U.S. Department of the Treasury: State Small Business Credit Initiative (SSBCI)

Status as of February 24, 2012

Under the Small Business Jobs Act of 2010, Congress appropriated $1.5 billion for the SSBCI Program to support new or existing state programs that provide access to credit for small businesses and small manufacturers. Under the SSBCI Program, states are expected to use every $1 in federal funds to generate $10 in private lending or investing for small businesses that are creditworthy, but are not getting the loans they need to expand and create jobs. The SSBCI Program is expected to help spur up to $15 billion in lending and investing to small businesses.

To date, 47 states, the District of Columbia, five territories and one municipality have been approved for $1.43 billion in SSBCI funding. The applications from four municipalities in Wyoming and North Dakota are currently under review. Treasury expects to issue funding decisions for the remaining applications in the coming weeks.

As of December 31, 2011, 21 states reported deploying $60.3 million in SSBCI funding to support loans and investments. According to 10:1 leveraging goal in the states' applications, and if these early loans are representative of the state programs, this should lead to over $600 million in new small business lending and investing.

Treasury is actively partnering with states to provide ongoing technical assistance as the SSBCI funds are deployed. Additionally, the first SSBCI national conference will be held March 8-9, 2012 at the San Francisco Federal Reserve Bank. This conference will provide an opportunity for states to share success stories, challenges, and implementation strategies among peers.

The formula in the Small Business Jobs Act of 2010 for determining a state's allocation was based on the portion of job losses in each state relative to the nation as a whole, with a guaranteed minimum state allocation of approximately $13.2 million.

SSBCI Approved Programs in American Samoa, Commonwealth of Northern Mariana Islands, Guam and U.S. Virgin Islands
(As of February 24, 2012)

American Samoa
Allocation: $13.2 million

- Collateral Support Program ($10.5 million): This is a new program which provides cash collateral to lenders up to 50% of the loan amount. The estimated average loan size would be $1.5 million with average collateral support of 15% of the loan amount.
- American Samoa applied for $10.5 million of the $13.2 million allocation. The remaining allocated funds are available to American Samoa for at least two years following the original allocation if the territory can demonstrate that the remaining funds can be leveraged 10:1.

Commonwealth of Northern Mariana Islands
Allocation: $13.2 million

- Collateral Support Program ($8.6 million): The program provides cash collateral deposits at the lending institution of up to 50% of a loan amount with a maximum deposit of $1.5 million.
- Loan Participation Program: ($4.6 million). The program will purchase up to 40% of a loan amount from lenders with a maximum loan purchase of $1 million.

Guam
Allocation: $13.2 million

- Capital Access Program ($1.3 million): The CAP will provide portfolio insurance for loans of up to $200,000.
- Loan Participation Program ($4.6 million): The program will provide subordinate financing to eligible firms for up to 40% of fixed asset costs.
- Loan Guarantee Program ($7.2 million): The program will guarantee up to 75% of losses incurred by participating banks on loans of up to $500,000.

U.S. Virgin Islands
Allocation: $13.2 million

- Loan Guarantee Program ($4.1 million): This is a new program that will guarantee up to 12.5% of loan amount with an average expected size of $75,000.
- Collateral Support Program ($3.6 million): This is a new program in which the Government Development Bank (GDB) will provide cash collateral deposit up to 50% of the loan amount.
- Performance, Surety and Payment Bond Program ($5.0 million): An existing program where the GDB will guarantee up to 30% of the value of the performance or payment bond issued by a private surety company.

Additional Information on the State Small Business Credit Initiative

SSBCI allows states to build on successful models for state small business programs or to launch new programs. The most popular approved program types are:

- Capital Access Programs (CAPs): CAPs are designed to allow financial institution lenders to insure against the inherent risk of small business lending by creating a reserve account that the financial institution lender may draw upon should it incur loan losses. In a CAP, the financial institution lender and the small business borrower contribute between 2% to 7% of the loan amount to the reserve account which is then matched by state.

- Collateral Support Programs (CSPs): In CSPs, the state uses SSBCI funds to deposit cash at the financial institution, which serves collateral for an approved loan. CSPs often support small business borrowers whose tangible property, real estate, or equipment value has depreciated, and is no longer valuable enough to serve as collateral for a loan.

- Loan Participation Programs (LPPs): LPPs come in two varieties. In the first, the state uses SSBCI funds to purchases a portion of a loan originated by a financial institution lender to a small business borrower. In the second type of LPP, the state uses SSBCI funds to provide a direct loan to a small business borrower that is a companion loan to one originated by a financial institution lender. States may structure their purchased participation or direct, companion loan at a lower interest rate than the financial institution loan, which allows the small business to build a repayment track record.

- Loan Guarantee Programs: Under a state loan guarantee program, the state uses SSBCI funds to guarantee a portion of an approved loan.

- Venture Capital Programs: Venture Capital Programs have garnered the most attention from states. Under a typical SSBCI supported program, the state invests as a limited partner in privately managed funds, or the state may directly make venture investments. Some states use these programs to attract more private risk capital for small businesses in states that had previously not had large amounts of venture financing.