VSBFA

Virginia Small Business Financing Authority

Loan Guaranty Program

The Virginia Small Business Financing Authority's (VSBFA) *Loan Guaranty Program* is designed to help Virginia's small businesses obtain the funds to start, enhance, or expand their operations and thereby creates new jobs for citizens of the Commonwealth. The VSBFA guaranty reduces the bank's credit risk and helps the business qualify for financing that would not otherwise be available.

Eligible Borrowers:

Businesses operating in Virginia must meet at least one of the following criteria to be an eligible borrower:

- Have $10 million or less in annual revenues over each of the last three years; or
- Have a net worth of $2 million or less; or
- Have fewer than 250 employees; or
- Be a 501(c) 3 non-profit entity

Guaranty Term:

- Deficiency guarantees of lines of credit are provided on an annual basis, with up to four subsequent renewals of the guaranty (**5 year maximum**).
- Deficiency guarantees for up to **7 years** are available for term loans.

Amount:

The maximum guaranty under the program is $750,000 or 75% of the loan amount, whichever is less, with a maximum relationship guaranty between the borrower and the VSBFA of $750,000.

Application Fee:

$200.00

Guaranty Fee:

- For those loans less than $150,000 there is no guarantee fee.
- For loans with a maturity one year or less the guaranty fee is 0.5% for non-veteran owned businesses and .25% for veteran- owned businesses.
- For loans with a maturity greater than one year the guaranty fee is 1.5% for non-veteran owned businesses and .75% for veteran-owned businesses.

General Instructions

Prospective applicants should contact their bank directly. All applications under this program are initiated by a bank which has determined a government guaranty is needed for their approval. Prior to submitting an application, the lender is encouraged to call VSBFA to discuss the transaction. VSBFA typically processes applications under the program within a week of receiving all required information; however, actual processing time may depend on other factors, including application volume. Loan closings for approved requests are scheduled by the bank and documented using the bank's normal procedures and forms.

In considering whether to extend a guaranty under the program, VSBFA conducts its own credit underwriting and assesses the company's ability to repay the loan, the experience of the company's management and the adequacy of the collateral available to secure the loan. Although there is no specific job creation requirement under the program, VSBFA also considers the economic impact and job creation and/or retention resulting from the financing.

The following types of loans are eligible for support under the *Loan Guaranty Program:*

- Lines of credit to finance inventory and accounts receivable,
- Loans to finance permanent working capital or fixed asset purchases such as office equipment,
- Restructured debt benefitting the borrower with additional funding, a lower interest rate, and/or longer repayment period.

The *Loan Guaranty Program* cannot be used to:

- Eliminate the bank's requirement for business collateral, personal collateral from the principal(s) and the principal's personal guaranty.
- Compensate for a fundamental business weakness, including poor financial condition of the business, unprofitable business operations and the business' inability to repay debt.
- Finance passive real estate investment, purchase of residential housing, real estate construction or development.
- Refinance a Lender's existing debt, however additional debt may be eligible for support depending on the purpose of that debt.
- Repay a delinquent federal or state taxes unless the Borrower has a payment plan in place with the relevant taxing authority; or repay taxes held in trust or escrow, e.g. payroll or sales taxes; or
- Reimburse funds owed to any owner, including any equity injection or injection of capital for the business' continuance.
- To purchase any portion of the stock ownership interest in the Borrower.
- To finance the purchase of goodwill.
- To finance the unguaranteed portion of SBA-guaranteed loans or other federally guaranteed loans.

For additional information and application materials, visit our website, http://www.vabankers.org/VSBFA or call 1-804-371-8254