u>Reduced by 60%</u>	 <u>-60%</u>
Deposit Rate paid to Treasurer Zweifel	0.72% (rounded)

EXAMPLES OF SAVINGS TO BORROWERS

✧ County Ambulance District

Amount of Loan	\$155,949
Normal Borrowing Rate	7.00%
<u>NEW Loan Rate</u>	<u>4.90%</u>
Interest Rate Reduction	2.10%

✧ Residential Solar Panel installation

Amount of Loan	\$11,000
Normal Borrowing Rate	7.90%
<u>NEW Loan Rate</u>	<u>5.53%</u>
Interest Rate Reduction	2.37%

✧ Seed Cleaning Business

Amount of Loan	\$3,400,000
Normal Borrowing Rate	7.50%
<u>NEW Loan Rate</u>	<u>5.25%</u>
Interest Rate Reduction	2.25%

RECENT SMALL BUSINESS EXAMPLES

Masonry Business in St. Charles, MO

- Use of loan proceeds – refinance of commercial building
- Overall project cost -- \$592,000
- Amount requested for MLDP -- \$560,000 (five year fixed rate requested)
- Deposit rate bank pays to State Treasurer – 0.90%
- Original loan rate for borrower as attested by bank – 7.125%
- New linked deposit loan rate for borrower – 4.99%
- Bank loan interest margin – 4.09%

Retail Lumber Supply in Pleasant Hill, MO

- Use of loan proceeds – refinance of commercial building
- Overall project cost -- \$3,100,000
- Amount requested for MLDP -- \$2,500,000 (one year linked deposit rate requested)
- Deposit rate bank pays to State Treasurer – 0.30%
- Original loan rate for borrower as attested by bank – 6.00%
- New linked deposit loan rate for borrower – 4.20%
- Bank loan interest margin – 3.9%

Consumer Chemical Manufacturer in St. Louis, MO

- Use of loan proceeds – purchase equipment
- Overall project cost -- \$2,000,000
- Amount requested for MLDP -- \$2,000,000 (one year linked deposit rate requested)
- Deposit rate bank pays to State Treasurer – 0.30%
- Original loan rate for borrower as attested by bank – 6.00%
- New linked deposit loan rate for borrower – 4.20%
- Bank loan interest margin – 3.90%

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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

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
-  Borrower Application Forms
-  Preferred Partners
-  Participating Lenders
-  Interest Rate Information
-  Overview of Eligibility Requirements

To arrange a meeting, contact:

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