

Loan Guaranty Program

Lender's Application for Guaranty

Please review Program Guidelines and Application Help on Page 2-3 prior to completing this application

Lender Name: _____ **EIN:** _____

Lender Relationship Manager: _____ **Title:** _____

Address: _____ **Phone:** _____

Address: _____ **Email:** _____

City: _____ **State:** _____ **Zip:** _____ **County:** _____

Business Applicant: _____ **Request Type:** ☐ Initial OR ☐ Request for
Renewal

If Renewal Request: Original Note Date: _____ Original Maturity Date: _____ and Expiration
of Lender's present commitment from VSBFA: _____

Guaranty Request: \$ _____ / _____ % **Guaranty Term:** _____

Loan Type:

☐ Line of Credit Amount: \$ _____ ☐ Term Loan Amount: \$ _____

Expiration Date: _____ **# Months Loan Term:** _____

Fixed Interest Rate: _____ % or Prime + _____ **Current Rate:** _____

Special Circumstances/Terms: _____

Lender Certification:

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 Lender'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 Program Loan Guaranty Agreement* between the Lender and VSBFA.

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

Name of Lender: _____ **Date:** _____

By: _____ **Title:** _____

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Program Guidelines

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 operations and thereby create new jobs for the citizens of the Commonwealth. The VSBFA guaranty reduces a lender's credit risk and helps the business qualify for financing that the lender would not otherwise extend. An application for the *Loan Guaranty Program* must be submitted by a participating lender once the lender has determined the VSBFA guaranty is necessary and has approved the requested financing subject to approval of the VSBFA guaranty.

Eligible Borrowers:

Qualifying borrowers must be currently operating in Virginia and be in good standing with the State Corporation Commission or other applicable state or local licensing authority. Businesses must also 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.

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 lender'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 non-owner occupied 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 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.
- Reimburse funds owed by the Borrower to any owner, including any equity investment or investment of capital for the business' continuance.
- Reimburse the Borrower for any funds distributed by the Borrower to any owner.
- Purchase any portion of the stock ownership interest in the Borrower.
- Finance the purchase of goodwill.
- Finance the unguaranteed portion of SBA-guaranteed loans or other federally guaranteed loans.

Program Loan Amounts and Terms:

- Maximum guaranty amount under the program is \$750,000 or 75% of the loan amount, whichever is less, with a maximum relationship guaranty between the borrower and VSBFA of \$750,000. Lenders may request a guaranty of less than 75%.
- Guaranties of lines of credit are provided on an annual basis, with up to four subsequent renewals of the guaranty.
- Maximum guaranty period for terms loans is 7 years.

Personal Guarantees:

The program requires all individuals and business entities owning 20% or more of the applicant business (including a spouse owning 5% or more when the combined ownership of both spouses is 20% or more) to provide a personal guaranty of the loan.

Program Fees:

A non-refundable application fee of \$200.00 is due at the time of application submission. If the guaranty is approved, a *Loan Guaranty Program* Fee of 1.5% of the guaranty amount is collected by the participating lender and remitted to VSBFA after the lender's loan has closed.

Application Help

The lender is encouraged to call the VSBFA to discuss the transaction prior to submitting an application for the *Loan Guaranty Program*. Email: VSBFA@sbsd.virginia.gov Telephone: 804-786-1049.

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.

Lenders should review the applicant's application before submission to the VSBFA to ensure it is complete and it accurately describes the loan request and collateral offered.

Renewals: Renewal requests must be received by the VSBFA for review prior to the expiration of the guaranty. VSBFA limits subsequent line renewals so that the guaranty does not exceed a maximum of 5 years on a line of credit and 7 years on a term loan.

What to provide with the Application:

1. Completed and executed copy of this application.
2. Completed and executed copy of Borrower's Application – *Loan Guaranty Program*.
3. Non-refundable application fee of \$200 from borrower; please checks payable to VSBFA.
4. Copy of lender's executed commitment letter.
5. Copy of the lender's credit analysis, including a copy of financial statement spreadsheets.
6. Summary of need for loan or line requested.
7. Lender's credit analysis of applicant's financial condition, examining balance sheet and income statement strengths, weaknesses, and trends.
8. Borrower's financial statements: 3 years most current historical income statements and balance sheets (if an existing business), including parents, affiliates, and subsidiaries, current within 90 days financial statements 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.
9. Source(s) of repayment and analysis of cash flow adequacy.
10. Collateral offered and lien position, and analysis of collateral adequacy.
11. Credit reports of Applicant and principals, and lender's credit experience with each.
12. Current personal and/or corporate financial statements (not more than 90 days old) of all guarantors.
13. Lender's assessment of principals' experience and management ability.

Where and How to Submit an Application:

Email: VSBFA@sbsd.virginia.gov

Hand delivery: 600 East Broad Street, Suite 300, Richmond, VA 23219

Mail: P.O. Box 446, Richmond, VA 23218-0446

Application Process: What to Expect from the VSBFA

- VSBFA will communicate directly with the participating lender regarding the status of the lender's application for the *Loan Guaranty Program*. The participating lender will be notified by VSBFA regarding approval or decline of the application.
- If the *Loan Guaranty Program* application is approved by VSBFA:
 - o VSBFA will issue a commitment letter to the participating lender which specifies the terms and conditions of VSBFA's guaranty.
 - o Loan closings for approved *Loan Guaranty Program* applications are handled by the participating lender and utilize the lender's standard loan documents.
 - o After the lender's loan closing, the following documents are forwarded by the participating lender to VSBFA:
 - VSBFA *Loan Guaranty Program* - Borrower's Agreement executed by the borrower;
 - VSBFA *Loan Guaranty Program* - Lender's Guaranty Agreement executed by the lender;
 - Copy of the lender's executed note(s) for the guaranteed loan(s);
 - VSBFA's *Loan Guaranty Program* commitment letter, executed by the lender;
 - Any additional documents specified in VSBFA's commitment letter;
 - A check to made payable to VSBFA for the one-time *Loan Guaranty Program* fee (1.5% of the guaranteed amount.)