

VIRGINIA STATE SMALL BUSINESS CREDIT INITIATIVE

Cash Collateral Program

The Virginia Small Business Financing Authority's (VSBFA) *Cash Collateral Program* (CCP) is designed to help Virginia's small businesses obtain the funds to start, enhance, or expand their operations and thereby create new jobs for citizens of the Commonwealth. The VSBFA participation helps reduce the bank's credit risk in those instances where the applicant company has the demonstrated ability to cash flow the debt, but the collateral coverage is insufficient for the bank's normal underwriting standards.

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 in Virginia, and fewer than 750 employees overall, or
- Be a 501(c) 3 non-profit entity

Participation Term:

- Term loans: up to 5 years of CCP support;
- Annual lines of credit not matured: may be renewed up to 2 times, with a maximum 3 years of CCP.

Amount:

The maximum participation under the program is \$500,000 or 40% of the initial loan amount, whichever is less.

Interest Rate:

Lender will set the rate.

Fees:

Application fee: \$200.00

Collateral Support Fee

- 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.

General Instructions

Businesses should apply to commercial banks for their financing need. The bank determines if VSBFA participation is needed for their approval. The lender is encouraged to call the VSBFA to discuss the transaction. VSBFA approves or declines the participation within a week of receiving all required application information. Loan closings for approved requests are scheduled by the bank and documented using their normal procedures and forms.

In considering whether to provide cash collateral support for a bank's loan; the VSBFA 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 under the *Cash Collateral Program*:

- Lines of credit to finance general working capital purposes
- Loans to finance equipment and other fixed asset purchases.

The *Cash Collateral 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, contact the Virginia Small Business Financing Authority via the website: <http://www.vabankers.org/VSBFA> or call 804-371-8254.