

SSBCI NBW LOAN TO LENDER APPLICATION

Purpose of the Program

The State Small Business Credit Initiative (“SSBCI”) is a federal program that seeks to provide loan and equity capital to small businesses throughout the State of Maryland (“State”). To expand outreach to small businesses, Maryland’s Neighborhood BusinessWorks Loan Participation Program (“NBWLPP” or “Program”) will issue loans (“SSBCI Loans”) using SSBCI funds to Community Development Financing Institutions (“CDFIs”) to be matched with private capital and relent to small businesses throughout the State. The NBWLPP is designed to provide SSBCI Loans to lenders who support entrepreneurs with flexible financing for start-ups and new and existing business expansions throughout the State with a focus on CDFI investment areas. The Maryland Department of Housing & Community Development (“DHCD”) seeks to establish partnerships with CDFIs as approved lenders (“Lenders”) that shall originate and administer small business loans (“SBLs”). DHCD seeks Lenders that have access to matching private capital and understand their local economic and business landscape and can provide small businesses access to capital and training and technical assistance.

The NBWLPP funds are intended to catalyze loan capital availability for establishing and sustaining small businesses. Under this structure, DHCD will make SSBCI Loans to Lenders; and the Lenders in turn will make SBLs to qualified small businesses (“SBL Borrowers”) according to SSBCI guidelines and DHCD requirements. Origination and underwriting as well as servicing of SBLs will be the responsibility of the Lender. The SBL Borrowers will repay the SBLs to the Lenders. SBL repayments will be used to repay the SSBCI Loan to DHCD or to revolve SSBCI funds into new SBLs in accordance with the SSBCI Loan agreement executed between DHCD and the Lender.

Eligible Lenders

CDFIs are eligible to apply under this Program. Funding of SSBCI Loans to CDFIs is subject to SSBCI fund availability to DHCD. Qualified CDFIs must demonstrate:

- Financial stability and good standing with the State and the Internal Revenue Service
- Experience in administering a small business loan program, including but not limited to: origination, credit and compliance underwriting of loans, loan servicing, post-closing asset management and monitoring of businesses, and compliance with reporting requirements
- Ability to leverage eligible required private capital as a match to SSBCI funding
- Capacity to comply with SSBCI Statutes, Regulations and Policies as well as DHCD’s requirements
- Readiness to provide adequate resources and staff to start making SBLs within 90 days of closing the SSBCI Loan
- Ability to provide technical assistance to SBL Borrowers
- Outreach capabilities to very small businesses (“VSBs”) and to socially and economically disadvantaged individual led businesses (“SEDI”) or businesses operating in the CDFI investment areas

Application Process

CDFIs are encouraged to submit an application to DHCD to become an approved Lender. The application is attached as **Appendix A** of this request. Once approved, Lenders will receive a commitment letter from DHCD. The commitment letter will reflect, among other things, the total amount of the SSBCI Loan commitment, the requirement for the agreed upon private capital match, and the proposed SBL funding timetable. SSBCI Loans must be closed in accordance with the terms, conditions and documentation provided by the Maryland Office of the Attorney General (“OAG”).

Each Lender must also outline its proposed SBL program with specific geographic, demographic and industry focus goals, SBL products with specific terms (interest rates, repayment terms, duration term, targeted uses, credit and compliance underwriting requirements, origination and servicing fees).

Terms and Conditions

Funding for this Program is governed by SSBCI regulations and guidelines published by the U.S. Department of the Treasury (“Treasury”), together with DHCD’s general business lending guidelines. See **Appendix B - SSBCI Guidelines and Regulations** for further details on SSBCI guidelines.

SSBCI NBW LOAN TO LENDER APPLICATION

Eligible SBL Borrowers

- Retail businesses
- Manufacturing businesses
- Goods and services related businesses
- Home based businesses
- Non-profit organizations

Note: Priority shall be given to SBLs in CDFI investment areas. In the event an SBL is made to an ineligible SBL Borrower or for an ineligible purpose, DHCD will require repayment of the SBL amount in full to DHCD.

Eligible Uses of Funds

- Working capital
- Marketing/planning/feasibility studies
- Real estate acquisition down payment
- Minor renovations
- Minor leasehold improvements
- Machinery and equipment acquisition
- Certain other costs associated with opening or expanding a small business

Ineligible Uses of Funds

The following types of projects and activities will not be eligible for SBLs under this Program:

- Residential or transient living businesses, multifamily or single-family housing developments, nursing homes, assisted living facilities, crisis care centers, group homes, transitional housing, and homeless shelters
- Facilities such as community halls, fire stations, hospitals, colleges, or universities
- Adult bookstores, adult video shops, other adult entertainment facilities, gambling facilities, gun shops, liquor stores, massage parlors, pawn shops, tanning salons, or tattoo parlors

SBL Term Parameters

Lenders shall originate and fund the SBLs upon the following terms and conditions:

- “**Eligible SBL Borrowers**” means nonprofit organizations or small businesses, as defined by the U.S. Small Business Administration at the time of the SBL Borrower’s application for an SBL
- SBL amount cannot exceed \$250,000 unless DHCD gives prior written approval
- Interest rate to SBL Borrowers cannot exceed 18% (subject to change by DHCD)
- SBL term cannot exceed 5 years unless the financing is provided for acquisition of assets with longer useful lives
- Collateral may be required and may include, but is not limited to personal guarantees, liens on business assets and pledges of accounts. Underwriting policies and procedures as established by Lenders
- No prepayment penalties
- Combined origination fee and points maximum: 1%
- Application fee maximum: \$100
- Lenders are permitted to charge late fees to SBL Borrowers

Priority for SBLs will be given to SBL Borrowers that are very small businesses (“VSBs”), socially and economically disadvantaged individual led businesses (“SEDI’s”), and businesses located or locating in CDFI investment areas. See Appendix C – Priority Funding

SSBCI NBW LOAN TO LENDER APPLICATION

SSBCI Loan Terms and Conditions

The Lenders that borrow SSBCI funds from DHCD shall execute SSBCI Loan documents with DHCD, including a Promissory Note, Security Instrument and any other documents required by DHCD and the OAG. SSBCI Loan documents shall contain a default provision in the event of default by the Lender under the SSBCI Loan documents, or violations by the Lender of the applicable federal and State statutes, regulations or policies governing NBWLPP funds.

SSBCI Loans will bear interest at a rate as low as 0%-2%, and have a loan term up to 7 years with annual renewal options thereafter, depending on whether the SBL repayments may be recycled into new SBLs. SSBCI Loan repayments to DHCD may be structured to be supported with SBL loan repayments and, if justified, may include an interest only period. The Lender has the option to draw down the entire SSBCI Loan amount, or submit draw requests during the draw down period, which shall start on the closing date of the SSBCI Loan. All SSBCI loan draws must be properly matched with the private capital at the time of the draws.

SSBCI Loans can be in a subordinate position to the private capital match. DHCD's initial proposal is that each SBL be funded with 20% SSBCI funds and 80% private match capital for all non-SEDI and non-VSB businesses and with 30% SSBCI funds and 70% private match capital for all SEDI and VSB businesses.

Risk of loss on each SBL is shared between DHCD and Lender on a loan by loan basis with the portion of the SBL funded by the SSBCI Loan in a top loss position. There is no loss sharing on a loan pool basis. Please describe any alternative proposals in great detail. Please be advised that an alternative proposal may be subject to additional review and approvals by Treasury and DHCD and may require a separate procurement process.

Lenders will be subject to quarterly and annual progress assessments by DHCD, during which any additional allocations and deallocation decisions will be made. DHCD will have full discretion over deallocation of any SSBCI funds not deployed into SBLs if the pace of deployment is considerably slower than the agreed upon schedule in the SSBCI Loan documents.

Lender Responsibilities

- The Lender is responsible for making short-term (typically up to 5 years), fixed rate, fixed payment SBLs to startup, newly established, and growing small businesses. The decision whether to make an SBL or not rests solely with the Lender.
- The Lender shall be responsible for the origination, credit and compliance underwriting, closing, servicing and asset management of all SBLs. Lenders shall use the same standard of care and diligence in the underwriting, documenting, servicing and asset management of the SBLs as it uses for its other loans in the ordinary course of its business and as required by its private capital match partners.
- The Lender is responsible for providing technical assistance to each of its SBL Borrowers.
- The Lender is responsible for making lending decisions to potential SBL Borrowers on a timely basis and keeping potential SBL Borrowers informed throughout the SBL underwriting process.
- The Lender is expected to attend training sessions, peer networking meetings and other events conducted by DHCD.
- The Lender is responsible for maintaining up to date information regarding its applicable program policies and guidelines.
- The Lender is required to notify DHCD of any changes in its address.
- The Lender is required to notify DHCD of any change in personnel that will affect the delivery of SBL services.
- The Lender is required to submit monthly, quarterly and annual reports and annual audited financial statements reflecting the SSBCI Loan balance, private match fund balance, SBLs, leveraged follow on capital raised by SBL Borrowers and other SSBCI related funding activity as may be directed by DHCD.
- The Lender is required to provide, and shall require SBL Borrowers to provide, post-closing access to its records for DHCD's asset management group and federal auditors to review closed SBL files held by the Lender and the SBL Borrowers.
- The Lender shall not discriminate in the origination, underwriting, servicing, or administration of SBL Loans made under NBWLPP on the basis of race, color, religion, sex, handicap, familial status, or national origin.



SSBCI NBW LOAN TO LENDER APPLICATION

Leverage and Multi-Party Financing

DHCD's Business Lending Programs are designed to leverage both private and public financing resources. Lenders participating in NBWLPP are required to demonstrate that SSBCI funds have been leveraged with the Lender funds and/or private capital match provider funds and the cause and result relationship between the SSBCI funds and private match funds must be clearly established.

Equity Interest

Lenders may **not** act as a participant, have a security interest or be a stakeholder in any of the SBL Borrowers.

Separation from the Program

DHCD may elect to terminate the NBWLPP and terminate agreements with Lenders at any time. A Lender may choose to terminate its participation in the NBWLPP at any time, subject to the Lender's repayment of all DHCD SSBCI Loan funds. Should a Lender wish to withdraw from the NBWLPP, it shall make a written request to separate from the Program to the Director of Business Lending Programs at DHCD. Upon receipt of the written request, DHCD will determine the outstanding SSBCI Loan balance owed to DHCD, which shall become due and payable. In the event of separation, the Lender shall remain liable for the servicing and reporting on the SBLs it has made under the Program.

Document Retention & Reporting

The Lender is required to report all data attributes respective to its organization and all transaction details, as defined in the SSBCI reporting requirements, to DHCD's Business Lending Program on the defined monthly, quarterly and annual due dates.

The Lender will be required to submit an Annual Report and quarterly report in accordance with the Treasury reporting format to be provided by Treasury. **See Appendix D – Reporting Requirements** for more details.

For Additional Information

Email: dhcd.ssbc@maryland.gov

Call: 866-226-3559



**SSBCI NBW LOAN TO LENDER
APPLICATION**

Appendix A - CDFI Application

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
7800 Harkins Road
Lanham, MD 20706
dhcd.ssbc@maryland.gov

LENDER APPLICANT INFORMATION *(Please Print Clearly or Type)*

Organization Name:			
Address:			
Address (continued):			
Office Telephone No. (Home):		Primary Contact Tel. No:	
EIN:			
CDFI certification number:			
Primary Contact Name:			
Email Address:			
NAICS code:			

Loan Amount Requested for CDFI (\$2,000,000 to \$15,000,000):	
Private Capital Match (\$):	
Source of Private Capital Match:	

Please list the Maryland counties/cities you **serve**:

Please explain your organization's **capacity and experience** in originating, servicing, credit and compliance underwriting and asset management of small business loans (<\$250,000). Provide your projected annual loan production (\$ and # of loans) for your funding request for 6-year period:

**SSBCI NBW LOAN TO LENDER
APPLICATION**

Please provide an explanation of how the SSBCI NBW Loan Participation Program proceeds will be **leveraged** with other funding. Provide terms and conditions of private capital: **(Program target leverage goal of 10:1 with initial private capital match to SSBCI funds to be up at 70-30, final terms to be determined based on credit worthiness and private capital match for each SBL)**

Please verify and explain that your organization has the **financial stability and committed resources** to immediately proceed with the re-lending of the SSBCI NBW Loan Participation Program funds. Describe ability to originate, underwrite (credit and compliance) and service loans (bill and collect payments), ability to asset manage for post-closing compliance and data reporting, ability to maintain fiscal and internal controls, ability to provide all required certifications:

Please provide an explanation of your lending program, including details on demographic, geographic and industry targets, private capital terms, proposed SSBCI capital terms, recycling and revolving ability for SSBCI and private capital, and the number of loans/business to be served:

Please describe your outreach capabilities to very small businesses and to socially and economically disadvantaged individual (SEDI) led businesses:



SSBCI NBW LOAN TO LENDER APPLICATION

Please provide a description of your loan products, including loan size, interest rates, repayment terms and targeted use, loan duration, loss allowance, origination, servicing fees and any other details:

Please provide your firm's capabilities and processes to handle reporting and DHCD inquiries and audit activity requests:

Please provide an explanation of how your organization will provide **technical assistance** for borrowers and what training and resources will be provided:

Does your organization have any outstanding liabilities with the state of Maryland? (e.g., income taxes, sales taxes, payroll withholding taxes, unemployment taxes, or other penalties and fines) If so, please explain:

Additional Required Documentation:

Please attach your organization's most recent Annual Report, Annual Financial Statement, 501c (3) Organizational documents and last 3 years Organization Tax Returns.



**SSBCI NBW LOAN TO LENDER
APPLICATION**

Notice Regarding Disclosure of Information Relating to the SSBCI Loan

In accordance with Executive Order 01.01.1983.18, the Department of Housing and Community Development (the "Department") advises you that certain personal information is necessary to determine your eligibility for financial assistance. The undersigned authorizes the Department to make such inquiries as necessary, including, but not limited to, credit inquiries in order to verify the accuracy of the statements made by the applicant and to determine the creditworthiness of the applicant.

The Department intends to make available to the public certain information regarding the SSBCI Loan (the "Project") and the applicant (the "Borrower"). In addition, the Department is required to disclose information about the Project to the Board of Public works and the Maryland General Assembly and may desire to disclose such information to other State officials or their staff, local government officials or their staff, and other lenders and funding sources. The Department is also required to disclose information in response to a request for information made pursuant to the Public Information Act, General Provisions Article, Section 4-101 et seq. of the Annotated Code of Maryland (the "Act"). Information that may be disclosed to any of the foregoing, including the public, may include, among other things, the name of the Borrower; the name, location, and description of the Project; the date and amount of financial assistance awarded by the Department; the terms of the financial assistance; use of funds; information contained in the application for financial assistance; a copy of the application; and the sources, amounts and terms of other funding used to complete the Project, including capital contributions from the Borrower. Certain information may be exempt from disclosure under the Act. Requests for disclosure of information made pursuant the Act are evaluated on an individual basis by the Department. If the Borrower believes that any of the information it has provided to the Department is exempt from disclosure, Borrower should attach a statement to this Notice describing the information it believes to be exempt from disclosure and provide an explanation therefor. The Department cannot guarantee non-disclosure of such information but may consider Borrower's statement when responding to a request made pursuant to the Act.

I have read and understand the above paragraph. Applicant's Initials: _____

Anyone who knowingly makes, or causes to be made, any false statement or report relative to this financial assistance application for the purposes of influencing the action of the Department on such application shall be subject to criminal prosecution, a fine of up to \$50,000, and/or imprisonment of up to five years.

Authorized Signature

Type Name and Title

Date



SSBCI NBW LOAN TO LENDER APPLICATION

Appendix B – SSBCI Guidelines and Regulations

All SSBCI funding must follow the published guidelines and regulations which can be located at Treasury's SSBCI website.

(<https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci>)

There are many federal SSBCI program level specific requirements that must be met, including but not limited to:

- Lenders' capital at risk must be at least 20%
- Minimum required private capital to SSBCI fund match is 1:1
- SSBCI funding is *only* for small businesses (< 500 employees)
- SSBCI funding < = \$5,000,000, total financing < \$20,000,000

**SSBCI NBW LOAN TO LENDER
APPLICATION**

Appendix C – Priority Funding

SSBCI funds are available for all small businesses. Treasury has allocated funds specifically for (1) very small business (<10 employees) (VSB) and (2) for socially and economically disadvantage individual (SEDI) owned businesses and will provide Maryland with incentive funds if the target funding levels are met. For Maryland, 34.46% of SSBCI funds must be expended on very small businesses and SEDI businesses combined.

Treasury’s definition of expended funds for a SEDI business is as follows:

Treasury will consider SSBCI funds to have been expended for SEDI-owned businesses if the states expend (as defined by Treasury) the funds for meeting the needs of SEDI-owned businesses. “Meeting the needs of SEDI-owned businesses” means that the SSBCI funds are expended for loans, investments, or other credit or equity support to:

(1) business enterprises that certify that they are owned and controlled by individuals who have had their access to credit on reasonable terms diminished as compared to others in comparable economic circumstances, due to their

1. membership of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society;
2. gender;
3. veteran status;
4. limited English proficiency;
5. physical handicap;
6. long-term residence in an environment isolated from the mainstream of American society;
7. membership of a federally or state-recognized Indian Tribe;
8. long-term residence in a rural community;
9. residence in a U.S. territory;
10. residence in a community undergoing economic transitions (including communities impacted by the shift towards a net-zero economy or deindustrialization); or
11. membership of another “underserved community” as defined in Executive Order 13985;

(2) business enterprises that certify that they are owned and controlled by individuals whose residences are in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii);

(3) business enterprises that certify that they will operate a location in a CDFI Investment Area, as defined in 12 C.F.R. § 1805.201(b)(3)(ii); or

(4) business enterprises that are located in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii)



SSBCI NBW LOAN TO LENDER APPLICATION

Appendix D - Reporting Requirements

All participating CDFIs must provide quarterly and annual reporting as requested by Treasury. See published reporting guidelines on Treasury's website: <https://home.treasury.gov/system/files/136/SSBCI-Reporting-Guidance.pdf>

It's expected that each CDFI will report closed SBLs on a monthly basis in order to meet Treasury's quarterly reporting due date, which is 30 days after every quarter. The annual report due date is March 31 of the following year of the reporting period, so Lenders are expected to provide annual reporting by Feb 28 to allow for consolidation and preparing of the report to Treasury.