



OFFICE OF THE GOVERNOR

TEXAS ECONOMIC DEVELOPMENT & TOURISM

Texas Small Business Credit
Initiative (TSBCI)

TSBCI: BACKGROUND & PURPOSE

On March 11, 2021, the U.S. Congress enacted the American Rescue Plan Act, which, in part, provides \$10 billion to fund the State Small Business Credit Initiative (SSBCI). Administered by the U.S. Department of the Treasury, this initiative is the second installment of the program originally passed under the Small Business Jobs Act of 2010.

The objective of SSBCI is to support state programs that provide resources to assist small business growth and create new jobs through increased access to small business funding. The program targets small businesses, Very Small Businesses (VSB), businesses owned by Socially and Economically Disadvantaged Individuals (SEDI), and businesses that have been impacted by the COVID-19 pandemic.

The Texas Small Business Credit Initiative (TSBCI) is expected to be allocated more than \$472 million which will be used to operate a Capital Access Program (CAP) and a Loan Guarantee Program (LGP).



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CAPITAL ACCESS PROGRAM (CAP)

The State provides matching portfolio insurance premium payments to a Loan Loss Reserve (LLR) account for each participating financial institution to encourage small business loan lending.

Loans of \$5,000 up to \$5 million may be enrolled.

Both lender and borrower must make matching insurance premium payments of the loan amount to the LLR. The maximum premium is 3.5%, each.

The State matches the total contributed amounts contributed by the borrower and the lender.



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LOAN GUARANTEE PROGRAM (LGP)

Under the LGP, the State provides guarantees of the original principal amount for qualifying loans enrolled in the program.

Guarantee Limits:

SEDI and VSB qualifying borrowers: up to 80% guarantee

Non-SEDI or VSB qualifying borrowers: up to 50% guarantee

Lenders may seek to enroll loans up to \$20 million, however, the program targets loans of \$5 million or less.

Guarantees are capped at \$4 million.



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FINANCIAL INSTITUTION ENROLLMENT

Financial Institutions (FIs) such as Banks, Credit Unions, and Community Development Financial Institutions (CDFIs) may apply to participate in the TSBCI Program.

- Applications require the following information:
 - FI contact details for the FIs;
 - locations demonstrating significant reach into areas with high concentrations of SEDI-owned businesses;
 - information on board members and personnel;
 - credit policies;
 - financial information;
 - anticipated loan enrollment volume;
 - other related information.
- Once an application is received, it undergoes internal approval prior to being granted access to the program portal.



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LOAN ENROLLMENT

Borrower must meet the following criteria:

- Size:
 - VSBs (fewer than 10 employees)
 - Small businesses (fewer than 500 employees)
- Domiciled in Texas
- 51% or more of its employees are currently located in Texas
- Registered as a for-profit entity
- Independently owned and operated



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LOAN ENROLLMENT

SEDI-owned business criteria:

- A business that is owned and controlled by individuals who have had their access to credit on reasonable terms diminished as compared to others in comparable economic circumstances;
- A business that is owned and controlled by individuals whose residences are in CDFI Investment Areas; or
- A business that will build, open, or operate a location in a CDFI Investment Area.



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CLAIMS PROCESS

- Financial Institutions sign a participation agreement which specifies the responsibilities of the FI in pursuing available remedies to collect unpaid principal prior to submitting a claim.
- If a borrower defaults on a loan, the FI may submit a claim.
- Claims will be reviewed for payment on a quarterly basis.
- Claims will be submitted through the TSBCI web portal and, upon review and approval, either:
 - the encumbered funds serving as the guarantee for the enrolled LGP loan will be disbursed to pay the claim, or
 - funds in the FI's CAP LLR account will be released to pay the claim, as applicable.

REPORTING

Quarterly Reporting

Due to TSBCI no later than the 10th of the month after the end of each quarter, participating lenders must submit quarterly reports to TSBCI via the web portal.

A reporting mechanism is embedded into the web portal where participating FIs will enter reporting information :

- The type of each approved program, i.e. LGP or CAP;
- \$ amount of funds Expended, Obligated, or Transferred (EOT); and
- \$ amount of funds used for charge-offs against reserve funds.

The TSBCI is required to submit regular reports to Treasury.

Treasury may make certain reported information public.



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REPORTING

Annual Reporting

Due to TSBCI no later than January 31st of each year, participating lenders must submit annual reports to TSBCI via the web portal.

A reporting mechanism is embedded into the web portal where participating FIs will enter program reports with the information on:

- Self-certified SEDI demographics-related business status;
- Minority-owned or controlled business status;
- Women-owned or controlled business status;
- Veteran-owned or controlled business status; and
- Self-certified demographic information.

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THANK YOU



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