

Washington's New Collateral Support Program

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CHOOSE **Washington**



U.S. Small Business Administration

What is SSBCI?

- \$1.5 Billion was approved in the Obama administrations 2010 “Jobs Act” to help states develop and fund programs focused on assisting small businesses with financing.
- Washington state received \$19M in Q4 2011.

Current WSBCI Programs

1. Craft 3 Fund: provides loans up to \$5M to small businesses that cannot obtain a traditional bank loan.
2. Capital Access Program: allows lenders to use state funds to supplement a loan loss reserve on enrolled loans to help offset risk.
3. W-Fund: Venture Capital program focused on financing early stage companies in key sectors* sourced from the states leading research institutions.

What is a Collateral Support Program?

- CSP is a form of loan support which uses cash deposits at banks to help boost collateral totals for businesses. By participating in our CSP, lenders have available to them a complimentary program to the SBA 504 that is designed to help them comply with their own internal loan policies while approving the necessary bridge loans the 504 program requires prior to debenture.
- Supports financing for small businesses that lack necessary collateral to qualify for a bridge loan under their lenders current loan policies.



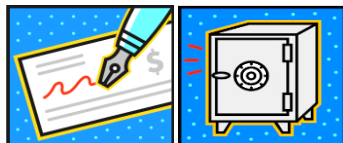
Why lenders like the program:

- Lenders can maintain valued customer relationships and provide them with essential loans that their customers might have otherwise had to go elsewhere to receive.
- Allows borrowers with solid credit to obtain an SBA 504 loan when collateral valuation may have otherwise presented a problem.
- Broad eligibility. Most businesses that qualify for an SBA 504 loan will qualify for some level of CSP support when collateral is an issue.
- Lenders can close more deals with added security.

How does CSP work?



Lender provides a loan enrollment form and supporting documents to Commerce. Commerce reviews and approves/denies on loan to loan basis (based upon SBA and SSBCI qualifying criteria)



Upon approval lender pays Commerce a program fee based upon the amount of CSP being used and the term of the bridge loan. (Lenders are allowed to finance this fee for the customer). Commerce then opens a Certificate of Deposit as cash collateral for the enrolled loan.



The CD is located at the participating bank, owned by Commerce, but the lender can make a claim against the funds to cover losses on enrolled loans. Losses can be recovered from CD funds after the loan is written off and primary collateral collection has completed.

What is the cost?

Bridge Loan Term	Up to 6 Months	6-12 Months	12-18 Months
CSP Fee	2%	2.5%	3%

What types of loans qualify

- 504 Loans Qualify if they are for the:
 - Acquisition and development of RE for use by the borrower
 - Construction or renovation of buildings
 - Purchase of long-term equipment



What types of businesses qualify?

- WA state licensed businesses
- Must have 500 or fewer employees



- *Exclusions include gambling facilities, payday loan businesses and passive/speculative real estate.*

CSP Process Flow

Step 1



Borrower

Submits loan application to the lender

Step 2



Lender

Verifies that the loan qualifies for CSP

Step 3



Lender

Completes CSP enrollment package

Step 4



Lender

Submits Enrollment Package to
SSBCI/Department of Commerce

Step 5



SSBCI

Responds with email/letter of approved or
declined enrollment

Step 6



Lender

Submits participation fee to Commerce.

Step 7



SSBCI

Opens a CD (whose term meets or exceeds the
bridge loan) at participating lender

How can Banks participate?

Banks are allowed to apply to become a program participant by:

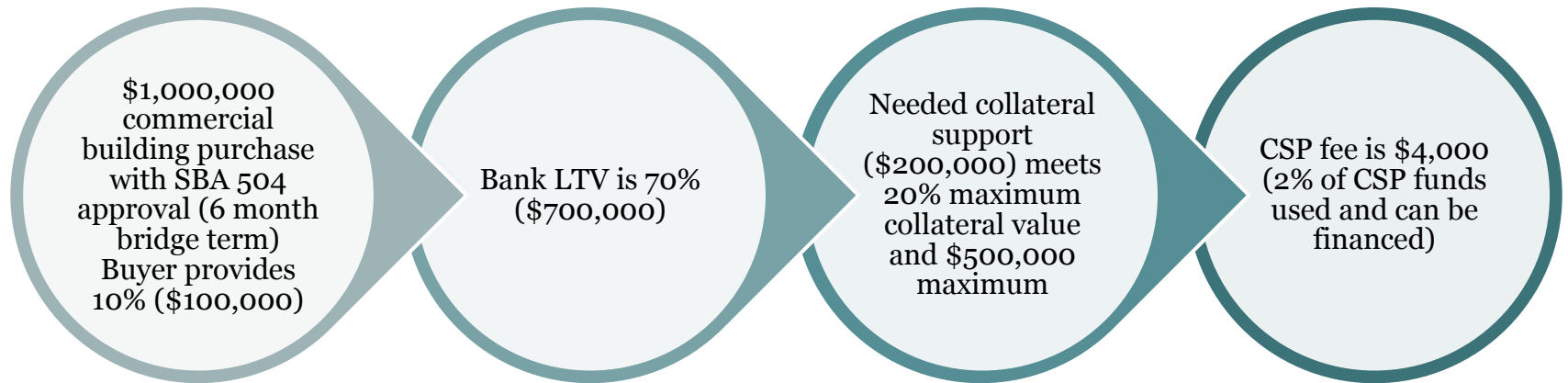
- Completing a single page application
- Passing a vetting process conducted by Commerce
- Executing the CSP Agreement with Commerce to become a participant

Once a recognized Participant, the bank can submit a application to enroll a loan at anytime.

What does a loan submission packet include?

- CSP Loan Enrollment Form and Supporting Documents
- Certifications for Use of Proceeds and Sex Offenders
- Proof of CSP Fee Payment
- SBA 504 Approval Letter
- Outline of use of Proceeds
- CSP Leverage Spreadsheet identifying CD amount being requested

Example Scenario



Claims

- The program protects banks by keeping a CD in the bank as cash collateral support.
- If the loan defaults, the bank is responsible for following their own in-house policies and processes for mitigation and liquidation of collateral.
- Once the primary collateral has been liquidated, any remaining outstanding principal balance can be paid through the assigned CD funds.
- Claims are submitted via a 1-page form and are paid within 7 business days.

CSP Reporting

- How often does the borrower need to provide information to the state as a participant? -0-
- How often does the bank need to provide data to the state on a loan?
 - Quarterly: a total sum of program funds used and funds “claimed”.
 - Annually: the data is what your institution already requires from the borrower with the addition of:
 - Jobs created
 - Jobs retained

Templates of the reporting forms are available online for viewing

For more information

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Program Website: