

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

LOAN GUARANTY PROGRAM

Application Instructions

GENERAL INFORMATION:

The Virginia Small Business Financing Authority's (VSBFA) *Loan Guaranty Program* is designed to assist Virginia's small businesses in obtaining the capital they need to improve and expand their operations and thereby create new job opportunities within the Commonwealth.

Eligible Borrowers:

Under the program, VSBFA will guarantee a portion of a loan made by a Bank to an eligible small business. A "small business" as defined by the VSBFA must meet one of the following requirements: 1) have 250 or fewer employees, **or** 2) less than \$10,000,000 in annual gross revenues over each of the last three fiscal years, **or** 3) have less than \$2,000,000 in net worth; **or** be a 501(c)(3) non-profit entity.

Eligible Loans:

Typical borrowings include revolving lines of credit to finance accounts receivable and inventory, and loans for working capital and fixed asset purchases, e.g., office or research equipment. In general, the VSBFA will not guarantee financing which represents a refinancing of a bank's existing debt. However, in certain circumstances where there is clear benefit to the borrower, as in the case of providing additional funds, some refinancing of a bank's existing debt may be allowed. The refinancing of debt being moved from one bank to another is allowed.

Maximum Guaranty:

VSBFA's maximum guaranty is \$750,000 or 75% of the loan amount, whichever is less, with a maximum relationship guaranty of \$750,000.

Guaranty Terms:

A. Term loans:

Expiration of the VSBFA guaranty: The VSBFA guaranty of a term loan is for a maximum of seven years from the date of the note, at the conclusion of the term of the loan, or at the retirement of the debt, whichever shall first occur.

B. Lines of credit:

Maximum term: In general, a line of credit will be guaranteed for one year or less, depending on the company's fiscal year end (see "Expiration of the VSBFA guaranty" below).

Expiration of the VSBFA guaranty: The expiration of the VSBFA guaranty of a line of credit will be established to allow the Bank sufficient time for receipt and review of the Borrower's year end financial statements. Since Banks will generally require receipt of the company's financials within 120 days of year-end, the VSBFA guaranty will generally have an expiry of 30 days after the Bank's

receipt of financials or a maximum of 150 days (5 months) after the Borrower's year end. A line can be guaranteed for up to seven years.

Guaranty Renewals:

A. Term loans:

In general, the guaranty of a term loan may not be renewed beyond the original approved term.

B. Lines of credit:

Annual renewals of the VSBFA guaranty:

VSBFA anticipates that Borrowers in the Loan Guaranty Program will be able to strengthen their financial or operating condition within a seven-year period and thereby "graduate" out of the program and qualify for conventional financing. However, there may be occasions when a Borrower is still unable to meet the Bank's conventional underwriting criteria within the seven-year time frame. The Borrower's inability to meet these underwriting guidelines could result from, for example, an economic downturn within the industry, region or general economy or a significant event that compromises the company's financial integrity, such as the loss of a major customer.

In these cases, a participating Bank may request the renewal of VSBFA's guaranty for a line of credit beyond the stated seven-year maximum. In addition to the usual application information, VSBFA will require the following to accompany requests for renewals beyond a seven year period:

- Bank's assessment of why the Borrower has not been able to graduate from the Loan Guaranty Program. Bank should cite events that contributed to the Borrower's inability to improve its financial condition.
- Bank's defined and measurable plan of action for either: i) helping the Borrower attain greater financial strength; or ii) exiting the relationship.
- Bank's plan for loan structuring to protect the interests of the Bank and VSBFA, i.e., additional collateral, additional guarantees, financial covenants, etc.
- Bank's plan for loan monitoring, i.e., greater frequency of monitoring financial reports, collateral reports, agings, collateral audits, direct assignment of collections, etc.
- Bank's assessment of any possible losses to be realized from the relationship.

Temporary extensions of the expiration date:

Temporary extensions (30 or 60-day) of VSBFA's guaranty beyond the expiration date to allow the Bank time to process its internal approval will be considered on a case-by-case basis with an explanation from the Bank of the circumstances which prevented it from meeting VSBFA's normal application renewal deadline.

In the event the Bank has decided to not renew a Borrower's line of credit, VSBFA may be requested to provide an interim renewal of the VSBFA guaranty to allow the Borrower time to relocate the debt or for the Bank to conduct an orderly workout or liquidation of the debt. VSBFA will consider these interim renewals on a case-by-case basis in the interest of preserving VSBFA's and the Bank's capital, and not (unjustly) compromising the Bank or, in the case of debt relocation, the Borrower.

Interest Rate:

The interest rate is set by the Bank. The interest rate may be either fixed at the time of loan disbursement, or adjusted periodically as the prime rate changes.

INSTRUCTIONS:

1. The Borrower must submit to a Bank a completed Borrower's Loan Application and all required financial information. This should provide the Bank with enough information to consider the loan request.
2. If the Bank determines that VSBFA's guaranty is necessary in order to provide the financing requested, the Bank must complete the enclosed Bank's Application for Guaranty. Banks are encouraged to contact a VSBFA representative before submitting the application to discuss eligibility of the proposed financing.
3. The Bank should submit to VSBFA at the address below the original Borrower's Loan Application and the Bank's Application for Guaranty, and....
 - the Bank's credit memo and financial analysis;
 - three years of historical financial statements and an interim statement (within 90 days) certified by an officer of the company or the owner. If the financials are compiled, it is recommended that they be supported by tax returns.
 - All K-1s
 - spreadsheets (including financial ratios) of the company's financial statements, if prepared by the Bank.
 - personal financial statements and credit reports for all principals and tax returns, including all schedules.
 - one original copy for all other supporting documents;
 - copy of bank's commitment letter. If not available, a copy of bank's approved internal term sheet;
 - \$200 application fee.

GUARANTY FEE:

For approved and closed loans/lines, an upfront guaranty fee must be remitted to VSBFA by the Bank at the time of loan closing. The Bank may require that the application fee and the guaranty fee be paid by the borrower.

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

Veteran Qualifications

In order to qualify for the fees identified in this Notice, businesses must be 51% or more owned and controlled by an individual or individuals in one or more of the following groups:

- Veterans (other than dishonorably discharged);
- Service-Disabled Veterans;
- Active Duty Military service member participating in the military's Transition Assistance Program (TAP);
- Reservists and National Guard Members; or

- Current spouse of any Veteran, Active Duty service member, or any Reservist or National Guard member; or widowed spouse of a service member who died while in service or of a service-connected disability.

Lenders must document in their loan file the borrower's eligibility using the documentation identified below and must present copies of that documentation with any guaranty purchase request.

Veteran Documentation Requirements:

1. **Veteran:** Copy of Form DD 214, which is provided for other than dishonorably discharged veterans.
2. **Service-Disabled Veteran:** Copy of Form DD 214 or documentation from the DVA that the veteran has been determined as having a service-connected disability.
3. **Transitioning Active Duty Military Member:** DD Form 2, "U.S. Armed Forces Identification Card (Active)," or DD Form 2, "Armed Forces of the United States Geneva Conventions Identification Card (Active)" and, DD Form 2648 (Active Duty Military member) or DD Form 2648-1 (Reserve Component member).
4. **Reservists and National Guard:** DD Form 2, Armed Forces of the United States Identification Card (Reserve).
5. **Current Spouse of Veteran:** The veteran's Form DD 214 and evidence of status as a current spouse.
6. **Current Spouse of Transitioning Active Duty Military Member or Current Reservist/National Guard Member:** DD Form 1173, Department of Defense Guard Reserve Family Member Identification Card and evidence of status as the current spouse.
7. **Widow of Active Duty Service Member who died in service or Widowed Spouse of Veteran who died of a service connected disability:** Documentation from DOD or from DVA clearly showing this to be the case.

Alternatives:

In the event that the veteran's DD 214 is unavailable, a "Certification of Military Service" (NA Form 13038) is an acceptable equivalent.

For any category listed above that requires a photocopy of a military ID, as an alternative to photocopying the military ID, the service member may provide a "statement of service" signed by, or by the direction of, the adjutant, personnel office, or commander of the unit or higher headquarters they are attached to. There is no one unique form used by the military for a statement of service. While statements of service are typically on military letterhead, some may be computer-generated. The statement of service must clearly show:

1. The Service member's full name;
2. The Service member's Social Security Number (SSN) or the last 4 digits of SSN;
3. The entry date on active duty or the entry date of applicant's Reserve/Guard duty, as applicable (depending on whether the applicant is on active duty or is a current member of the Reserves or National Guard);
4. The duration of lost time, if any (for active duty); and
5. The name of the command providing the information.

Note for Current Reserve/Guard Members: The statement must clearly indicate that the applicant is an "active" reservist and not just in a control group (inactive status).

BORROWERS AGREEMENT:

A VSBFA Borrower's Agreement form is included in the application materials for the Bank's review. Should the guaranty be approved, the Borrower will be required to execute an original Agreement at loan closing, which will be returned to VSBFA by the Bank.

RENEWALS:

In the event the Bank requests a renewal of an existing VSBFA guaranty, the Bank must submit an updated borrower's Loan Application and Bank's Application for Guaranty, any applicable attachments and the application fee. Requests for renewal of an existing VSBFA guaranty must be received by VSBFA for review prior to the expiration of the guaranty.

**Virginia Small Business Financing Authority
Loan Guaranty Program**

Borrower's Application for Guaranty

Name: _____ Tax ID #: _____

Address: _____ Phone #: _____

Address: _____ Fax #: _____

City: _____ State: _____ Zip: _____ Contact: _____

County: _____ E-mail: _____

Legal Type:

C-Corporation S-Corp LLC Partnership LLP Proprietorship
 Individual Non-Profit

Date company established: ____/____/____

NAIC: _____

Description of business: _____

Type of Project: Expansion New Business Transfer of Ownership Other

Amount of request: _____

Purpose: _____

Collateral: _____

Guarantors: _____

Jobs saved as a result of this financing

Jobs created as a result of this financing

Year 1

Year 2

Year 1

Year 2

Average hourly wage rate per FTE \$ _____

<i>Schedule of Applicant's debts, leases, notes and mortgages (attach additional sheet if necessary).</i>							
Original Amount	Balance	Date of Loan	Maturity Date	Frequency	Payment Amount	Current? Yes/No	Collateral (Describe)

List all owners, officers, directors and general partners of applicant and stockholders or limited partners owning 20% or more of applicant business. Also include persons or corporations that will guarantee loan (attach additional sheet if necessary).

Name	Address	Office Held	% of ownership

Eligibility Requirements:

Does the Applicant, including any parent or subsidiary corporation or affiliated entity, in Virginia have:

1. 250 or less employees? Yes No Current # _____
2. less than \$10,000,000 in annual gross revenues over each of the last three (3) fiscal years? Yes No
3. less than \$2,000,000 in net worth? Yes No

If the answer to any of the following questions is “yes”, please furnish details on an attached sheet.

1. Have any owners, officers, directors, guarantors, general partners, stockholders or limited partners owning 20% or more of the applicant ever been charged with, or convicted of, any criminal offense, other than minor motor vehicle violations? Yes No
2. Has the applicant or management of the applicant been informed of any current or on-going investigation of the applicant with respect to possible violations of state or federal securities laws? Yes No
3. Has the applicant or any owners, officers, directors, guarantors, general partners, stockholders or limited partners owning 20% or more of the applicant been in receivership or adjudicated as bankrupt? Yes No
4. Is the applicant or any owners, officers, directors, guarantors, general partners, stockholders or limited partners owning 20% or more of the applicant involved in any pending lawsuits? Yes No
5. Does the applicant or any guarantors owe past due federal, state or local taxes of any nature? Yes No

The undersigned hereby certifies that all information contained above and all information contained in attachments which make up this loan application are true to her/his best knowledge and belief, and are submitted for the purpose of obtaining financial assistance from the Virginia Small Business Financing Authority.

Name of applicant: _____

By: _____ Title _____ Date _____

The information requested below is voluntary and for statistical purposes only. It will not affect the credit decision of the VSBFA.

Race:

- Asian
- Black
- Hawaiian
- Pacific Islander
- Native American
- White

Gender:

- Male
- Female
- Male & Female

Hispanic:

- Yes

Virginia Small Business Financing Authority Loan Guaranty Program

Bank's Application for Guaranty

Note: Bank should review the applicant's VSBFA Application for Financing Assistance before submitting it to VSBFA to be sure it is complete and that it accurately describes the loan request and collateral offered. Since economic impact is an important criterion for VSBFA approval, the application should also include information regarding potential job creation.

1. Name of Account Officer: _____ Title: _____

Name of Bank: _____

Mailing Address: _____

Telephone # _____ Fax # _____ e-mail address _____

2. Name of Applicant Company: _____

3. **Guaranty Request Summary –**

There is no maximum loan amount; however, the maximum aggregate guaranty available is \$750,000 or 75% of the loan amount, whichever is less.

Check one: Original request for guaranty OR
Request for renewal

If this is a request for a renewal, when does the bank's present commitment from VSBFA expire? _____/_____/_____

Note: Requests for renewal of an existing VSBFA guaranty must be received by VSBFA for review prior to the expiration of the guaranty. VSBFA prefers to limit subsequent line renewals to six annual renewals so that the maximum period of guaranty does not exceed seven years.

Please specify:

- Line of Credit Amount \$ _____
Requested VSBFA Guaranty \$ _____ % _____
Expiration Date of Line of Credit _____/_____/_____ (*maximum 1 year commitment, up to 6 renewals allowed.*)
Interest Rate: _____ % (fixed) or Prime + _____ (variable)

- Term Loan Amount \$ _____
Requested VSBFA Guaranty \$ _____ % _____
Loan Term _____ months (*maximum guaranty term is 84 months*)

Note: If loan will not be fully amortized in equal monthly installments over the term of the guaranty, please indicate specific terms (e.g., interest only for 6 months or 10-year payback with 7-year balloon, etc.):

4. **Application Checklist:**

Please attach:

- 1) The Bank must enclose a check for \$200 with the application payable to VSBFA to cover a non-refundable application fee.
- 2) Copy of your commitment letter, if available
- 3) Copy of your analysis, including a copy of financial statement spreadsheets, if available.

If no credit analysis was done, address each of the following areas as fully and completely as possible in a separate attachment. If this is a request for a renewal, please be certain to cover each of these items and, in addition, address why the bank feels VSBFA's guaranty is still needed.

- a. Brief summary of need for loan or line requested.
- b. Analysis of applicant's financial condition, examining balance sheet and income statement strengths, weaknesses and trends.
- c. Financial Statements – Provide at least 3 years historical income statements and balance sheets (if an existing business), including parents, affiliates and subsidiaries, current (within 90 days) financial statements of applicant business, proforma balance sheet (at startup), and at least 2 years of projected income, balance sheet and cash flow statements supported by a list of assumptions (monthly year one, quarterly year 2).
- d. All K-1s
- e. Certificate of good standing or equivalent from the SCC.
- f. Articles of Incorporation, Partnership Agreement, Corporate Resolution, AND Authority to Transact Business documenting authorization to borrow in the name of the applicant.
- g. Source(s) of repayment and analysis of cash flow adequacy.
- h. Collateral offered and lien position, and analysis of collateral adequacy.
- i. Credit reports of Applicant and principals, and Bank's credit experience with each.
- j. Current personal and/or corporate financial statements (not more than 90 days old) of all guarantors.
- k. Bank's terms and conditions for this loan, including any loan covenants.
- l. Bank's assessment of principals' experience and management ability.
- m. Steps the Applicant and the Lender can take to help the company strengthen sufficiently to qualify for conventional financing and the anticipated time the Applicant is expected to be in the Loan Guaranty Program.

5. Bank Certifications:

We understand that VSBFA's Loan Guaranty Program is intended to assist small businesses in obtaining financing that would not otherwise be available to them without VSBFA's guaranty. We certify that the credit requested by the Applicant herein would not meet the Bank's lending criteria without VSBFA's guaranty.

We further understand that loans guaranteed through VSBFA's Loan Guaranty Program shall be in accordance with a Loan Guaranty Agreement between the Bank and VSBFA.

IN WITNESS WHEREOF, the undersigned, being duly authorized to do so, has signed this application.

Name of Bank _____ Date: _____

By: _____
(Signature and Title)

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www.vabankers.org/VSBFA