State Treasurer Frerichs Increases to $500 Million the Amount of Money Available to Small Businesses for Bridge Loans During COVID-19

Nearly All of Initial $250 Million Committed in One Month

SPRINGFIELD – The Illinois State Treasurer’s Office today announced it is increasing to $500 million the amount of money available to small businesses for low-interest bridge loans to help employers navigate the COVID-19 pandemic.

Illinois State Treasurer Michael Frerichs made the decision because nearly all of the initial $250 million he made available in March has already been committed to financial institutions throughout the state. Frerichs has the sole authority to make the money available through the linked deposit program, which has been a core function of the Illinois Treasurer’s Office since 1983.

“People are hurting and they need help now,” Frerichs said.

The initial announcement was praised by industry leaders, including the Community Bankers Association, as well as some Democrats and Republicans in the Illinois General Assembly.

“We can move faster than the federal government because we already have the authority to facilitate the loans,” Frerichs said. “We need to push this money into the hands of small business owners because we know that it is easier to ramp-up a business that is struggling than a business that has shuttered.”

The loans work like this: The state treasurer’s office takes $500 million of its $13 billion investment portfolio and makes it available to community lending institutions, such as local banks and credit unions. In turn, the lending institutions agree to loan the money to small businesses at below-market rates. The financial institutions determine eligibility and loan terms.

In one month, the state treasurer’s office committed $220 million to 27 banks and credit unions.

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These linked-deposit loans have been a state treasury staple for decades. The most widely known is Ag Invest, which helps farmers with annual and long-term loans to be used for operating costs, equipment purchases, livestock purchases, and construction-related expenses. Established in 1983, Ag Invest has provided more than $4 billion in loans.

What the financial institutions are saying:

**Bank of Rantoul - Dennis Long, Chairman**
Bank of Rantoul has been working with our Covid-19 impacted customers on a non-stop basis over the past several weeks. By having the availability of the Treasurer’s Covid-19 funding we have been able to be immediately responsive to our customer’s needs. This program is another great example of the Treasurer’s understanding of the financial needs of Illinois communities.

**Bank & Trust Company in Litchfield - Bruce Vignos, CFO**
The ‘Invest in Illinois Program’ offered by the Illinois State Treasurer has served as an integral funding avenue to assist Bank & Trust Company in creating economic growth in our markets. The Illinois Treasurer Staff’s assistance along with their online system makes the process of attaining state funds seamless. We, at Bank & Trust Company, appreciate the courteous, patient, top-notch service provided by their friendly staff. We have recently applied and received funds from their new COVID – 19 program which allows an individual financial institution in Illinois up to $25 million in initial funding.

**Peoples Bank & Trust in Pana - John Gardner, President**
The State Treasurer’s program provided us with the much need liquidity to provide 200 SBA PPP loans for over $23 million dollars supporting employment for 3,197 people. We were also able to provide over $3 million in deferment to over 775 existing customers

**The First National Bank Ottawa - Steven Gonzalo, President and CEO**
We received $5 million in funds from the program in early April. Since March 31 we have made loans to small businesses in excess of $130 million. Many of these loans were made under the SBA PPP program so the rate is under 1 percent and all of the loans were made to eligible borrowers in Illinois. Some of the customers were going to be unable to make payroll were it not for our immediate ability to underwrite and fund the loans. We have also made over $20 million in loans not part of the SBA PPP program.

**Milledgeville State Bank - Scott Foltz, Vice President**
We are very happy with the process. We asked for $350,000. We were able to help out 7 small businesses in our area. We had a wide-variety of businesses. We had a golf course/hotel, a home builder, a rock quarry owner, a convenience store, a body shop, and two small manufacturers. We used the funds to arm them with some liquidity to help cover some bills in a slow-time as a result of the COVID-19 pandemic. The process was simple to submit an application, use a FHLB PUD to secure it, and within a week we received the funds and had the money in businesses hands to use.

**About the Illinois Treasurer**
As Illinois State Treasurer, Frerichs is the state’s Chief Investment and Banking Officer and actively manages approximately $31 billion. The portfolio includes $13 billion in state funds, $12 billion in college and retirement savings plans and $6 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns $42 to the state for every $1 spent in operations. Frerichs’ office protects consumers by safeguarding more than $3 billion in unclaimed property, encouraging savings plans for college or trade school, increasing financial education, assisting people with disabilities save without losing government benefits, and removing barriers to a secure retirement. The Treasurer’s Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

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