

Marketing Your RLF Program

CDFA EDA RLF Training Course

Baltimore, MD

by

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Keys to Marketing an RLF

1. Decide on the message
(Know your program)
2. Target the message
(Know your stakeholders)
3. Deliver the message...
(...in multiple ways!)

1. Decide on the Message

- Be the policy expert!
- What are the program strengths?
 - Low down payment?
 - Low Fees? No fees?
 - Low or fixed interest rates?
 - Accept lower credit scores?
 - Accept weak or non-existent collateral?
 - Streamlined approval process?

2. Target the Message

- Bankers
- Economic Developers
- Other professionals
 - Real estate brokers, accountants, construction contractors
- Small businesses
- Others?

Messages for BANKERS

- Turn a decline into an approval!
- Win the deal when competing with other banks
- Less work for a stronger credit



Messages for ECONOMIC DEVELOPERS

- RLF Loans are mission-based
- Let us be your financing expert



Messages for OTHER PROFESSIONALS

- Speed!
- Speed!
- Speed!



Messages for Businesses

- Low down payment? Fixed rate?
Sell your program!
- Market to existing borrowers



3. Delivering the Message

1. Weekly bank meetings
2. One-on-one meetings
3. Email newsletter
4. Networking events
5. Annual awards for best partners
6. Trade shows and conferences
7. Webinars and trainings
8. Check in with existing borrowers

SBA 504 and 7(a) Comparison



To: CDFA EDA RLF Training Course
 From: Michael Kinninger, OSDC
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Uses of Proceeds

Construct a new Building	\$	790,000
FF&E	\$	10,000
Existing Land Value	\$	200,000

Total Project Cost **\$ 1,000,000**

Project Characteristics

10%	Required Equity Contribution on 7(a) Loan?
75%	Required SBA 7(a) Guarantee?
10%	Required Equity Contribution on 504 Loan?

*SBA 504 typical equity requirement is 10%. Startups & special purpose properties each require an additional 5% equity.

504 Sources of Funds

Lender Loan Amount	\$	500,000	50%
OSDC/SBA 504	\$	400,000	40%
Cash / Equity	\$	100,000	10%
Total Amount Financed	\$	1,000,000	

504 & Bank Fees

Financed in 504 Loan			
504 Loan Fees	\$	8,600	2.15%
504 Closing (Financed)	\$	2,500	
Financed Fees Sub-Total	\$	11,100	

Out-of-Pocket			
OSDC Application Fee	\$	500	
Bank 504 Participation Fee	\$	2,500	0.5%

Out-of-Pocket Sub-Total **\$ 3,000**

Total SBA 504 Fees **\$ 14,100**

504 & Bank Debt Service

504 Loan Fees are financed and included in D/S

Source	Rate*	Amo	Term	Annual D/S
Bank	6.00%	20	10	\$ 42,986
504	5.50%	25	25	\$ 30,360
TOTAL				\$ 73,346

Proposed Bank Rate is Fixed for 5 yrs

*The 504 rate is FIXED for the entire term. The above rate is an estimate, as the rate is not fixed until the month after the 504 loan is closed.

The Bank rate listed above is an estimate.

7(a) Sources of Funds

Lender Loan Amount	\$	900,000	90%
Cash / Equity	\$	100,000	10%
Total Amount Financed	\$	900,000	

7(a) Fees

7(a) Guarantee Fee	\$	23,625
	\$	-
	\$	-
	\$	-
	\$	-

TOTAL SBA 7(a) Fees **\$ 23,625**

7(a) Debt Service

Finance 7(a) Guarantee Fee?

Source	Rate*	Amo	Term	Annual D/S
Bank	7.00%	25	10	\$ 78,336
TOTAL				\$ 78,336

Proposed 7(a) Rate is Variable

*Bank has discretion in 7(a) interest rate. The highest 7(a) rate allowed is WSJ Prime + 2.75%. The maximum term is 25 years. Rarely is a 7(a) loan rate fixed for 20 years as is the 504 loan rate.

The Bank rate listed above is an estimate.

Contact Information

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