



H.E.L.P. Employ Illinois

Presented by



H.E.L.P. Employ Illinois

- **What is H.E.L.P. Employ Illinois?**
- **What Businesses Qualify for Loan Funds?**
- **Loan Structure, Terms and SBA Guaranty Fees**
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What is H.E.L.P. Employ Illinois?

- H.E.L.P. Employ Illinois (the ***Harris Entrepreneurial Loan Program***) is a pilot lending program sponsored by Harris in partnership with the Illinois State Treasurer's Office and the U.S. Small Business Administration. H.E.L.P. Employ Illinois combines the benefits of:
 - Subsidized interest rates, available through ***Employ Illinois***, the Illinois State Treasurer's low cost loan program (interest rates that are lower than those normally available to many small and start-up businesses)
 - Credit enhancements available under ***SBA 7(A)*** loan programs
 - H.E.L.P. Employ Illinois is the only State program that combines interest rate subsidies and the benefits of an SBA credit enhancement (loan guaranty).

What Businesses Qualify for Loan Funds?

- H.E.L.P. Employ Illinois follows all rules governing SBA 7(A) loans, with a few additional conditions:
 - Most **for profit businesses in Illinois** can qualify for funding (major exceptions: charities, religious entities, businesses engaged in gambling, speculative or trading activities and any items specifically excluded by the SBA). Projects must meet Illinois State Treasurer eligibility requirements (a site visit or interview is usually required before funding).
 - Business must have gross annual receipts of \$3 million or less (can be up to \$5 million if operating in an underserved market)
 - Loan proceeds cannot be used to refinance debt

Loan Structure, Terms and SBA Guaranty Fees

- Loans can be for up to \$1 million
- Loans follow a fully amortizing term structure (no balloons or lines of credit). Borrowers can choose terms of up to ten years.
- Loans can be structured under the following SBA Programs:
 - Regular SBA 7(A), for loans up to \$1 million
 - SBA Patriot Express (loans can be up to \$500,000)
 - SBA Express (loans can be up to \$350,000)
- H.E.L.P. Employ Illinois loans receive partial guaranty by the US Small Business Administration, and standard SBA guaranty fees apply. Fees vary based on the SBA Program and on the size and term of the loan.

Loan Interest Rates

- H.E.L.P. Employ Illinois provides interest rate subsidies for up to five years, based on a formula prescribed the Treasurer. Actual interest rates will vary based on borrower qualifications. Current loan interest rate benchmarks are available from Harris N.A. or the Illinois State Treasurer.
- **Interest rates are adjustable (rates reset at the end of):**
 - The second year (rate subsidies stay in place)
 - The fifth year (rate subsidies end after year five)
- For loans that have terms of greater than five years, interest rates adjust at the end of the fifth year based on SBA rules and regulations (or under conventional financing terms).

Steps for a Successful Application

○ Step 1: The Business Plan

- A good business plan goes beyond financial projections; it includes an analysis of market opportunities, expectations for growth and contingency plans to handle unexpected conditions. This is critical, especially for start-up businesses (those with less than two years of operating history).
- We find that the most successful loan applicants have worked with a **Small Business Development Center** (“SBDC”) to develop and refine their business plans. SBDCs partner with the SBA and local colleges, universities and other entities to provide very low cost (or no cost):
 - Business plan assistance
 - One-on-one business counseling and management assistance
 - Help accessing marketing information
 - Assistance with financial analysis and planning
 - Access to business education and training opportunities

Steps for a Successful Application (cont.)

- **Step 2: The Credit Process:** Regardless of whether the loan is backed by the SBA, we are looking for the same positive credit merits that any bank would look for in any prospective borrower:
 - **Character / Management Ability** – knowledge of experience in the industry in which the business operates. Management ability is critical from an underwriting standpoint.
 - **Cash Flow** – must demonstrate the ability to repay the loan from ongoing operations
 - **Credit history** – for a business loan backed by personal assets or guarantees, generally a minimum credit score of 620 - 640
 - **Capital investment** – a minimum of 10% investment (25% to 50% if a start-up)
 - **Collateral** – business and personal assets; personal guarantees may be required for all owners with a 20% or more interest in the company

Steps for a Successful Application (cont.)

○ **Step 3: Illinois State Treasurer's Office Compliance Review**

Before disbursement of funds, the Treasurer's Office may conduct a site visit or interview the prospective borrower. The purpose of this is to establish eligibility under the State's program requirements from a use of proceeds standpoint.

- At the end of the **second year**, the Treasurer's Office performs a compliance update to ensure that loan proceeds were used in a manner consistent with the program, and may perform another site visit. Subject to that review, the State Treasurer will continue to provide funds to subsidize the loan interest for up to three more years.

Steps for a Successful Application (cont.)

- **Step 4: SBA Guaranty and Disbursement of Funds:** The SBA provides a guaranty on a portion of the loan to the lending bank. Guaranty is contingent upon compliance with all rules and regulations governing SBA 7(A) loan transactions (such as business eligibility, loan terms and uses of proceeds), in addition to normal Harris underwriting standards.
 - The timeline for loan funding can vary. The most important factor is having a robust business plan and a complete application package (including all State, SBA and Harris forms).
 - Typically, six weeks is a rough time line for a loan of this type (this includes time to prepare applications, conduct the site visit and underwriting).

How to Best Use H.E.L.P. Employ Illinois

- **Because these are term loan structures, potential borrowers that “best fit” the program are Illinois businesses that:**
 - **Need to acquire capital assets (a wide range of assets including furniture, equipment, computers, vehicles and other items qualify)**
 - **Can manage cash flow to repay loans over a period of up to five years (on a rate subsidized bases), or up to as long as ten years under normal SBA interest rates, or as conventional financing after five years**
 - **Have adequate working capital, or can access short term funding as needed**

Resources and Contacts



- **Harris Bank:**
 - **Chip St. Jules, Vice President, 630 420 3362**
 - **Chip.StJules@harrisbank.com**
 - **Visit us on the web at: www.harrisbank.com**

- **Office of Alexi Giannoulias, Illinois State Treasurer:**
 - **Michael Smith, Program Director, Economic Development, msmith@treasurer.state.il.us (312) 814 – 8951**

 - **Visit on the web at: <http://www.treasurer.il.gov/>**



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Questions & Answers

