

# LOAN PARTICIPATION PROGRAM

The Loan Participation 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.

This intermediary small business lending program works with Banks and Credit Unions to help expand access to capital and reduce lending risks to the Bank or Credit Union while lowering borrowing costs of the Small Business and nonprofit organizations.

## HOW IT WORKS

Generally, the Loan Participation Program provides between 10 – 30% of "injection" thereby derisking the loan in an incremental manner to make the transactional risk acceptable for the Bank or Credit Union while potentially lowering the average interest rate paid by the borrowing Small Business.

## 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](mailto:melliott@nvsmallbiz.org)**. Banks or Credit Unions wishing to participate in the Program should also contact Mendy Elliott at [melliott@nvsmallbiz.org](mailto:melliott@nvsmallbiz.org)

## WHAT ARE THE BENEFITS?

### FOR THE SMALL BUSINESS OWNER?

- Enhances the Lender's ability to say "yes"
- Allows the financial institution to maintain assets
- Potentially Lower Interest rate
- Retains as working capital funds which might have otherwise been utilized to meet loan-to-value requirements (LTV)

### FOR THE LENDER (BANK OR CREDIT UNION)

- Maintains client relationships as the Program purchases portion of loan from Lender
- Reduces exposure to loss
- Allows lender to offer more competitive terms
- Earns asset on books which has been substantially de-risked
- Allows approval of loans that might have been declined due to high loan-to-value (LTV)

## TYPICAL LOANS



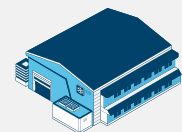
**TERM LOANS**



**WORKING  
CAPITAL LINES  
OF CREDIT**



**MANUFACTURING  
INVESTMENT  
IN AUTOMATION**



**(SBA) 504  
DURING  
CONSTRUCTION  
PHASE**

# PROGRAM GUIDELINES

- Eligible Nevada Small Businesses must have less than 500 employees.
- The entire proceeds of the credit facility must be used for businesses and credit facilities within the state of Nevada.
- The Program typically will purchase between 10 – 30 per cent of a commercial loan from the participating lender but could go as high as 49.9 percent.
- 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 position of borrowers by purchasing a portion of the loan from the participating lending institutions, which services the entire loan and retains the client relationship. ▪ 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, with the exception of those credit facilities extended to non-profit organizations. The guaranty is normally subordinate to the existing exposure for the project of the participating lender at the time of closing.
- The Program validates and evaluates the economic development benefits to the state as part of the project approval process.
- The Program incentivizes Nevada manufacturers to invest in automation equipment, software and workforce training for Industry 4.0.
- 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 Program fees are pro-rated and are identical to the lender as the Program owns a portion of the loan.
- The Program's loan interest rate will be lower than the rate of the lender but with a floor of 2%.
- 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 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 Loan Participation Agreement, which requires the lender and the borrower to sign their respective assurances under the SSBCI program.
- The Program cannot lend in the gambling, alcohol, cannabis or firearm sectors or real estate, investment firms or lenders.