

MONTANA

BOARD OF INVESTMENTS

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TO: ARPA Economic Transformation and Stabilization and Workforce Development Advisory Commission

FROM: Dan Villa, Executive Director

DATE: December 10, 2021

SUBJECT: Montana Down Payment Assistance Loan Program

Overview: The program objective is to allow growing businesses to retain valuable working capital during the growth phase vs. depleting cash to fund down payments on necessary equipment or building purchases/expansions.

Funding must be for acquisition of equipment or real estate purchases/expansions needed to support growing operations.

Allocation Request and Deadlines: Minimum Board of Investments (BOI) participation is \$250,000 and maximum is \$3,000,000.

Structure: Originating lender will underwrite the primary and subordinate loans. The subordinate loan can, subject to BOI approval, be sold to BOI.

Subordinate loan may not exceed 30 percent of total debt for property, plant and/or equipment loans to expanding Montana small businesses. Fixed rate set for term of loan upon receipt of non-refundable .25 percent reservation fee. Business must provide at least 5 percent down payment.

The BOI/purchased loan will be subordinate to the primary loan but secured with a second position lien on all assets securing the primary loan.

Loans will be serviced by lender with a maximum .5 percent loan servicing fee.

Eligibility: Established and growing Montana based businesses in good standing with no current outstanding State of Montana obligations.

Application and Verification: Originating lender applies and must provide loan review to BOI for processing and approval subject to continuing guidance.

Equity: All qualifying established and growing Montana based business are eligible.

Performance Metrics: The Down Payment Assistance Loan Program must be leveraged to maximize economic benefit of one-time federal dollars.

Recommendation: Allocate \$37,000,000 in Montana Down Payment Assistance Loan Program funds to allow growing businesses to retain valuable working capital during the growth phase vs. depleting cash to fund down payments on necessary equipment or building purchases/expansions.