# Executive Summary: State Small Business Credit Initiative

## Background

Congress enacted the State Small Business Credit Initiative Act of 2010 ("SSBCI") as Sections 3001 to 2011 of the Small Business Jobs Act of 201, P.L. 111-240 (September 27, 2010). The SSBCI provides federal stimulus funding for states to use "public resources to promote private access to credit" for eligible small businesses. Each State was allocated a portion of $1.5 Billion based off of job loss rates; Georgia's portion is $47.8 million.

## SSBCI Program Requirements

**Eligible Lenders**: Under Section 3002(5) of the Small Business Jobs Act of 2010, any financial institutions may participate in the programs; financial institution is defined as any insured depository institution, insured credit union, or community development financial institution, as those terms are each defined in section 103 of the Riegle Community Development and regulatory Improvement Act of 1994 (12 U.S.C. 4702).

**Lending Requirements:** Under Section 3006(c) (4) of SSBCI, any financial institution lenders must have a meaningful amount of their own capital at risk (at least 10%), and State programs must satisfy the following criteria:

- Each individual loan must lend at a minimum of a 1:1 ratio of private to public credit.
- Average a 10:1 ratio of private to public credit over all the State's SSBCI programs.
- Target an average borrower size of 500 employees or less.
- Target support towards loans with an average amount of $5,000,000 or less.
- Does not extend credit support to loans that exceed $20,000,000.

## Georgia's SSBCI Proposal to U.S. Treasury

In general, DCA would propose a performance driven approach that would reward initiatives leveraging new project specific private investment and job creation. DCA proposes two modes of assistance that fall under the Section 3006 as "Other Credit Support Programs."

1. **Georgia Small Business Credit Guarantee ("SBCG"):** The SBCG is an expansion of the established Entrepreneur and Small Business Development Loan Guarantee (ESB) to cover the entire state. The ESB was designed by DCA as a new delegated lending model and established through the OneGeorgia Authority in June 2005. The ESB was funded through OneGeorgia and assists banks in OneGeorgia eligible areas, which does not include much of the state's metropolitan and suburban areas.

- SSBCI will be used by DCA to expand the ESB model to cover the entire State under the same delegated-lending model with more flexibility.
- The flexibility will allow all eligible private financial institutions including Community Development Financial Institutions and Credit Unions to participate.
- The Georgia Small Business Credit Guarantee ("SBCG") Program will provide a 50% loan guarantee with a new conversion option.
- Participating financial institutions may choose to convert any enrolled loans at which point 10% of the remaining principal on the loan is deposited in a loan loss reserve account at the financial institution to cover enrolled loans beyond their 50% guarantee and up to 90%.

2. **Funding for Community Development Financial Institutions:** Funding under SSBCI to CDFIs will be structured under the Treasury guidelines using a performance driven approach. CDFIs are already established in the market niches or underserved communities that Treasury requires to be addressed in the SSBCI application

    - Assistance for CDFIs will be under a master line of credit facility that leverages new private lending at least 10:1.

**Summary**

DCA looks forward to using a performance-based program to partner with financial institutions to spur new lending to small businesses across Georgia, which will result in significant job creation and economic growth. DCA is currently working on the final application to the Treasury, which is due June 27, 2011. If you have any questions, please contact Brian Williamson at (404)679-1587 or brian.williamson@dca.ga.gov.