

State Small Business Credit Initiative (SSBCI)

March 21, 2022

This presentation is merely a summary of certain pieces of SSBCI regulations and guidance provided by Treasury. Jurisdictions must comply with all SSBCI regulations and guidance.



What is SSBCI?

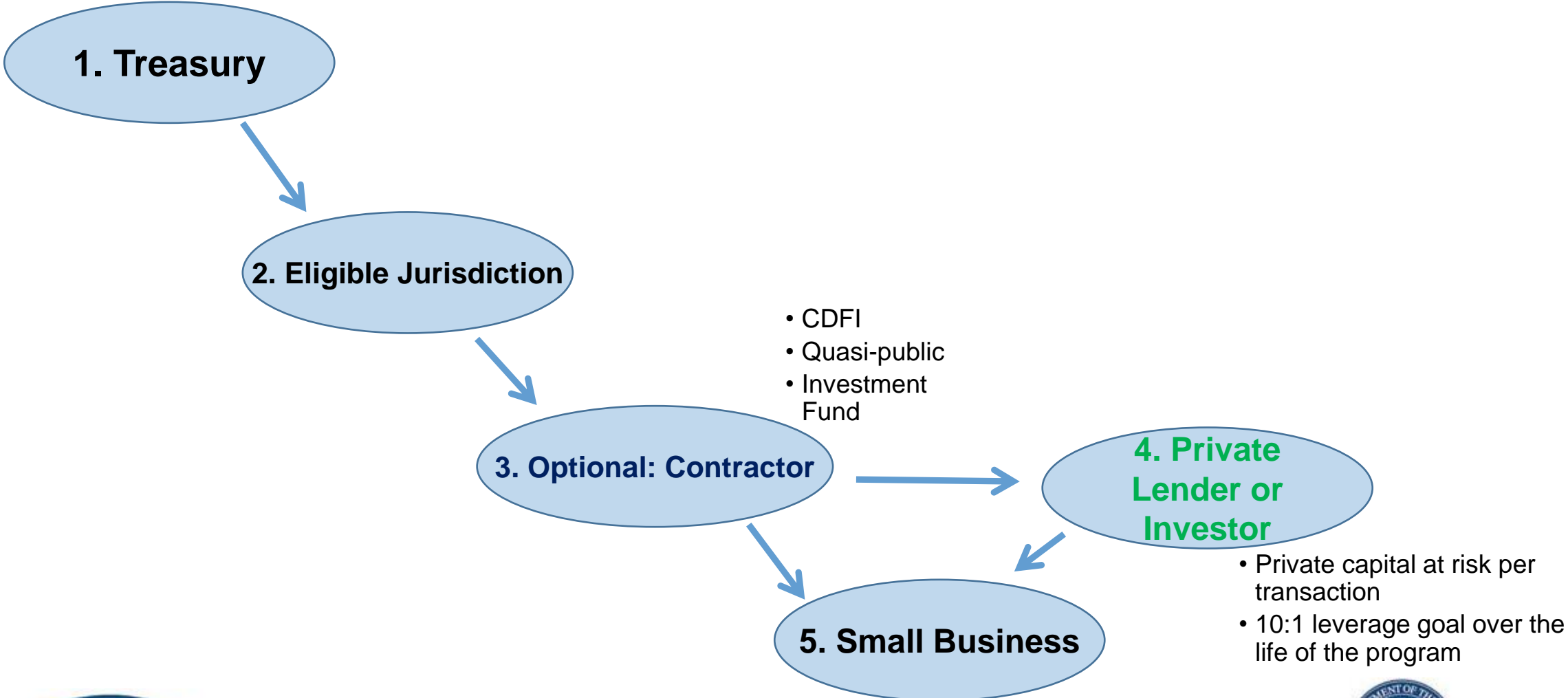
▶ SSBCI provides Eligible Jurisdictions funding for:

- ✓ Small business financing programs, which includes capital access programs, loan participations, loan guarantees, collateral support, and venture equity programs; and
- ✓ Technical assistance in the form of legal, accounting, and financial advisory services to small businesses applying for support under SSBCI capital programs and other government programs that support small businesses.

▶ Eligible Jurisdictions direct the programming within broad Federal parameters

- ✓ Businesses with < 500 employees for Capital Access Programs, <750 employees all Other Credit Support Programs
- ✓ Target < \$5m average transaction with a maximum of \$20m
- ✓ Requires private capital to be meaningfully at risk in each transaction
- ✓ Reasonable expectation of 10:1 leverage overall

Structure of SSBCI Capital Programs



Joint Applications

▶ Tribal governments may apply jointly for funding under the SSBCI:

- Tribal governments may apply jointly through an authorized organization or other Tribal government representative.
- Any joint application by a third party or Tribal government representative must include documentation that the applicant has been authorized to represent each of the participating Tribal governments.
- Documentation must include Tribal resolutions or other actions taken by each participating Tribal government to delegate authority to the applicant.
- The same approval criteria and program requirements that are applicable to Tribal governments will apply to each joint application by Tribal governments.

Overview of the five major types of SSBCI capital programs

INDIRECT SUPPORT

Capital Access Program (CAP)

Cash deposited into reserve fund at each lender to secure the portfolio of CAP loans

Suitable for smaller, working capital loans and lines of credit

Collateral Support

Cash collateral from an Eligible Jurisdiction or entity of an Eligible Jurisdiction deposited with lender to secure a portion of individual loans

Highly targeted for collateral shortfalls due to decline in PP&E values

Loan Guarantee

Individual loan guarantee by an Eligible Jurisdiction or entity of an Eligible Jurisdiction to cover a portion of approved loans

Flexible structuring based on local market knowledge

DIRECT SUPPORT

Loan Participation

Eligible Jurisdiction and lender loan partnership with focus on medium- to long-term financing

Two structures are common:
Purchased Participation and Companion Loan

Venture Capital

Equity capital program supporting innovative businesses with high-growth potential unable to access bank financing

Two structures are common:
Private Fund and Direct

CAP Program Requirements

CAPs must satisfy the following criteria to be eligible for SSBCI funds:

- ▶ **Provide portfolio insurance into a separate reserve fund for each lender**

- ▶ **Require total insurance premiums paid by lender and borrower to be matched by the Eligible Jurisdiction**

- ▶ **Provide portfolio insurance for loans where:**
 - Borrower has 500 employees or fewer
 - Loan amount does not exceed \$5 million

- ▶ **Demonstrate how the Eligible Jurisdiction plans to use the funds to provide access to capital for small business in:**
 - Low and moderate-income communities
 - Minority communities
 - Other underserved communities
 - Women and minority-owned firms

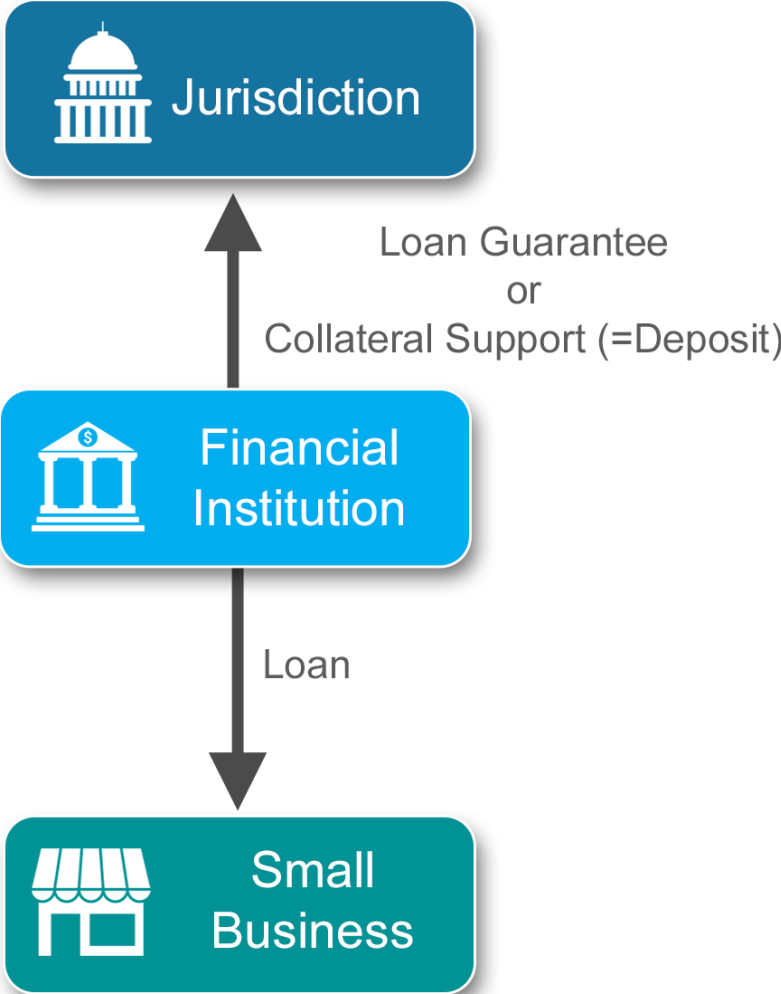
** For complete requirements, refer to the SSBCI application*

OCSP Program Requirements* (Collateral Support, Loan Guarantee, Loan Participation, and Venture Capital Programs)

- ▶ **Demonstrate that each \$1 of SSBCI funds in OCSP will result in at least \$1 of new private financing**
- ▶ **Taken together, the Eligible Jurisdiction's programs will generate \$10 in new small business lending or investing for every \$1 in SSBCI funds**
- ▶ **Demonstrate that the OCSP meets the following requirements:**
 - ❑ Targets an average borrower size of 500 employees or fewer
 - ❑ Does not extend credit support to borrowers with more than 750 employees
 - ❑ Targets loans with an average principal amount of \$5 million or less
 - ❑ Does not extend credit support to loans or investments that exceed a principal amount of \$20 million
- ▶ **Other considerations:**
 - ❑ Anticipated benefits to the Eligible Jurisdiction, its businesses, and residents
 - ❑ Operational capacity; skills and experience of the management team
 - ❑ Capacity of OCSP staff to manage increases in loan volume
 - ❑ The OCSP's internal accounting and administrative control systems
 - ❑ Soundness of the OCSP program design and implementation plan

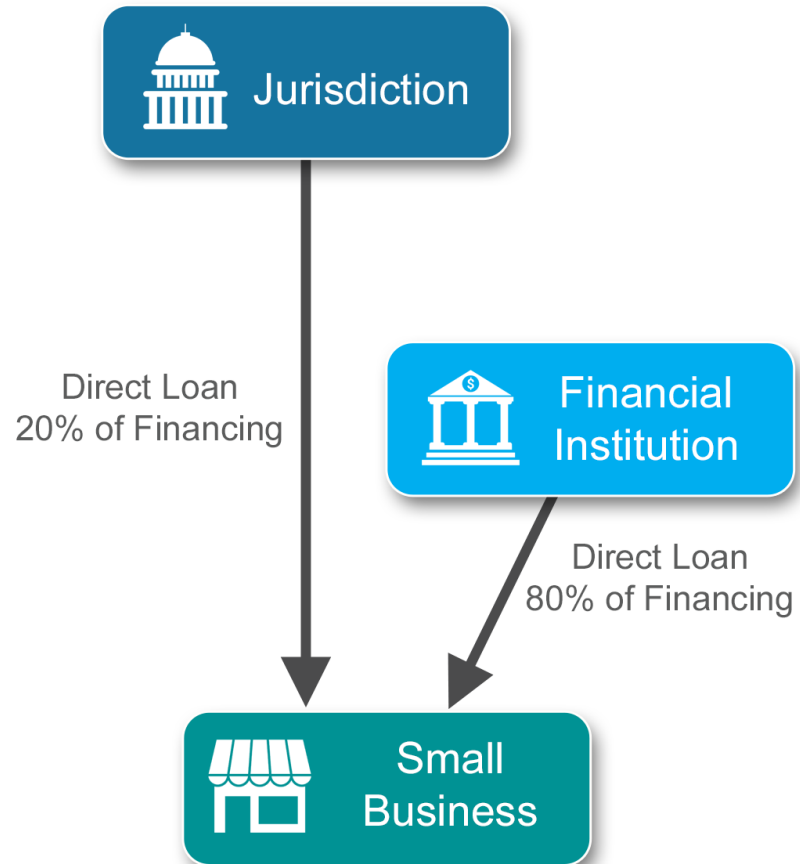
** For complete requirements, refer to the SSBCI application*

Typical Loan Guarantee and Collateral Support Program Structure

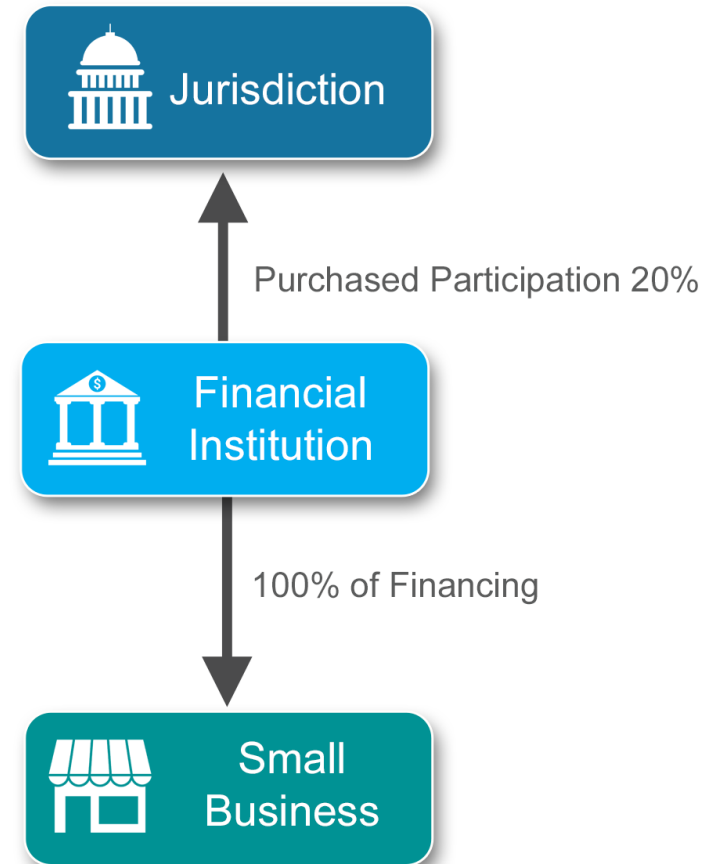


Typical Loan Participation Program Structure

Co-Lending Participation



Purchased Participation



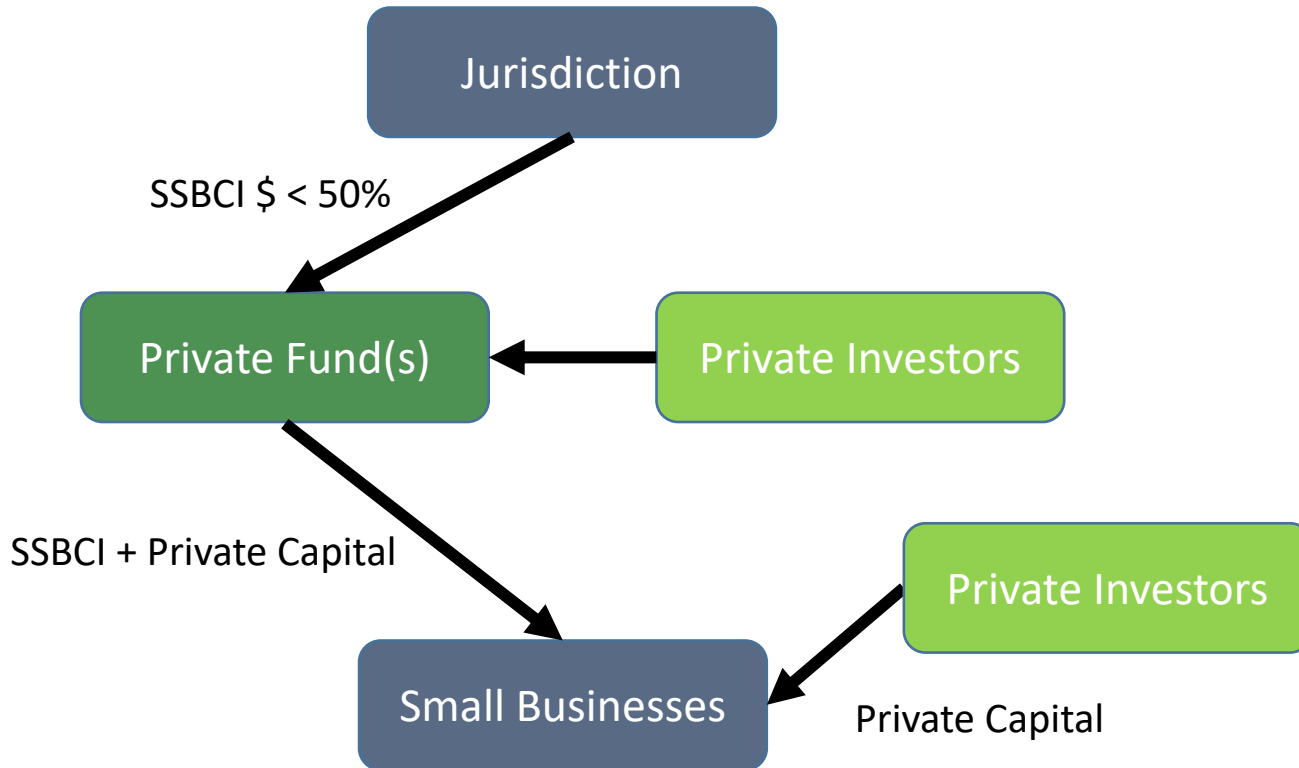
Venture Capital Programs (VCP)

▶ Venture Capital Programs

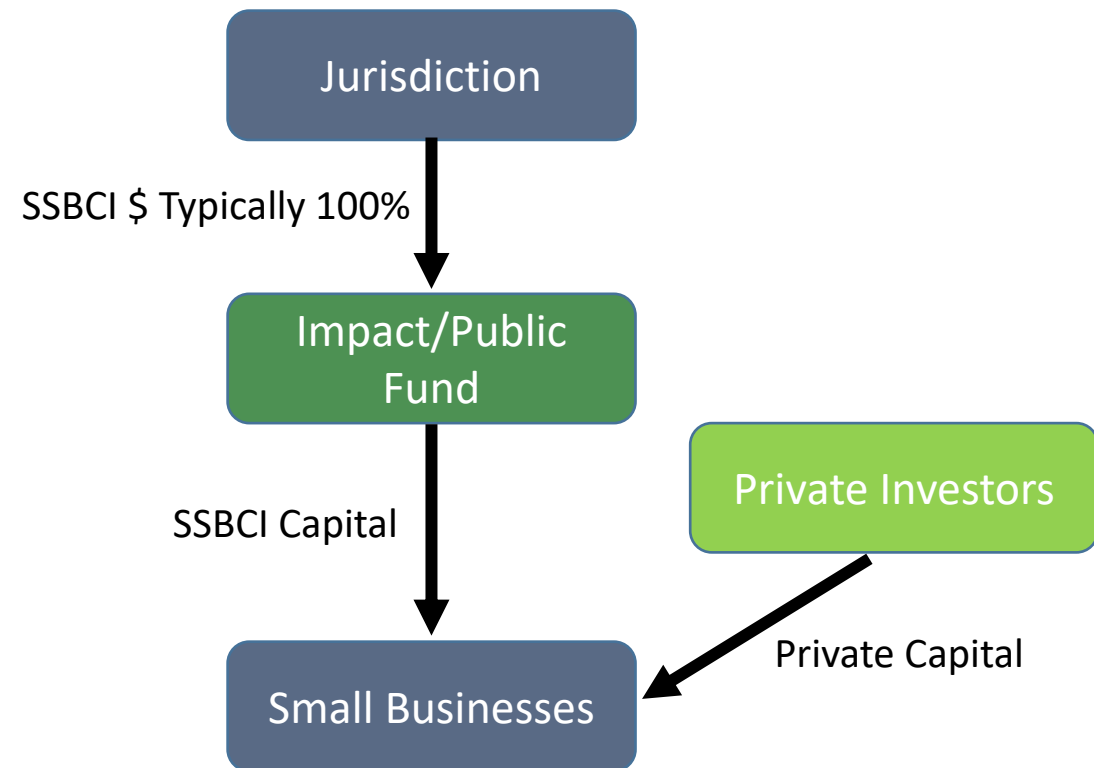
- Provide equity financing to innovative, high growth small business **start-ups and other emerging businesses**
- Primarily categorized by how the Eligible Jurisdiction engages with the investment process
 - Direct Investment: The Eligible Jurisdiction invests directly in the small business, typically through an intermediary
 - Fund Investment: The Eligible Jurisdiction invests into one or more pooled capital funds that invest in small businesses
- Direct Investment can be through a Co-Investment model
 - Eligible Jurisdictions identify qualifying investments and qualifying investors.
 - Eligible Jurisdictions may or may not perform a qualitative review.

Typical Venture Capital Program Structure

Private Fund



Direct Investment



Each SSBCI dollar invested in these programs will generate private sector investment, some in higher percentages than others

SSBCI 1.0 Allocation and Leverage Ratios by Program Type					
Program Type	SSBCI Allocation (\$millions)	SSBCI Funds Expended (\$millions)	Total New Financing Leveraged including Subsequent Private Financing (\$millions)	Total Subsequent Private Financing (\$ millions)	Leverage Ratio
Capital Access	\$40	\$28	\$640	\$0	22.54:1
Collateral Support	\$269	\$238	\$1,325	\$0	5.57:1
Loan Guarantee	\$246	\$182	\$1,395	\$0	7.66:1
Loan Participation	\$474	\$419	\$3,157	\$270	7.53:1
Venture Capital	\$431	\$327	\$4,171	\$2,035	12.76:1
Total	\$1,460	\$1,195	\$10,688	\$2,305	8.95:1

Source SSBCI: Summary of States' 2016 Annual Reports

Technical Assistance Grants

▶ **There will be a separate application for Technical Assistance grants:**

- Treasury will provide guidance on technical assistance grants and application instructions soon.
- Technical Assistance grants are funding for providing technical assistance to small businesses applying for SSBCI funding and other government small business programs.
- Technical Assistance grants are considered financial assistance and Federal requirements for grant reporting, SAM registration, and single audit will apply.

Technical assistance is available to support timely submission of SSBCI capital program applications

▶ SSBCI Presentations

- Now through May 2022, U.S. Treasury Department SSBCI Team will be presenting SSBCI program information to Eligible Jurisdictions and members of the lending and investing community.
- Request meetings with an Outreach Manager (e.g., Karl Fooks, James Clark).

▶ Technical Assistance with Capital Program Application (submit request to: ssbci_information@treasury.gov)

- **Targeted coaching:** Program design, operational planning, program launch, marketing and outreach to lenders and investors, and marketing and outreach to small businesses.

▶ Technical Assistance Resources

- [Technical Assistance Documents and Presentations](#)

Upcoming Deadlines

May 11, 2022

Tribal governments complete their applications for SSBCI capital programs.

July 11, 2022

Tribal government applications* for technical assistance are due to Treasury.

**Guidance and application form are forthcoming*

