



# Collateral Support Program 2.0 - Eligibility and Qualifying Loan Parameters Overview

Evergreen Business Capital Community Finance

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## Summary

The Small Business Collateral Support Program (the “CSP”) is a collaborative partnership between the U.S. Department of the Treasury (“Treasury”), Washington State Department of Commerce, and Evergreen Business Capital Community Finance (EBCCF).

The CSP is designed to complement the SBA’s 504 Loan Program and assists small businesses having trouble qualifying for financing due to a collateral shortfall in their 504 bridge loan. These funds are dedicated to short-term construction loans and will address exposure and timing differences by providing commercial lending partners with bridge loan funds. These loans cover the second mortgage until the permanent SBA second mortgage takeout occurs, with deposits up to 20% of the collateral value as a CD (cash) with the third-party lender. The CSP is administered by Evergreen Business Capital Community Finance (EBCCF). The collateral support amount will not exceed \$500,000 per borrower with CD terms between 6-18 months.

For more details go to <https://ebccf.org/cspwa/> or email [cspwa@ebccf.org](mailto:cspwa@ebccf.org).

## Eligibility Requirements

### Participating Lenders

<b>Eligible Lenders</b>	Any federal or state-chartered bank, savings association, federal certified Community Development Financial Institution (CDFI) or credit union which is experienced in the making of loans of the type and to businesses of the type provided for under the CSP. A lender must certify that it is in good standing with its regulatory body (Federal Reserve, Federal Deposit Insurance Corporation (FDIC), Comptroller of Currency, National Credit Union Administration (NCUA) or state banking authority). Lender bears a 20% or greater risk of loss in each loan. Eligible loans must meet a participating Lender’s credit underwriting criteria with the exception of loan collateral adequacy. To become a participating lender in the CSP, lenders must submit an <a href="#">CSP LENDER ENROLLMENT FORM</a> . The lender will be notified upon their acceptance into the program and must execute a <a href="#">CSP LENDER PARTICIPATION AGREEMENT</a> .
<b>Lender Assurances</b>	Each Participating Lender shall certify that:  The Originator Loan is not being made in order to place under the protection of the Program prior debt that is not covered under the Program and that is or was owed by the small business borrower to the Originating Lender or to an affiliate of the Originating Lender.  If a refinancing, the Originator Loan (1) is at least 150% of the previous outstanding balance; (2) results in a 30% reduction in the fee-adjusted annual percentage rate contracted for the term of the new debt; and (3) shall not be used to finance an extraordinary dividend or other distribution.  No principal of the Originating Lender has been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (42 U.S.C. § 16911)). For the purposes of this certification,

	<p>“principal” is defined as if a sole proprietorship, the proprietor; if a partnership, each partner; if a corporation, limited liability company, association, development company, or other entity, each director, each of the five most highly compensated executives, officers, or employees of the entity, and each direct or indirect holder of 20 percent or more of the ownership stock or stock equivalent of the entity.</p>
<b>Disclosure Requirements</b>	<p>SSBCI-supported transactions must include disclosure by the lender or investor of all key terms in an easy-to understand manner. Such disclosures should include, for example, the loan or investment amount; payment obligation and schedule; any terms giving the lender or investor control over the borrower’s or investee’s cash balances, cash flows or ownership; any conversion rights and future rights to purchase equity; and any fees or extra costs. This minimum standard applies across all SSBCI programs; however, these standards do not supersede disclosure requirements that may apply under other applicable law. All applicable federal and state securities and lending disclosure laws, rules, and regulations continue to apply.</p>

**Borrowers**

<b>Borrower Size</b>	<p>Qualifying business must have 500 employees or less and be located in Washington State.</p>
<b>Borrower Restrictions</b>	<p>Each financial institution lender must obtain an assurance from the borrower affirming that the borrower is not:</p> <ul style="list-style-type: none"> <li>An executive officer, director, or principal shareholder of the financial institution lender;</li> <li>A member of the immediate family of an executive officer, director, or principal shareholder of the financial institution lender; or</li> <li>A related interest or immediate family member of such an executive officer, director, or principal shareholder of the financial institution lender</li> </ul> <p>No principal of the borrowing entity has been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (42 U.S.C. § 16911)). For purposes of this certification, “principal” is defined as if a sole proprietorship, the proprietor; if a partnership, each partner; if a corporation, limited liability company, association, development company, or other entity, each director, each of the five most highly compensated executives, officers, or employees of the entity, and each direct or indirect holder of 20 percent or more of the ownership stock or stock equivalent of the entity.</p>

<p><b>Permissible borrowers</b></p>	<p>The business structure is a for-profit corporation, partnership, limited liability corporation, limited liability partnership, joint venture, sole proprietorship, cooperative, or other entity which is authorized to conduct business in the State of Washington. Permissible borrowers may also include sole proprietors, independent contractors, worker cooperatives, and other employee-owned entities, as well as Tribal enterprises, provided that all applicable program requirements are satisfied. Must exhibit a collateral shortfall.</p>
<p><b>Ineligible Industries</b></p>	<p>A business engaged in speculative activities that profit from fluctuations in price, such as wildcatting for oil and dealing in commodities futures, unless those activities are incidental to the regular activities of the business and part of a legitimate risk management strategy to guard against price fluctuations related to the regular activities of the business or through the normal course of trade;18</p> <p>A business that earns more than half of its annual net revenue from lending activities, unless the business is (1) a CDFI that is not a depository institution or a bank holding company, or (2) a Tribal enterprise lender that is not a depository institution or a bank holding company; 19</p> <p>A business engaged in pyramid sales, where a participant’s primary incentive is based on the sales made by an ever-increasing number of participants;</p> <p>A business engaged in activities that are prohibited by federal law or, if permitted by federal law, applicable law in the jurisdiction where the business is located or conducted (this includes businesses that make, sell, service, or distribute products or services used in connection with illegal activity, unless such use can be shown to be completely outside of the business’s intended market); this category of businesses includes direct and indirect marijuana businesses, as defined in SBA Standard Operating Procedure 50 10 6; 20 or</p> <p>A business deriving more than one-third of gross annual revenue from legal gambling activities, unless the business is a Tribal SSBCI participant, in which case the Tribal SSBCI participant is prohibited from using SSBCI funds for gaming activities, but is not restricted from using SSBCI funds for non-gaming activities merely due to an organizational tie to a gaming business21; “gaming activities” for purposes of Tribal SSBCI programs is defined as Class II and Class III gaming under the Indian Gaming Regulatory Act (IGRA), 25 U.S.C. § 2703.</p>
<p><b>Non-discrimination</b></p>	<p>Borrower will not deny benefits or services, or otherwise discriminate on the basis of race, color, national origin (including limited English proficiency), disability, age, or sex (including sexual orientation and gender identity), in accordance with, but not limited to, the following authorities: Title VI of the Civil Rights Act of 1964 (Title VI), 42 U.S.C. § 2000d-1 et seq., and Treasury’s implementing regulations, 31 C.F.R. part 22; Section 504 of the Rehabilitation Act of 1973 (Section 504), 29 U.S.C. § 794; Title IX of the Education Amendments of 1972 (Title IX), 20 U.S.C. § 1681 et seq., and Treasury’s implementing regulations, 31 C.F.R. part 28; Age Discrimination Act of 1975, 42 U.S.C. § 6101 et seq., and Treasury’s implementing regulations at 31 C.F.R. part 23.</p>

## Loan Eligibility

1. Types of financing eligible for Collateral Support Program (CSP), SBA 504 loans for:
  - a. The purchase of land, including existing buildings
  - b. The purchase of improvements, including grading, street improvements, utilities, parking lots and landscaping
  - c. The construction of new facilities or modernizing, renovating or converting existing facilities
  - d. The purchase of long-term machinery and equipment

## Qualifying Loan Parameters

<b>Single Program</b>	Use reasonable efforts to ensure one loan cannot be enrolled in more than one approved program at the same time.
<b>No SBA Loans</b>	Eligible Loans shall not include 1) any unguaranteed portion of an SBA guaranteed loan 2) or the unguaranteed portion of any other federal loan without the express prior written consent of the Treasury.
<b>Interest Rate Cap</b>	The interest rate for each individual loan, at the time of obligation and throughout the term of the loan, may not exceed the National Credit Union Administration's ("NCUA") interest rate ceiling for loans made by federal credit unions as described in 12 U.S.C. § 1757(5)(A)(vi)(I) and set by the NCUA board.
<b>Fee Caps</b>	SSBCI supported transactions may not include any of the following: (1) confessions of judgment; (2) prepayment or "double-dipping" fees; or (3) upfront fees or charges paid by the loan applicant, excluding fees to the Program, that exceed <b>3.0%</b> for Qualifying Loans greater than \$25,000 or <b>\$750</b> for loans at and under \$25,000. Upfront fees or charges that count toward this cap include, but are not limited to, application fees, origination fees, and document preparation fees.
<b>Loan Size</b>	\$5 million maximum loan amount
<b>Maximum CSP Loan Size</b>	20 percent of the loan amount for loans with terms less than 6 months and 15 percent of the loan amount for loans with terms more than 6 months.  The collateral support amount will not exceed \$500,000 per borrower.
<b>CSP Loan (Term) Enrollment Periods</b>	6, 12 or 18 months, the CSP loan will not exceed 18 months
<b>CSP Program Fee</b>	Program fees range between 2-3% based upon term of loan as follows:  2.0% Fee – Maximum 6 month term 2.5% Fee – Maximum 12 month term 3.0% Fee – Maximum 18 month term

<b>CSP Term Extensions</b>	1% fee, not to exceed 3 months
<b>Use of Proceeds</b>	<p>Each financial institution lender must obtain an assurance from the borrower affirming that the loan proceeds will be used for a business purpose. A business purpose includes, but is not limited to, start-up costs; working capital; franchise fees; and acquisition of equipment, inventory, or services used in the production, manufacturing, or delivery of a business’s goods or services, or in the purchase, construction, renovation, or tenant improvements of an eligible place of business that is not for passive real estate investment purposes. SSBCI funds may be used to purchase any tangible or intangible assets except goodwill. The term “business purpose” excludes acquiring or holding passive investments in real estate, the purchase of securities, and lobbying activities (as defined in Section 3(7) of the Lobbying Disclosure Act of 1995, P.L. 104-65, as amended).</p> <p>Eligible projects are interim project financing of the second mortgage of authorized SBA 504 loan projects, including owner-occupied commercial real estate (turn-key acquisitions, renovation or build-out projects and ground-up construction) and/or fixed heavy-duty machinery and equipment purchases.</p> <p>All real estate financed by an Eligible Loan must be owner-occupied by Borrower.</p>
<b>Prohibited Loan Purposes</b>	<p>Repay delinquent federal or jurisdiction income taxes unless the borrower has a payment plan in place with the relevant taxing authority;</p> <p>Repay taxes held in trust or escrow (e.g., payroll or sales taxes);</p> <p>Reimburse funds owed to any owner, including any equity investment or investment of capital for the business’s continuance; or</p> <p>Purchase any portion of the ownership interest of any owner of the business, except for the purchase of an interest in an employee stock ownership plan qualifying under section 401 of Internal Revenue Code, worker cooperative, employee ownership trust, or related vehicle, provided that the transaction results in broad-based employee ownership for employees in the business and the employee stock ownership plan or other employee-owned entity holds a majority interest (on a fully diluted basis) in the business.</p>
<b>Disclosure Requirements</b>	<p>SSBCI-supported transactions must include disclosure by the lender or investor of all key terms in an easy-to understand manner. Such disclosures should include, for example, the loan or investment amount; payment obligation and schedule; any terms giving the lender or investor control over the borrower’s or investee’s cash balances, cash flows or ownership; any conversion rights and future rights to purchase equity; and any fees or extra costs. This minimum standard applies across all SSBCI programs; however, these standards do not supersede disclosure requirements that may apply under other applicable law. All applicable federal and state securities and lending disclosure laws, rules, and regulations continue to apply.</p>