



OVERVIEW OF SSBCI FOR LENDERS

State Small Business Credit Initiative (SSBCI)

What is SSBCI?	<ul style="list-style-type: none">• The State Small Business Credit Initiative (SSBCI) provides direct funding to States for programs that expand access to credit for small businesses. Each program is designed by the State to address local market conditions. State-run programs include, but are not limited to: portfolio insurance for lenders (capital access programs, or CAPs); loan guarantees; loan participations; cash collateral programs; and venture capital programs.
Why participate?	<ul style="list-style-type: none">• SSBCI-funded programs are easy to use. “We had such a positive experience with these programs in one state that I recommended we roll them out wherever they are available in our 10+ state footprint. SSBCI enabled us to more effectively meet the needs of our business customers by providing needed funding for capital expenditures and job creation.” – SVP from a superregional bank.• Expand your small business customer base. SSBCI funds provide a means to unlock credit opportunities for a wide variety of small business customers.• Make your own credit decisions. Lenders retain full control of their underwriting and credit decision-making, subject to the requirements for use of loan proceeds and eligible borrowers under the SSBCI Policy Guidelines and each approved State program’s respective unique requirements.• Support your State’s economic development objectives.
What support is available?	<ul style="list-style-type: none">• Capital Access Programs: The borrower, financial institution lender (lender), and State contribute to a reserve account held by the lender (4-14% of the loan amount). Up to 100% of losses are covered, so long as reserve funds are available in the account. <i>Example:</i> A lender wishes to increase the volume of small dollar (<\$100,000) small business loans; however, the effects on personal and business credit from the recession mean that a large portion of applicants stress the lender’s credit guidelines. <i>Solution:</i> A State matches small business borrower and lender contributions to a capital access reserve which results in a 5% first loss reserve for the lender’s portfolio of CAP loans.• Loan Participation Programs: The state purchases loan participations or makes subordinate loans. Flexible terms address weakness in historic cash flow or reduce the private lender’s loan to value. <i>Example:</i> A small business borrower has adjusted after one or more years of weak cash flow and its current debt service coverage ratio is sufficient. In all aspects except historic cash flow, the loan meets a lender’s underwriting guidelines. <i>Solution:</i> A loan participation or subordinate loan with flexible terms results in a lower loan amount for the primary lender and aligns the small business borrower historic debt service coverage with internal credit requirements.• Loan Guarantee Programs: The State provides deficiency guarantees. <i>Example:</i> A small business borrower credit profile leads the lender to weigh heavily the



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secondary or tertiary source of repayment. However, neither the individual guarantor's balance sheet nor collateral from the small business borrower is a sufficient alternate source of repayment.

Solution: A State loan guarantee provides strong additional, alternate source of repayment.

- **Collateral Support Programs:** Cash deposits fill collateral gaps.

Example: A loan request is not supported by available collateral because the value of the plant, property and equipment of the small business borrower declined during the recession.

Solution: A State posts cash collateral at the lender equal to the value of the shortfall.

What borrowers are eligible?

- Small business borrower must have fewer than 500 employees for Capital Access Program loans, and fewer than 750 employees for all other programs
- Small business borrower may be for-profit or non-profits using funds for business purposes.
- Some examples of restrictions imposed by SSBCI include a prohibition on supporting passive real estate financing (owner-occupied by an eligible small business is eligible), financing speculative activities that develop profits from fluctuations in price, financing businesses that earn more than half of its revenue from lending activities, financing businesses that engage in pyramid sales, financing businesses that engage in illegal activity, and financing gambling enterprises. A full list of restrictions on small business borrowers and loan purposes is available on the SSBCI website at <http://www.treasury.gov/ssbci>

What lenders may participate?

- Eligible lenders include any insured depository institution, insured credit union, or community development financial institution, as those terms are defined in section 103 of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4702).

What are the compliance requirements?

- States are responsible for reporting and certifying compliance to Treasury.
- Lenders are responsible to the participating State for program compliance measures.
- Underwriting documents are subject to review by Treasury and Inspector General upon request.

Why invest in learning a new public program?

- Programs are designed to be easy to use.
- Certain transactions, such as working capital or subordinate debt, as well as small transaction sizes –are well suited for SSBCI programs.
- SSBCI funds may support financing of for-profit businesses and non-profits that use funds for business purposes.

What program does each state offer?

- For more information: <http://www.treasury.gov/ssbci>
Or call: 202-622-0713