

Community Interest Buydown Program

Description of Program:

Interest Buydowns allow a borrower to finance an expansion or construction of a commercial business at a discounted rate. Typically, these loans are secured by real estate. A typical interest rate floor is 1%. This allows borrowers/business owners to expand their business with a low-cost source of funds at a time when cashflow and/or capital reserves demands are at their highest.

Generally, the Bank of North Dakota is the partner that JDA works with to contribute to the borrower's interest buydown. The current programs are called Flex Pace and Pace loans.

JDA's max contribution to recipient: Bank of North Dakota contributes interest rate buydowns up to these maximums: \$200,000 per project for businesses; \$300,000 per project for child care; and \$500,000 per project for affordable housing. The maximum buydown is \$500,000 per biennium per borrower. JDA's maximum contribution is equated by the Community Percentage Factor as provided the State which is currently 30%.

Community Factor	BND Contribution	JDA Contribution
30%	\$200,000.00	\$85,714.29
30%	\$300,000.00	\$128,571.43
30%	\$500,000.00	\$214,285.71

Recipient Requirements:

- Completed Program Application
- An interest buydown schedule shall be provided to the JDA for a breakdown of the annual financial commitment. The JDA may request other items as they deem appropriate for the request.

JDA Requirements:

Payments are to be paid to the Bank of North Dakota on a quarterly or annual basis.

JDA's Maximum Assistance:

In no year shall the total of all interest buydown payments exceed 50% of JDA's annual budget (mill levy) and/or reduce its cash flow to break even or less, unless approved by three-fourths vote of approval of the Board of Directors.

JDA Tiered Grant Level Approval:

JDA will provide interest buydown funds in three tiers:

1. Full grant
2. 50% grant and 50% of the provided funds will need to be repaid after the buydown period has finished
3. 100% of the provided funds will need to be repaid after the buydown period has finished

JDA has the sole discretion to determine what tier it will place the request based on a variety of factors including, but not limited to: geographic location, need in the community, job development and/or retention and JDA's budget.

Remedy Upon Recipient's Breach of Guidelines:

JDA's obligation to continue to pay the interest buydown per the parameters of the Flex Pace or Pace guidelines ceases if a business closes, terminates, files bankruptcy, moves or is in default with the lender. JDA will notify the recipient in writing that its obligation per the terms of the Flex Pace or Pace programs have been broken and therefore there is not additional obligation from JDA to fund the buydown. Recipient will need approval from Bank of North Dakota, the originating bank and JDA to continue with the interest buydown.