

IFA Industrial Revenue Bond

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

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 percent of project cost (subject to credit approval and underwriting standards of the borrower's bank)

Type of Financing

Because of significant up-front costs of issuance, Industrial Revenue Bond issues 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 before bonds can be sold to investors. The participating 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.

Eligibility

Qualified Industrial 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. A completed Economic Disclosure Statement (EDS) and a Volume Cap Application must accompany the Industrial Revenue Bond application.

Fee

A non-refundable application fee is due when the application is submitted. There are also closing fees plus other applicable charges. For a fee schedule, contact a funding manager at your local IFA office. In most cases, applications can be reviewed by staff and considered by the Board of Directors within 30 to 45 days of submission.

For more information, contact the EDC at (309) 661-6332.