



INDUSTRIAL DEVELOPMENT REVENUE BOND PROGRAM

Description

The IFA issues tax-exempt Industrial Development Revenue Bonds (IRB's) on behalf of manufacturing companies to finance the acquisition of fixed assets including land, buildings and equipment. Bond proceeds may be used for either new construction or renovation, and may be used to purchase new equipment.

Benefits

Benefits of Industrial Revenue Bond financing include:

- Long-term financing at interest rates lower than conventional financing, usually below prime
 - Fixed or variable rate financing
 - Finance up to 100% of project cost (subject to credit approval and underwriting standards of the borrower's bank)
 - Interest to Bondholders on IFA Industrial Development Revenue Bonds is exempt from federal income taxation but is not exempt from (and is subject to) State of Illinois income taxation.
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Type of Financing

Because of significant up-front costs of issuance, prospective Industrial Revenue Bond financing of less \$1.5 million generally are not cost effective. Smaller fixed asset projects may be eligible for financing through other IFA loan programs.

For most companies, bank participation is necessary. The borrower's bank will make the credit decision, structure terms and set collateral requirements. Banks can either (1) guarantee the bonds by providing a Direct Pay Letter of Credit or (2) purchase bonds directly to hold as an investment in their portfolio. Under either structure, the bank will be a secured lender.

Eligibility

Qualified Industrial Development Revenue Bond projects include facilities that are primarily used to manufacture or process tangible products. The Internal Revenue Code defines all IRB eligibility requirements. Final determination of project eligibility is subject to a legal opinion from a recognized municipal bond attorney ("Bond Counsel").

Application and Fee

Interested parties should complete and submit the Industrial Revenue Bond Application. A non-refundable application fee must accompany the application. There are also closing fees plus other applicable charges. In most cases, applications can be reviewed by staff and considered by the Board of Directors within 30 to 45 days of submission. Please contact IFA for additional information regarding closing fees.

Contact

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