Georgia’s State Small Business Credit Initiative

www.georgia-ssbcii.org
TITLE III – State Small Business Credit Initiative (SSBCI)

• Component of the federal Small Business Jobs Act of 2010 that uses state government delivery

• $1.5 billion to states to support state-run small business capital access programs or other credit support programs
SSBCI Treasury Guidelines

- Georgia’s allocation amount is $47,808,507.
- States must use federal funds for programs that partner with private lenders to extend access to credit for small businesses.
- States are required to demonstrate a minimum “bang for the buck” of $10 in new private lending for every $1 in federal funding.
Georgia SSBCI Programs

Georgia offers three SSBCI programs within a performance-driven approach:

- Georgia Capital Access Program (GCAP)
- Small Business Credit Guarantee (SBCG)
- Georgia Funding for Community Development Financial Institutions (CDFIs)
Georgia Capital Access Program (GCAP) – Scope & Purpose

• New lending incentive for the state of Georgia

• GCAP provides portfolio insurance to lenders by requiring insurance premiums to be paid, by the borrower and lender, into a loan loss reserve fund for each loan enrolled. State will match the contribution to the reserve fund.

• Eligible lenders include banks, credit unions, and CDFIs, as defined by SSBCI act.
GCAP (cont.)

• Each financial institution has a separate loan loss reserve fund/account owned by DCA’s GCAP.

• GCAP will use SSBCI funds to contribute an amount equal to the sum of the contributions paid by borrower and lender for enrolled loan.

• Several other states are using SSBCI funds to expand pre-existing CAP programs (CA, NC, MI, etc.).
Small Business Credit Guarantee (SBCG) – Scope & Purpose

• The Georgia Small Business Credit Guarantee ("SBCG") Program will provide a 50% loan guarantee with a conversion option.

• SSBCI funds will be leveraged with private capital from community development financial institutions, credit unions, banks, and qualified private investors.
Georgia Small Business Credit Guarantee Program

• The conversion option under the loan guarantee enables financial institutions to build a Risk Reserve Pool (RRP) held by the State in a centralized fund.

• Eligible financial institutions will sign a Program Participation agreement.

• Enrolled loans are covered with a 50% loan guarantee.
  ▪ Financial institutions will pay a 2% initial loan guarantee fee and ½ of 1% loan guarantee fee each subsequent year the guarantee remains in place.
Georgia Small Business Credit Guarantee Program

• Financial institutions will be incentivized to leverage private lending at 10:1 through the conversion option.
  
  Financial institutions decide when to convert their 50% loan guarantee to the RRP.
  
  10% of the balance on a converted loan will be moved to the RRP.
  
  Under the RRP, the lender may receive up to 80% reimbursement for losses on individual credits.
  
  Reserves can cover losses on any enrolled loans.

• DCA will partner with the Georgia Department of Banking and Finance to ensure participating financial institutions are financially sound.
GA Funding for Community Development Financial Institutions (CDFIs)

- CDFIs are private financial institutions certified by the U.S. Treasury to provide credit and financial services to underserved markets and populations.

- There are approximately 20 different CDFIs in Georgia created by a combination of private for-profits (banks and developers) and special purpose non-profit corporations (e.g. ACE and Habitat for Humanity).
Community Development Financial Institutions (CDFIs)

- CDFIs are already established in the market niches or underserved communities that must be addressed in the SSBCI application.

- CDFIs provide alternative funding sources to small businesses for a portion of their working capital and fixed asset financing needs.

- CDFIs will provide the gap financing ("but for") to assist small businesses with obtaining the financing they need.
Community Development Financial Institutions (CDFIs)

• CDFIs will be reviewed for financial and management capacity, loan history, and legal structure.

• Approved CDFIs will earn fees for underwriting, closing, and servicing SSBCI loans, and may participate in one of two capacities:
  Loan originator/servicer – DCA forwards SSBCI funds directly to borrower.
  Contracting entity – DCA forwards funds to CDFI, which may retain and revolve funds into future SSBCI projects, subject to State SSBCI regulations and approval by US Treasury.
Community Development Financial Institutions (CDFIs)

- Funding under SSBCI to CDFIs will be structured under Treasury guidelines using a performance-driven approach.

- SSBCI must be used by CDFIs to fund projects that leverage new private investment.

- State will monitor CDFIs through performance-based contracts.
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