

SSBCI Capital Access Program

Purpose:

The Virginia Small Business Financing Authority's (VSBFA) *Virginia Capital Access Program (CAP)* provides access to capital for Virginia businesses by helping banks in Virginia to make loans to businesses that may have difficulty obtaining a conventional loan without a credit enhancement. Unlike typical government guaranty programs, which provide a guaranty of a specific loan, *CAP* utilizes an insurance concept on a portfolio of loans. VSBFA establishes a loan loss reserve at each participating bank, which is funded by enrollment fees paid by the Borrower/Bank and matching fees paid by the VSBFA. Because the participating bank determines what loans to enroll without VSBFA's involvement, *CAP* is a flexible, non-bureaucratic tool to assist banks in meeting the financing needs of Virginia's businesses.

Accessing the Program:

To apply for financing through *CAP*, a business makes application to a bank participating in the *Virginia Capital Access Program*. A current list of the banks participating in *CAP* is available from VSBFA.

If the participating bank determines that the proposed financing request does not meet the bank's normal underwriting guidelines, the bank will then determine whether the proposed loan transaction would be acceptable if the loan were enrolled in *CAP*. The VSBFA does not participate in the bank's underwriting decision or the bank's decision to utilize *CAP* to provide financing.

Once the bank has approved the loan for enrollment in *CAP*, the bank determines the enrollment fee based on the bank's perceived level of risk. The non-refundable enrollment fees can range between 2% and 7% of the enrolled loan amount. Generally this enrollment fee is passed on in whole to the borrower by the participating bank. VSBFA contributes a matching fee equal to 100% of the enrollment fee. However, in order to encourage new participating banks, the VSBFA provides a double match on the enrollment fees for the first \$1 million in enrolled loans. Both the enrollment fees and VSBFA's matching fees are contributed to a loan loss reserve fund established for the benefit of the bank. In the event of a default on an enrolled loan, the bank can utilize funds in this reserve to offset its loss.

Program Features:

- **Eligible Loan Uses:** Funds are available for working capital, expansion, equipment and most other business needs.
- **Ineligible Loan Uses:** 1) Eliminate the bank's requirement for collateral or the principal's personal guaranty, or 2) finance passive real estate investment, purchase of residential housing, real estate construction or development; or 3) refinance a Lender's existing debt, except that if there is additional debt added to the refinance amount, the additional principal is eligible for CCP; 4) or repay delinquent federal or state income taxes unless the Borrower has a payment plan in place with the relevant taxing authority; or 5) repay taxes held in trust or escrow, e.g. payroll or sales taxes; or 6) reimburse funds owed to any owner, including any equity injection or injection of capital for the business' continuance; or to purchase any portion of the ownership interest in the Borrower; or to purchase any portion of the ownership interest in any company, including 100% interest; or 7) to purchase goodwill, or 8) to finance the unguaranteed portion of SBA-guaranteed loans or other federally guaranteed loans; or 9) to provide financing to a religious establishment unless the loan proceeds are used only for a "business purpose." A "business purpose" does not include an explicitly religious purpose, and the proceeds of the loan to a religious establishment may not be used for the purposes of supporting, assisting, or furthering an explicitly religious purpose, including, but not limited to worship, religious instruction, or proselytization.
- **Eligible Loan Types:** Loans or revolving lines of credit are eligible.
- **Eligible Borrowers:** 501c3s and any for-profit corporation, partnership, limited liability corporation, limited liability partnership, joint venture, sole proprietorship, cooperative or other entity which is authorized to conduct business in the Commonwealth of Virginia and meets the VSBFA's definition of "small business." Borrower cannot have more than 250 employees in Virginia or 500 employees overall.
- **Maximum Enrolled Loan Amount:** The maximum, aggregate outstanding loan amount(s) which may be enrolled for any single borrower, or any common enterprise in which the borrower has an ownership interest, is \$500,000.
- **Maximum Enrolled Loan Term:** Although the Bank may have a longer note maturity and amortization period, the maximum term the loan is enrolled under *CAP* is 10 years from the date of enrollment.
- **Enrollment Fee:** Enrollment fees are between 2% and 7% of the enrolled loan amount and are typically paid by the borrower.

For additional information and application materials, visit the Virginia Small Business Financing Authority's website at <http://www.vabankers.org/VSBFA>.