



Loan Guaranty Program

The Virginia Small Business Financing Authority's (VSBFA) *Loan Guaranty Program* is designed to assist Virginia's small businesses in obtaining the financing they need to improve and expand their operations and thereby create new job opportunities within the Commonwealth. The VSBFA guaranty benefits the participating bank by reducing credit and exposure risk and the business benefits by getting financing it would not have otherwise been able to obtain.

<p><u>Eligible Borrowers:</u> Businesses operating in Virginia must meet at least one of the following criteria to be an eligible borrower:</p> <ul style="list-style-type: none"> • 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. <p><u>Guaranty Term:</u></p> <ul style="list-style-type: none"> • Deficiency guarantees of lines of credit are provided on an annual basis, with up to four subsequent renewals of the guaranty (5 year maximum). • Deficiency guarantees for up to 5 years are available for term loans. 	<p><u>Amount:</u> The maximum guaranty under the program is \$500,000 or 75% of the loan amount, whichever is less, with a maximum relationship guaranty between the borrower and the VSBFA of \$500,000.</p> <p><u>Application Fee:</u> \$200</p> <p><u>Guaranty Fee:</u> The guaranty fee is 1½% of the guaranteed amount due at closing of the line or term loan.</p> <p><u>Interest Rate:</u> The interest rate is set by the Bank.</p>
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General Instructions

Businesses should go directly to their bank for financial assistance. The bank determines if a government guaranty is needed. The lender can call the VSBFA to discuss the transaction and to obtain the application, or the lender can go directly to the website (www.dba.virginia.gov/financing) for information and required forms. The *Loan Guaranty Program* is simple to use. The bank and the applicant company fill out very brief applications. The bank submits the applications with copies of their credit write-ups, commitment letter (if available), the applicant company's financial statements and business plan, if applicable. Loan closings for approved requests are scheduled by the bank and the bank uses its own documentation procedures and forms.

VSBFA staff underwrites requests for guaranties. In considering whether to extend a guaranty under the program, 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 resulting from the financing.

The following types of loans are eligible 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.

The *Loan Guaranty Program* cannot be used to:

- Refinance or restructure existing bank debt;
- Eliminate the bank's requirement for collateral or the principal's personal guaranty;
- Compensate for a fundamental business weakness.