

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 any given transaction by reducing the amount of exposure. Most typically the CCP is used 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: maximum maturity of 5 years.
- Annual lines of credit not matured: may be renewed up to 2 times, with a maximum term of 3 years.

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.

VSBFA underwrites requests for participation. In considering whether to provide cash collateral 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 inventory and accounts receivable.
- General working capital.
- Loans to finance equipment and other fixed asset purchases.

The *Cash Collateral Program* cannot be used to:

- Eliminate the bank's requirement for collateral or the principal's personal guaranty.
- Finance passive real estate investment, purchase of residential housing, real estate construction or development.
- 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.
- Repay a delinquent federal or state income 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; 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
- To purchase 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 1-866-248-8814.