



Capital for Communities –
Opportunities for People™

New Markets Tax Credits Deal

Native American Pharmacy Owner Purchases Facility to Allow for Expansion

Deal Location

Small city in Western Montana

Borrower Profile

This deal provides long term financing for a pharmacy and drug store. The store sells a variety of medical equipment items, gifts, food and beverages.

New Markets Eligibility

This deal is located in a rural area with a poverty rate of 25%.

Description of the Deal

This business, owned by a Native American female, was located in a leased space with restricted room for growth. The financing from this deal allows the company to purchase a larger facility offering greater visibility, allowing for more stability and efficiency for the company.

Loan Purpose and Features

The purpose of this loan was to provide long term financing for the purchase a new facility.

Benefits to the Borrower

The new facility will provide space for expansion as well as further service and sales of medical equipment. The new location is on a frontage road off of a main highway and is expected to drive more traffic into the store. To accommodate an increase in traffic, the facility will be equipped with convenient access, parking, and a drive-up pharmacy window. In addition, the borrower will move from renting to owning, giving the business more stability by controlling occupancy costs.

The combination of a lower interest rate and longer amortization term translates into a lower debt payment for the borrower. Under CRF's non-NMTC loan purchase program, the borrower would have a \$45,000 annual debt service. However, with the benefit of NMTC, the borrower's debt service is only \$37,000 annually. Overall, the NMTC allows the borrower to save \$8,000 annually with a total savings of \$56,000 over the seven year compliance period, keeping cash in the business to support growth.

Benefits to the Lending Partner

The lending partner in this deal was able to earn an origination fee on the transaction. The lending partner will also earn servicing fees as it will be sub-services the loan.

Benefits to the Community

This deal provides an opportunity for a female Native American business owner to own her place of business for the first time. It also allows for the retention of 8 jobs and the creation of at least 2 new jobs in the area.

Terms of the Loan

Loan Amount: \$457,200

Payment: \$3101.35

Term: 25 Years

Collateral Type: First Mortgage on the subject property

Value of Collateral: \$508,000

LTV: 90%

Owner Occupancy: 100%

Closing Date: February 2005

Strengths of the Deal

The owner of the business has strong industry experience. Also, the business has strong cash flow to provide debt service coverage.