

CHAPTER 4
LINKED INVESTMENTS FOR TOMORROW (LIFT)

781—4.1(12) Definitions. The definitions found in Iowa Code section 12.32 as amended by 2006 Iowa Acts, House File 2661, are adopted by reference. In addition, the following definitions apply:

“*Borrower*” means a person, corporation, cooperative, partnership, or municipality located in Iowa that is qualified to participate in the linked investments for tomorrow program.

“*Current market rate*” means the one-year Treasury bill rate.

“*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 that are located in Iowa and are in compliance with Iowa Code chapter 12C.

“*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 are used in this program:

LIFT Lender/Borrower Application (Form 655-0142)

LIFT Renewal Application (655-0143)

LIFT Master Agreement (Form 655-0144)

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

4.3(1) To participate in the linked investments for tomorrow program, a lender’s home office must complete and submit a LIFT Master Agreement (Form 655-0144) to the treasurer.

By filing Form 655-0144 with the treasurer, a home office agrees that it and all its branches, when participating in the LIFT program, shall comply with the following:

- a. Iowa Code sections 12.31 through 12.43 as amended by 2006 Iowa Acts, House File 2661 (Linked Investments for Tomorrow Act),
- b. Iowa Code chapter 12C (Deposit of Public Funds), and
- c. Iowa Administrative Code 781—Chapters 3, 4, 13, and 14.

4.3(2) Any lender whose home office is in compliance with subrule 4.3(1) may submit a LIFT Lender/Borrower Application (Form 655-0142) to the treasurer.

4.3(3) The lender shall submit applications only for those borrowers and businesses which the lender believes are eligible.

4.3(4) Forms and correspondence relating to the linked investments for tomorrow program shall be mailed to:

Treasurer of State
LIFT Administration
State Capitol Building
Room 114
Des Moines, Iowa 50319

4.3(5) Upon receipt of a LIFT Lender/Borrower Application (Form 655-0142), the treasurer will determine whether the application meets the requirements of the LIFT program and whether sufficient funds will be available for the investment.

4.3(6) Within a reasonable time, the treasurer will notify the lender whether the application has been approved or denied.

4.3(7) Funds will be deposited with the lender on the fifteenth day of the month. If the fifteenth day of the month falls on a weekend or holiday, funds will be transferred the following business day.

4.3(8) The lender must make all funds available to the borrower by the end of the business day following the day the lender receives the funds from the treasurer.

4.3(9) At the beginning of each month, the treasurer will determine the rate of interest for LIFT certificates of deposit that are new or are being renewed that month.

4.3(10) After approval of the application, the lender shall notify the treasurer, in writing, if the loan is paid off, if the loan is in default, if the business closes, or if the business is sold.

4.3(11) At any time it is determined that a borrower or business does not meet the requirements of participation in the LIFT program, the treasurer shall notify the lender and withdraw the certificate of deposit with no penalty. The lender shall have ten days from the date of notification to remit the outstanding balance and accrued interest to the treasurer.

4.3(12) As a requirement for renewal of the certificate of deposit, the lender shall verify that the borrower and business are still eligible for this program.

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

4.4(1) The minimum rate for the certificate of deposit shall be 1 percent. The term shall 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 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 must be collateralized pursuant to Iowa Code chapter 12C.

4.4(4) If the borrower pays the loan in full prior to the maturity date of the certificate of deposit, the lender shall, within ten days of the payment in full, remit the principal balance of the certificate of deposit and the accrued interest thereon to the treasurer.

4.4(5) Funds shall be transferred according to instructions from the treasurer.

4.4(6) When a certificate of deposit is issued or renewed, it shall be held in safekeeping by the lender. The lender shall provide the treasurer a safekeeping receipt or a photocopy of the certificate of deposit upon issuance and at the time of renewal of the certificate of deposit. The safekeeping receipt or photocopy must include:

- a. Certificate of deposit number.
- b. Certificate of deposit rate.
- c. Certificate of deposit amount.
- d. Term of the certificate of deposit.
- e. Maturity date of the certificate of deposit.

4.4(7) The maximum period of eligibility for any borrower or business is five years from the issue date of the first certificate of deposit.

4.4(8) If the certificate of deposit is not renewed within ten days of the maturity date, the funds must be remitted to the treasurer. During the ten-day period, the funds shall continue to earn interest.

4.4(9) At renewal of the certificate of deposit, the lender shall certify that the certificate of deposit balance does not exceed the loan balance.

4.4(10) A certificate of deposit for the purposes of the LIFT program shall not be subject to a penalty for early withdrawal or to any other terms and conditions that a financial institution may otherwise place upon a certificate of deposit.

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 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 of deposit. It is permitted for the interest rate on the loan to be variable based on adjustments in the rate of the certificate of deposit.

4.5(5) Loans are subject to the restrictions set forth in rule 781—4.6(12).

4.5(6) Loan proceeds shall 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 of an eligible LIFT participant.

4.5(7) The lender shall acquire sufficient information to verify that the applicant meets the requirements before the borrower or business may become eligible to participate in a LIFT program. The lender and borrower applying for a loan under this program shall verify on the LIFT Lender/Borrower Application (Form 655-0142) that the borrower, owner, and business qualify.

4.5(8) The lender must complete the LIFT Renewal Application (Form 655-0143) at the time of renewal and submit it to the treasurer to ensure that the borrower and business continue to be eligible to participate in the LIFT program.

781—4.6(12) LIFT—small business program.

4.6(1) New and existing small businesses are eligible for the LIFT small business program. An existing small business is defined as a business that has annual gross sales of \$2 million or less at the time of application.

4.6(2) A borrower is ineligible if the borrower has received financial assistance from the LIFT program prior to July 1, 2006.

4.6(3) All owners of the business or borrowers must not have a combined net worth exceeding \$750,000. 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. Married individuals may divide their total net worth and assign one half of the total to each individual. If both individuals are owners of the business or borrowers, then their combined net worth must be used to determine net worth requirements.

4.6(4) Proceeds of loans under this program shall be used for business expenses including land, improvements, fixtures, machinery, inventory, supplies, equipment, information technology, or licenses, or patent, trademark, or copyright fees and expenses.

4.6(5) The maximum amount that a borrower or business may borrow from this program is \$200,000. Once the borrower or business has received LIFT funds totaling \$200,000, the borrower or business is ineligible for additional LIFT proceeds.

4.6(6) Proceeds shall not be used to speculate in real estate or for real estate held for investment purposes. Proceeds shall not be used to buy real estate for the purposes of renting or leasing.

4.6(7) A home-based business qualifies as a LIFT small business only if the person whose home is used for operation of the small business qualifies for a tax deduction for that portion of a home used for business pursuant to regulations of the Internal Revenue Service. An applicant who wishes to borrow from the LIFT small business program, who otherwise qualifies, and who has a home-based business or wishes to begin a home-based business must establish to the satisfaction of the lender that the applicant qualifies for a tax deduction for that portion of the applicant's home that the applicant uses or intends to use for the business pursuant to regulations of the Internal Revenue Service.

4.6(8) If the business holds a class "C" liquor license, sales of liquor, beer, and wine must not exceed 20 percent of annual sales.

These rules are intended to implement Iowa Code sections 12.32 to 12.43 as amended by 2006 Iowa Acts, House File 2661.

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