



UNITED STATES VIRGIN ISLAND
Economic Development Authority

Collateral Support Program

**VIRGIN ISLANDS ECONOMIC
DEVELOPMENT AUTHORITY**

COLLATERAL SUPPORT PROGRAM DESCRIPTION

- ❖ Supplies pledged cash collateral to lending institutions to enhance collateral coverage on individual small business loans.
- ❖ Designed to target situations where the value of available collateral is insufficient to support the lender's proposed loan amount.
- ❖ After default and liquidation, the cash collateral is used to cover the remaining loan balance.
- ❖ Ideal for industries with decreased asset values as a result of the recent recession.



COLLATERAL SUPPORT PROGRAM GENERAL DEPOSIT INFORMATION

- Deposit percentages vary by state (percentages are based on a demonstrated collateral shortfall)
- Deposits amounts vary by state
- Deposit instruments vary by state



COLLATERAL SUPPORT PROGRAM ELIGIBLE LENDERS

- **Insured depository institutions**
- **Insured credit unions**
- **Community development financial institutions (CDFI)**



COLLATERAL SUPPORT PROGRAM REAL ESTATE PURCHASE EXAMPLE

✖ Purchase Price	\$ 1, 000,000
✖ Borrowers/ Bank Equity (20%)	\$ 200,000
✖ Financing Needed	\$ 800,000
✖ Appraised value	\$ 900,000
✖ Bank Loan underwriting value (75% of appraised value)	\$ 675,000
✖ Collateral Shortfall (Financing needed minus Bank Loan underwriting value)	\$ 125,000
✖ Collateral Support: Actual Gap of 50% of the loan amount “whichever is less.”	
✖ Bank Loan with CSP	\$800,000



COLLATERAL SUPPORT PROGRAM GENERAL ELIGIBILITY REQUIREMENTS

- ❖ Maximum borrower size of 750 employees or less.
- ❖ Corporations, partnerships, and sole proprietorships are eligible (some states include non-profits and cooperatives).
- ❖ Target loan amount is \$5 million or less but cannot exceed \$20 million on any individual loan.
- ❖ Start-up costs, working capital, business procurement (fixed assets, inventory and receivables only), refinancing of eligible business debt, franchise fees, equipment, inventory, and real estate purchase, construction, renovation, or tenant improvements.



Collateral Support Program

BENEFITS

- Enables lenders to provide loans to businesses with sufficient cash flow, but insufficient collateral
- Provides both tangible collateral for loans and is a source of deposits for lenders
- Mitigates risk
- Lenders make their own credit decisions
- Simple Applications
- Fast processing times
- Program parameters are simple
- Does not require large “dedicated” staff



COLLATERAL SUPPORT PROGRAM SSBCI RESTRICTIONS

- ❑ Financing passive real estate (real estate holding companies occupied by an eligible small businesses are eligible)
- ❑ Financing businesses engaged in speculative activities that develop profits from price fluctuations
- ❑ Financing businesses that earn more than half of their revenue from lending activities.
- ❑ Financing businesses engaged in pyramid sales, illegal activities and gambling
- ❑ Financing loans that have a federal guarantee

>> State programs may have additional ineligibility criteria.



CONTACT US

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CONTACT INFORMATION (CONTINUED)

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 - ✕ St. Thomas. U.S. Virgin Islands, 00803
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Virgin Islands Economic Development Authority



SSBCI LOAN GUARANTEE PROGRAM

Services available to assist small businesses

Loan Types

- ☐ Term Loans
- ☐ Lines of credit

New and existing businesses are eligible

Loan proceeds must be used for a "business purpose"

Target Principal Value= \$5 million or less (not to exceed \$20 million)

Who's Eligible?

- Corporations
- Partnerships
- Sole Proprietorships
- Non-Profits
- Cooperatives

Loan Guarantee= 10% of the project cost (USVI)

Employee Target=500 or fewer (not to exceed 750)

Lenders are responsible for initially underwriting the loans.

A business purpose includes, but is not limited to:

- ☐ Start-up costs
- ☐ Working Capital
- ☐ Business procurement
- ☐ Franchise Fees
- ☐ Equipment
- ☐ Inventory

Restrictions apply to refinancing and other issues; refer to SSBCI guidelines for details.

Terms are negotiated between the Borrower and the Lender.

SSBCI Loan Guarantee Program

How the program works

SSBCI
State Small Business
Credit Initiative

How the program works-1 of 2

- 1. Potential Lender enters into an **Agreement** with the implementing agency.
- 2. The **Agreement** incorporates the entire program.
- 3. Approved Lender originates, processes, and services the Loan.

In the United States Virgin Islands, we collect the following:

- Borrower Name
- Credit Memorandum
- Commercial Loan Approval Request
- Borrower and Lender Certifications, etc.

How the Program works-2 of 2

- 4. After preliminary loan approval, and after the Lender has submitted all necessary documentation, Final Approval is granted.
- 5. The ***Approval Document*** is mailed to the Lender (for file documentation).
- 6. Loan Defaults-States will share in losses (if any) according to State-specific guidelines.



Jurisdictions offering a Loan Guranty Program

- ☐ Alabama
- ☐ Arkansas
- ☐ California
- ☐ Florida
- ☐ Georgia
- ☐ Guam
- ☐ Louisiana
- ☐ Maryland
- ☐ Minnesota
- ☐ Mississippi
- ☐ New Hampshire
- ☐ New Jersey
- ☐ New York
- ☐ Oregon
- ☐ Utah
- ☐ **U.S. Virgin Islands**
- ☐ West Virginia
- ☐ Wisconsin
- ☐ Wyoming, Laramie

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