

CHAPTER 4  
LINKED INVESTMENTS FOR TOMORROW (LIFT)

**781—4.1(12) Definitions.** The definitions found in Iowa Code section 12.32 are adopted and the following are added:

“*Borrower*” includes a person, corporation, cooperative, partnership, or municipality located in Iowa that is qualified to participate in a linked investment program.

“*Lender*” means “eligible lending institution” as defined in Iowa Code section 12.32 and includes banks, savings and loans, converted savings banks, and credit unions which are located in Iowa and have complied with Iowa Code chapter 12C.

“*Linked investment loan package*” means the set of forms stipulated in these rules which a lender must submit to the treasurer as an application to receive funds under the LIFT program.

“*Treasurer*” means treasurer of the state of Iowa and members of staff carrying out duties delegated by the treasurer.

**781—4.2(12) Forms.** The following forms will be used in this program:

655-0142, LIFT Lender Application

655-0143, LIFT Borrower Application

655-0144, LIFT Master Agreement

655-0145, LIFT CD Receipt (if lender does not provide a receipt)

655-0146, LIFT Lender and Business Checklist and Verification

655-0147, Verification of Disability (applies only to LIFT focused small business)

**781—4.3(12) Procedures for submitting and processing a linked investment loan package.**

**4.3(1)** In order to participate in the linked investments for tomorrow program, a lender’s home office must complete and submit the following form to the treasurer:

655-0144, LIFT Master Agreement

By filing this form with the treasurer, a home office agrees that it and all its offices, when participating in the LIFT program, will comply with the following:

*a.* Iowa Code chapter 12 (Iowa Linked Investments for Tomorrow Act),

*b.* 781—Chapter 4, Iowa Administrative Code,

*c.* Iowa Code chapter 12C (Deposit of Public Funds), and

*d.* 781—Chapters 3, 13, and 14, Iowa Administrative Code.

**4.3(2)** Any lender whose home office has complied with subrule 4.3(1) above may submit a linked investment loan package to the treasurer. It must include the following completed forms:

Form 655-0142, LIFT Lender Application

Form 655-0143, LIFT Borrower Application

Form 655-0146, LIFT Lender and Business Checklist and Verification

**4.3(3)** The lender is responsible for submitting linked investment loan packages only for those borrowers and projects which the lender believes are eligible. After approval of the package, the lender is responsible for notifying the treasurer, in writing, of changes that may affect the eligibility of the borrower or project.

**4.3(4)** All forms and correspondence relating to the linked investments for tomorrow program should be mailed to:

Treasurer of State  
LIFT Administration  
Hoover State Office Building  
Des Moines, IA 50319

**4.3(5)** Upon receipt of a linked investment loan package, the treasurer will determine the eligibility of the borrower, owner, and business and whether sufficient funds will be available for the investment. In making this determination the treasurer may consult with other departments of state government.

**4.3(6)** Within a reasonable time the treasurer will notify the lender whether the package has been accepted or rejected.

**4.3(7)** Funds may be transferred at any time after the package is accepted. The rate of interest on the certificate of deposit will be determined and communicated by the treasurer each month. The lender shall apply this rate for each new loan and for each renewal of a loan that qualifies under this program.

**4.3(8)** At any time it is determined a borrower or business does not meet the requirements of participation in a LIFT program, the treasurer of state shall close the certificate of deposit. The lender shall have ten days from the date of notification from the treasurer of state to remit the outstanding balance and accrued interest to the treasurer of state.

**781—4.4(12) Qualifications on the certificate of deposit.**

**4.4(1)** The minimum rate for the certificate of deposit will be 2 percent regardless of the calculation. The term will not exceed one year but may be renewed at the option of the treasurer.

**4.4(2)** Interest must be calculated for the actual number of days on a 365-day basis, except during leap year, when it must be calculated for the actual number of days on a 366-day basis. Interest must be paid to the treasurer only upon maturity of the certificate of deposit.

**4.4(3)** The certificate of deposit and accrued interest must be secured either by federal deposit insurance or collateralized pursuant to Iowa Code chapter 12C.

**4.4(4)** Principal payments made by the borrower to the lender shall be remitted to the treasurer at the time the certificate of deposit matures.

**4.4(5)** If the borrower pays the loan in full prior to the maturity date of the certificate of deposit, the lender shall, within ten business days, remit the principal balance of the certificate of deposit and the accrued interest thereon to the treasurer.

**4.4(6)** The lender must make all funds available to the borrower by the end of the business day following the day it receives the funds from the treasurer.

**4.4(7)** Funds will be transferred according to instructions from the treasurer.

**4.4(8)** When a CD is issued or renewed, it will be held in safekeeping by the lender. The lender will provide the state treasurer a receipt or evidence of the deposit, attach a photocopy of the CD to the receipt, and send it to the treasurer. The following form may be used if the lender does not have a suitable receipt identifying the deposit:

Form 655-0145, LIFT CD Receipt

**4.4(9)** The maximum period of eligibility for any borrower or business is nine years from the issue date of the first certificate of deposit.

**4.4(10)** If the certificate is not renewed within ten days of the maturity date, the funds must be returned to the treasurer. During the ten-day period, the funds will continue to earn at the rate of the CD with interest calculated on a daily basis.

**4.4(11)** Certificates of deposit for the purposes of the LIFT program are not subject to a penalty for early withdrawal or to any other term and condition that a financial institution may otherwise place upon a certificate of deposit.

**4.4(12)** The certificates of deposit are subject to the further restrictions of rules 781—4.6(12) to 4.9(12).

#### **781—4.5(12) Qualifications on the loan.**

**4.5(1)** The interest rate on the loan shall not exceed the rate of interest on the certificate of deposit by more than 4 percent. Points shall not supplement the loan rate and a compensating balance shall not be required.

**4.5(2)** All other terms and conditions on the loan must be negotiated by the lender and the borrower. The lender is required by law to use usual and customary lending standards to determine the creditworthiness of the loan.

**4.5(3)** Neither the treasurer nor the state is liable for any payment of principal or interest on the loan or any late payments. The linked certificate of deposit is not collateral and shall not constitute security in any manner for the repayment of principal or any interest or charges thereon.

**4.5(4)** The amount and term of the loan may exceed the amount and term of the certificate. It is permitted for the rate of the interest on the loan to be variable based on adjustments in the rate of the certificate.

**4.5(5)** Loans are subject to the further restrictions of rules 781—4.6(12) to 4.9(12).

**4.5(6)** Loan proceeds may not be used to refinance existing debt, including credit card debt. However, proceeds may be used to refinance a short-term bridge loan made in anticipation of the treasurer's approval as an eligible LIFT participant.

**4.5(7)** Lenders, borrowers, and all owners of businesses applying for a loan under this program shall verify that the borrower, owner, and business qualify on the following form:

Form 655-0146, LIFT Lender and Business Checklist and Verification.

Lenders shall acquire sufficient information to verify that applicants meet the following requirements before the borrower or business may become eligible to participate in a LIFT program. Applications submitted to the treasurer of state without a completed LIFT Lender and Business Checklist and Verification shall be denied.

**4.5(8)** A new LIFT Lender and Business Checklist and Verification form shall be required every three years the borrower participates in this program to ensure the borrower and business continue to be eligible to participate.

**781—4.6(12) LIFT—horticulture and alternative crops program.**

**4.6(1)** Eligibility for this program is limited to borrowers who are producing, processing, or marketing Iowa-grown horticultural or alternative crops within the state with the intent of generating revenue. Horticultural and alternative crops are plants and animals that are not traditionally major crops in this state. They include, but are not limited to, buffalo, canola, Christmas trees, crambe, cuphea, cut flowers, domesticated game birds/animals, fish, fruits, ginseng, goats, herbs, nursery stock, nuts, sorghum, trees, turf, and vegetables. Ineligible items include, but are not limited to, alfalfa, cattle, chickens, field corn, cover crops to bridge an ineligible crop, dairy cows, dogs, eggs, hogs, horses, landscaping, lawn care, oats, rye, sheep, soybeans, turkeys, and wheat.

**4.6(2)** Proceeds of these loans may be used for operating expenses or the purchase of land, equipment or other inputs used in this business by an eligible borrower.

**4.6(3)** The maximum amount a borrower may have on loan under this program is \$500,000. Up to \$200,000 of the amount the borrower has on loan under this program may be used for production.

**781—4.7(12) LIFT—focused small business program.**

**4.7(1)** New business, as defined for this program, means the borrower(s) or business has not received financial assistance from a linked investment for tomorrow program prior to July 1, 1997, and the business has \$2 million or less in annual sales.

**4.7(2)** Combined net worth, as defined by this program, shall equal assets less liabilities for each owner of the business and persons borrowing for the business combined. Lenders shall not include the equity an owner or borrower may have in a personal residence for purposes of determining combined net worth under this program.

**4.7(3)** Proceeds of loans under this rule may be used for business expenses including, but not limited to, purchase or lease of real or personal property, machinery, equipment, inventory, operating expenses, finance franchise agreements, and patents.

**4.7(4)** The maximum amount that a borrower or business may borrow from this program is \$100,000.

**4.7(5)** Proceeds may not be used to speculate in real estate or for real estate held for investment purposes. Proceeds may not be used to buy real estate for the purposes of renting or leasing.

**4.7(6)** Home-based businesses qualify as a LIFT focused small business only if the person qualifies for a tax deduction for that portion of a home used for business pursuant to regulations of the Internal Revenue Service. Applicants who wish to borrow from the LIFT focused small business program, who otherwise qualify, and who have home-based businesses or wish to begin a home-based business, must establish to the satisfaction of the lender that they qualify for a tax deduction for that portion of their home they use or intend to use for their business pursuant to regulations of the Internal Revenue Service.

**781—4.8(12) LIFT—targeted small business program.**

**4.8(1)** Eligibility for this program is limited to persons or businesses who had existing LIFT targeted small business loans or a LIFT TSB loan application in the office of the state treasurer at the time of the April 1996 moratorium. Certification as a “Targeted Small Business” by the Iowa department of inspections and appeals is required before LIFT TSB loans can be renewed. For more information, inquiries may be directed to Iowa Department of Inspections and Appeals, Targeted Small Business Section, Lucas State Office Building, Des Moines, Iowa 50319.

**4.8(2)** Lenders shall renew LIFT targeted small business loans at the LIFT loan interest rate set and communicated monthly by the treasurer of state.

**781—4.9(12) LIFT—rural small business transfer program.**

**4.9(1)** Eligibility for this program is limited to borrowers who purchase an existing rural small business with annual sales of less than \$2 million. The small business must be located in a community with a population of 5000 or less, for which local competition does not exist, and the loss of which will work a hardship on the rural community.

**4.9(2)** Combined net worth, as defined by this program, shall equal assets less liabilities for each owner of the business and persons borrowing for the business combined. Lenders shall not include the equity an owner or borrower may have in a personal residence for purposes of determining combined net worth.

**4.9(3)** Proceeds of these loans may be used for a portion of the business which is essential to its continued viability, including real estate where the business is located, fixtures attached to the real estate, equipment relied upon by the business, and the inventory for sale by the business.

**4.9(4)** The maximum amount that a borrower or business may borrow from this program is \$50,000.

**4.9(5)** Proceeds may not be used to speculate in real estate or for real estate held for investment purposes. Proceeds may not be used to buy real estate for the purposes of renting or leasing.

**4.9(6)** Home-based businesses qualify as a LIFT rural small business transfer only if the person qualifies for a tax deduction for that portion of a home used for business pursuant to regulations of the Internal Revenue Service. Applicants who wish to borrow from the LIFT rural small business transfer program, who otherwise qualify, and who have home-based businesses or wish to begin a home-based business must establish to the satisfaction of the lender that they qualify for a tax deduction for that portion of their home they use or intend to use for their business pursuant to regulations of the Internal Revenue Service.

These rules are intended to implement Iowa Code sections 12.35 to 12.37 and 1997 Iowa Acts, House File 613.

[Filed 11/22/89, Notice 7/26/89—published 12/13/89, effective 1/17/90]

[Filed 4/12/90, Notice 12/27/89—published 5/2/90, effective 6/6/90]

[Filed emergency 9/11/92—published 9/30/92, effective 9/11/92]

[Filed emergency 5/4/95—published 5/24/95, effective 5/5/95]

[Filed 11/17/95, Notice 10/11/95—published 12/6/95, effective 1/10/96]

[Filed emergency 6/30/97—published 7/30/97, effective 7/1/97]