

NEVADA SSBCI COLLATERAL SUPPORT PROGRAM

The Collateral Support Program is part of Nevada's State Small Business Credit Initiative (SSBCI) administered by the Governor's Office of Economic Development (GOED) and operated by non-profit Nevada Battle Born Growth Escalator, Inc. It is designed to enable access to financing for small businesses that might otherwise be unavailable due to a collateral shortfall. The Program pledges cash collateral accounts to Nevada's banks and credit unions to enhance collateral coverage of individual loans.

HOW IT WORKS

Generally, the Collateral Support Program provides up to 35% of a collateral shortfall, but the Program can provide up to 49.9% of collateral and a maximum of \$5M. Total loan size must not exceed \$20M.

HOW TO APPLY

During the loan application process Nevada Small Businesses should ask their Bank or Credit Union to **contact Mendy Elliott at melliott@nvsmallbiz.org**.

**FOR MORE INFORMATION CONTACT:
INFO@NVSMALLBIZ.ORG**

SBA 504 BRIDGE LOAN

During the interim phase of a project, between closing and the SBA takeout of the second mortgage, the commercial lending partner (Bank, Credit Union) is at risk on the second mortgage. The Collateral Support Program addresses this exposure and timing difference by providing commercial lending partners with bridge loan funds to cover the second mortgage until the permanent SBA second mortgage takeout occurs.

Eligible projects are interim project financing of the second mortgage of authorized SBA 504 loan projects, including owner-occupied commercial real estate (turn-key acquisitions, renovation or build-out projects and ground-up construction) and/or fixed heavy-duty machinery and equipment purchases.

TYPICAL LOANS



TERM LOANS



**ACCOUNTS
RECEIVABLE LINES
OF CREDIT**



**SMALL BUSINESS
ADMINISTRATION
(SBA) 504 BRIDGE
LOANS**

PROGRAM GUIDELINES

- The entire proceeds of the credit facility must be used for businesses and credit facilities within the state of Nevada.
- The program can support up to 49.9 percent of a new extension of commercial credit.
- The maximum participation is capped at \$5,000,000 and may not be used to support individual extensions of commercial credit of greater than \$20,000,000.
- The program will enhance the collateral position of borrowers by depositing cash into accounts at participating lending institutions, which will then be pledged as collateral on behalf of the borrower on a transaction-by-transaction basis.
- Personal guarantees are required from any individual holding a 20% or more ownership interest of the borrower. In the event that no one individual holds at least a 20% ownership in the entity acting as the borrower, the program will require a personal guarantee from at least one owner. The guaranty is normally subordinate to the existing exposure for the project of the participating lender at the time of closing.
- The collateral balance is reduced proportionately with the principal reduction of the extension of commercial credit to maintain support at the same percentage level set at closing.
- The program validates and evaluates the economic development benefits to the state as part of the project approval process.
- The program charges a maximum fee of 3% of the SSBCI collateral support advance at closing. Additionally, the program charges a maximum annual fee of 3% which is negotiated at the time the facility closes.
- The program shall collect, at its determination, from the lead bank, its credit analysis, borrower financial statements, risk rating justification, cash flows, and other documents which the program deems necessary.
- The lender must sign the State Small Business Credit Initiative Cash Collateral Deposit Agreement, which requires the lender and the borrower to sign their respective assurances under the SSBCI program.
- A focus of the program is to reach all business owners across Nevada regardless of race, location, background, or gender identity. The Program encourages eligible Small Businesses that are at least 51 per cent owned by individuals who certify that they belong to a group that has faced historical and/or systematic barriers to accessing credit, including but not limited to people of color, women, veterans, and rural residents to apply.
- The participating lending institution will be required to make performance data available to the Program on a quarterly and annual basis. This data will be used for federal reporting. Reports will also be submitted to GOED and the Nevada Legislature.
- The Program cannot lend in the gambling, alcohol, cannabis or firearm sectors or real estate, investment firms or lenders.

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