



CLINT ZWEIFEL
MISSOURI STATE TREASURER

2011 Report of the Missouri Linked Deposits
Program Review Committee



Executive Summary

There were 1,413 Missouri Linked Deposit Program loans placed as of September 30, 2011, totaling \$382,572,219. This represents an **increase** of more than \$134 million from the amount of Missouri Linked Deposit Program loans from the same period a year earlier.

The increase in program loans can be attributed to four main factors.

State Treasurer Clint Zweifel's continued leadership in making legislative and administrative changes have made the Missouri Linked Deposit Program an effective tool for both lenders and borrowers. In 2011, Treasurer Zweifel:

- ✧ Removed the program's 2015 sunset by ushering legislation through the Missouri General Assembly. This led to more confidence on the behalf of lenders and borrowers that the program will be around;
- ✧ Implemented a priority application review policy – the Harmed-area Emergency Loan Priority system or HELP – that is geared toward getting capital more quickly into the hands of businesses and farms affected by natural disasters.
- ✧ Continued administrative improvements to help streamline the application process, including a secure online application system ; and
- ✧ 2011 was the second full year in which the statutory changes ushered in by Treasurer Zweifel's *INVEST IN MISSOURI* initiative.

Executive Summary (con't)

A second factor in the growth of the program has been a concerted effort to continue to raise the public awareness of the Missouri Linked Deposit Program. Treasurer Zweifel has remained focused on promoting the lending capacity. For the current reporting time period 46 press releases have been issued spotlighting borrowers and lenders, the Treasurer has held 12 press conferences highlighting borrowers and lenders, and the Treasurer's Relationship Manager continues to reach out to more lenders and borrowers across the state.

A third reason is that Treasurer Zweifel was able to secure the partnership of one of Missouri's premier lending institutions – Commerce Bank. With over 125 branches across the state, Commerce Bank is the largest bank headquartered in the state. Treasurer Zweifel was able to secure a \$100 million linked deposit loan commitment from Commerce Bank on September 28, 2010. The relationship between the State Treasurer and Commerce Bank has led to 286 loans issued to qualified small businesses and farmers for a total of \$120,767,922 as of September 30, 2011.

Finally, the increased participation from this one lender has also led to an increase in other lenders wishing to participate in the program. Fifteen new banks, some of which had never participated in the program, are now actively using and realizing the value the Missouri Linked Deposit Program brings to customers in a competitive environment.

Executive Summary (con't)

As noted earlier, the Missouri Linked Deposit Program has enjoyed immense growth over 2010. The Small Business deposit category has seen the most increase in amount of loans placed (see future slides for full breakdown).

Regionally, the Missouri Linked Deposit Program continues to see its strongest interest in Central Missouri, Southwest Missouri and in the St. Louis metro region. Most regions of the state have realized growth in the Missouri Linked Deposit Program (see future slides for full breakdown).

As of September 30, 2011, a total of 102 financial institutions are actively using the Missouri Linked Deposit Program, an increase of 10 over 2010. The top five users of the Program are Commerce Bank, FCS Financial, Legends Bank, Bank of Kirksville, and Mid America Bank. The top five users account for 50% and the top ten users account for 64% of the Missouri Linked Deposit Program's total loan volume (see future slides for a full breakdown).

Minority and female participation in the Missouri Linked Deposit Program stands at 9.3% of the program's overall total loan amount.

Issues Related to the Missouri Linked Deposit Program in 2010 – 2011

As was the case in 2010, the economic issues that affected participation were still evident in 2011:

- ✧ Lending institutions still adhered to much tighter lending standards in 2011. Although anecdotal evidence suggests some easing of those standards from 2010 to 2011, much of the year was spent lending money to only prime customers.
- ✧ Many business owners and farmers were also not actively looking for expanded credit. Demand for new loans, especially agriculture loans, remains at very low levels.
- ✧ Lending institutions continue to be deposit rich. Many have indicated they do not want to participate at this time in the Missouri Linked Deposit Program because of their own liquidity.
- ✧ Federal fund rates continue to be extremely low.
- ✧ Although we have had many lenders improve their financial standing across the state, many are still in a position that prevents them from participating in the Missouri Linked Deposit Program.
- ✧ Natural disasters have taken a toll on Missouri over the reporting period. Tornadoes in St. Louis, Sedalia, and Joplin, and massive flooding along the Missouri River, have tested Missouri's small business owners and farmers.

Issues Related to the Missouri Linked Deposit Program in 2010 – 2011 (con't)

Programmatic Issues

- ✧ The changes ushered in by *INVEST IN MISSOURI* in August 2009 are still being felt. As of September 30, 2011, an additional 224 applicants totaling over \$121 million have been approved to receive benefits because of these expanded eligibility guidelines. The 224 small business owners and farmers are saving an estimated \$2 million in interest by participating in the Missouri Linked Deposit Program.
- ✧ The fulfillment of the \$100 million Missouri Linked Deposit Program loan commitment by Commerce Bank has led to increased awareness of the program's benefits to not only the borrowing community but other lenders as well. Many lenders that were at risk of losing prime customers or who had lost potential customers became active in using the program.
- ✧ The statutory removal of the Missouri Linked Deposit Program's sunset in 2015 has led to more confidence among lenders and borrowers. Lenders should now feel sure that their borrowers will be eligible to receive five full years of program eligibility.

Other Issues

- ✧ Awareness of the Missouri Linked Deposit Program has picked up in the St. Louis and Kansas City metro areas. Twelve new lending institutions in the St. Louis and Kansas City metro areas have submitted applications for Missouri Linked Deposit Program benefits.
- ✧ Targeted marketing in business publications and other outreach has increased borrower awareness in each of the major metropolitan areas.
- ✧ The low rates offered by lenders because of the economy does not make the 30% interest rate reduction benefit of the Missouri Linked Deposit Program as dramatic as when rates are higher.

Administrative Changes Enacted by Treasurer Zweifel

Treasurer Zweifel adopted a policy aimed at providing priority review and approval for those farms or businesses affected by natural disasters. The HELP system was established effective April 21, 2011 after the tornado in St. Louis. Missouri has experienced a number of natural disasters so far in 2011 and the HELP system was designed to provide 24-hour approval of completed linked deposit applications. This priority approval system's main goal was to get lower cost capital into the hands of business owners and farmers who were trying to rebound from natural disasters. Since implementation, 86 loans totaling \$52,143,501 were approved under the HELP system impacting 1,814 jobs and 8 farms.

The implementation of an online application system has reduced paperwork and eliminated bureaucracy between Treasurer Zweifel's office and lenders. Incomplete applications can delay approvals. The online application system is designed so that incomplete applications cannot be submitted.

A new, more informative website has been launched. In addition to program information, there are separate pages designed for lenders and borrowers.

A thorough review of the due diligence process occurred and resulted in eliminating some steps that were not providing relevant information on the borrower. This review resulted in faster application approval times.

Administrative Changes Enacted by Treasurer Zweifel (con't)

The Preferred Partners program continues to be popular for those that are on the list and those that wish to be on the list. The Treasurer's 22 Preferred Partners give potential borrowers a prime option to contact in search of financing.

To be listed as a Preferred Partner, the lender is required to have at least 1% of its asset size in active Missouri Linked Deposit Program loans or have a substantial amount of loan volume in place. The Preferred Partners are:

Adams Dairy Bank
Bank of St. Elizabeth
Belgrade State Bank
Citizens – Farmers Bank of Cole Camp
FCS Financial
First State Bank of St. Charles
Legends Bank
Mid America Bank
O'Bannon Bank
Progressive FCS
Southern Bank

Bank of Kirksville
Bank of Monticello
Citizens Bank of Edina
Commerce Bank
F&C Bank
Independent Farmers Bank
Maries County Bank
Mid-Missouri Bank
Paris National Bank
Regional Missouri Bank
United State Bank

Summary of Minority and Female Applicants in the Missouri Linked Deposit Program

The Missouri Linked Deposit Program has 13 loans placed with minority borrowers for a total of \$3,791,571. The entire amount is placed in the small business deposit category.

Increased minority participation continues to be a top priority for Treasurer Zweifel's office.

The Missouri Linked Deposit Program has 152 loans placed with female applicants for a total of \$31,651,985. Of that total, \$25,614,423, or 81%, is placed in the small business deposit category. The remaining amounts are broken down as follows:

- * \$1,156,733 in the Beginning Farmer program;
- * \$4,105,787 in the Farm Operations program;
- * \$375,042 in the Guaranteed Agri-Business program;
- * \$400,000 in the Job Creation program.

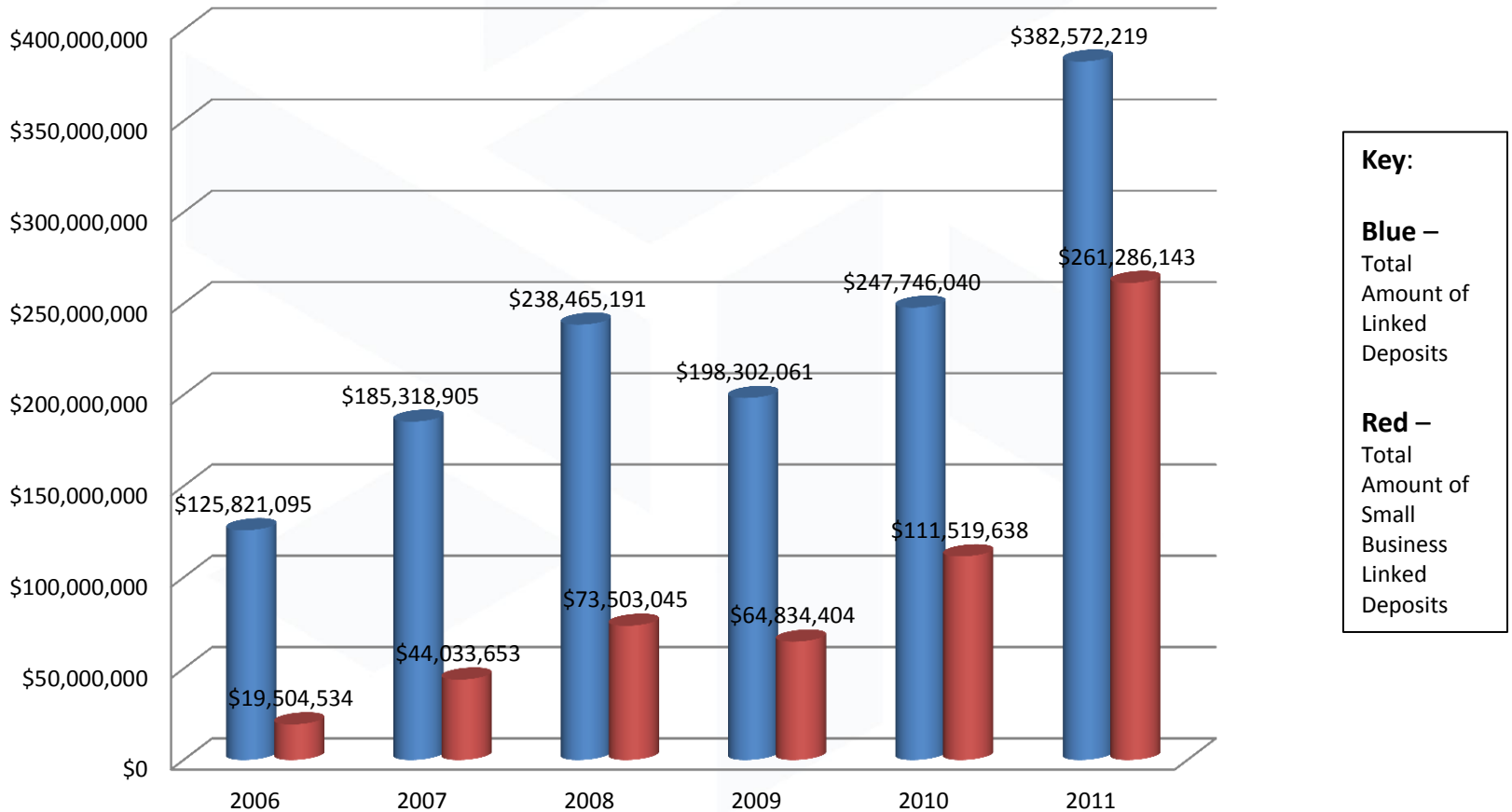
The amount of Missouri Linked Deposit Program loans to female owned businesses and farms continues to increase. While the increase in participation is a positive, the State Treasurer's Office continues to raise awareness of the program to this segment of the borrowing community.

Total Missouri Linked Deposit Program loans to minority applicants -- \$3,791,571

Total Missouri Linked Deposit Program loans to female applicants -- \$31,651,985

Total Missouri Linked Deposit Program loans to minority/female-- \$35,443,556 – 9% of overall total

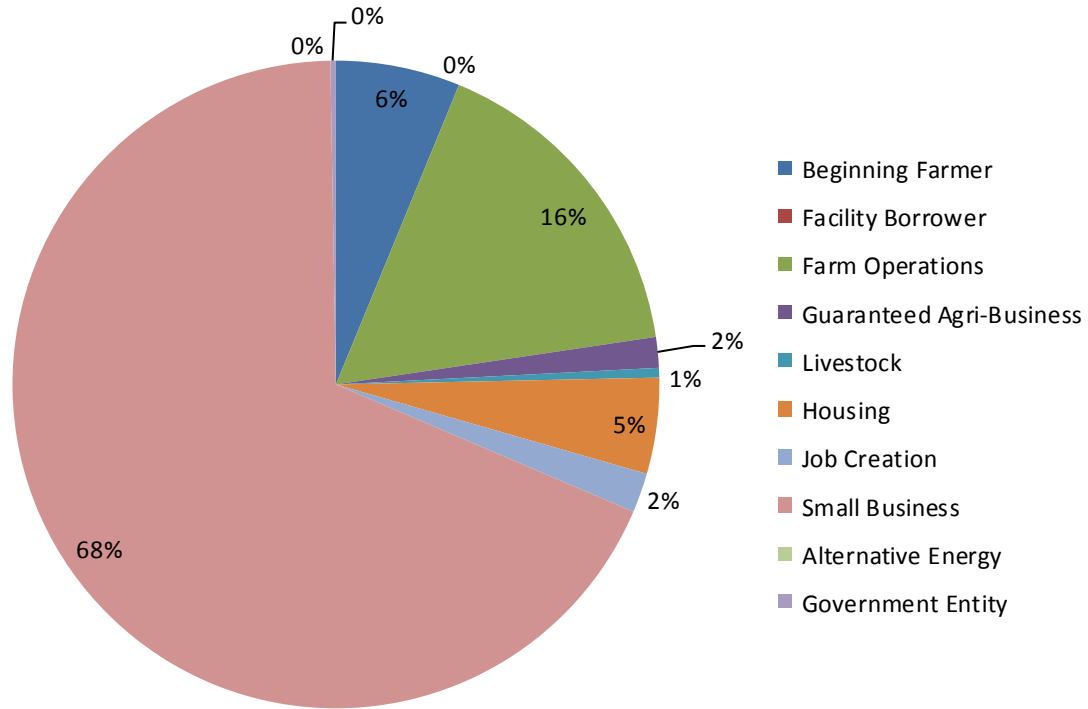
Summary of Missouri Linked Deposit Program Loan Amounts by Year



Summary of Missouri Linked Deposit Program Loans by Category

Program	Number of Apps	As of 9/30/11	As of 9/30/10	Change
Beginning Farmer	115	23,767,427	30,909,766	7,142,339
Facility Borrower	0	0	646,000	646,000
Farm Operations	295	62,897,936	83,905,736	21,007,800
Guaranteed Agri-Business	299	5,843,821	9,078,992	3,235,171
Livestock	14	1,842,223	2,914,230	1,072,007
Housing	25	18,315,545	2,937,229	15,378,318
Job Creation	6	7,559,658	5,667,500	1,892,158
Small Business	646	261,286,143	111,519,638	149,766,505
Alternative Energy	0	0	11,000	11,000
Government Entity	5	1,059,466	155,949	903,517

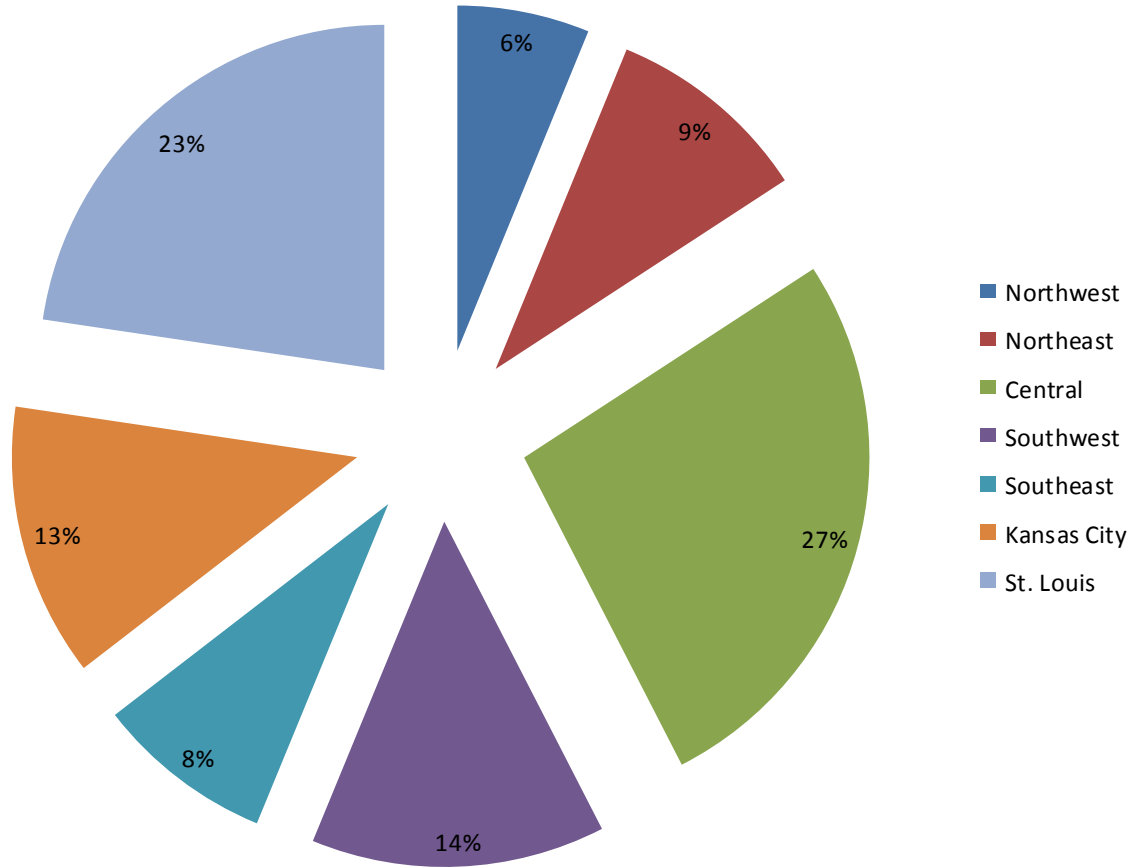
Missouri Linked Deposit Program Loans by Category



Summary of Missouri Linked Deposit Program Loans by Region

Region	Agriculture	Housing	Job Creation	Small Business	Alternative Energy	Government Entity	Total
Northwest	\$10,567,575	\$0	\$0	\$13,122,590	\$0	\$0	\$23,690,165
Northeast	\$22,298,065	\$0	\$0	\$13,882,989	\$0	\$576,567	\$36,757,621
Central	\$25,151,079	\$10,187,900	\$3,683,658	\$62,726,474	\$0	\$207,899	\$101,957,010
Southwest	\$13,031,002	\$5,730,000	\$0	\$33,622,261	\$0	\$275,000	\$52,658,263
Southeast	\$16,869,138	\$1,454,475	\$0	\$13,539,455	\$0	\$0	\$31,863,068
Kansas City	\$4,396,907	\$0	\$1,376,000	\$43,208,465	\$0	\$0	\$48,981,372
St. Louis	\$2,037,641	\$943,170	\$2,500,000	\$81,183,909	\$0	\$0	\$86,664,720
Total	\$94,351,407	\$18,315,545	\$7,559,658	\$261,286,143	\$0	\$1,059,466	\$382,572,219

Missouri Linked Deposit Program Loan Amounts by Region



**Please view your
Missouri Linked Deposit Program
Loan Amounts by Lender
Handout**

