



# LOAN GUARANTEE PROGRAM

**MEDC partners with lenders of all sizes to provide financing support so they can provide loans to small businesses in their communities and across the state. Capital access programs reduce the risks lenders face when lending to small businesses by providing loan enhancement up-front. The lender can then in turn provide access to capital that wouldn't traditionally be available.**

With the **Loan Guarantee program**, MEDC partners with small business lenders to support new lending initiatives. Lender benefits of the program include:

- Ability to **support new lending initiatives** by providing loans of \$250,000 or less.
- Mitigates a portion of the risk associated with small business lending by **providing a partial guarantee\*** to a qualified lender on new financing provided by that lender.
- Allows small business lenders to **support and grow the local economy** by providing small, micro and socially and economically disadvantaged individual ("SEDI") owned businesses that are historically unable to obtain adequate credit or adequate terms for such credit.

## PROGRAM REQUIREMENTS

- Loan funds must be used to create economic activity by providing greater access to short-term loan capital to small, micro and socially and economically disadvantaged individual ("SEDI") owned businesses that are historically unable to obtain adequate credit or adequate terms for such credit.
- A SEDI business owner includes, but is not limited to, minority- and women-owned business enterprises, service-disabled veteran-owned businesses, and veteran-owned businesses located in communities that are economically distressed.

## DIRECT BANK/BUSINESS TRANSACTION

- Any insured depository institution, insured credit union, or community development financial institution is eligible to participate.
- The lender must demonstrate sufficient commercial lending experience and financial and managerial capacity to participate.

- MEDC will review and approve guarantee applications that are submitted by the lenders; upon approval, a commitment letter is issued to the lender outlining the terms of the guarantee.
- One loan guarantee agreement will be executed. The agreement will detail the terms and conditions, including rate and term, of the enrolled loans.
- Lenders are responsible for underwriting the loans.
- Origination fee is 1% of the total guarantee amount.
- MEDC will guarantee up to 80% of each enrolled loan; however, the MEDC's exposure will be capped at 25% of total enrolled loans.
- Loans must be a new extension of credit.
- Lenders must submit annual reports reflecting the current status of all enrolled loans.
- If a borrower receives a loan guaranteed by the SBA's 7(a) or 504 loan programs or the U.S. Department of Agriculture's Business and Industry (USDA B&I) loan program, SSBCI funds may not be used as credit support to a loan or investment for the same purpose as the SBA- or USDA-guaranteed loan.

## ELIGIBLE BORROWERS

- Small businesses with less than 250 employees
- Corporations, partnerships, sole proprietorships and any for-profit businesses
- Eligible business purposes include startup 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 service, as well as the purchase, construction, renovation or tenant improvements of an eligible place of business that is not for passive real estate investment purposes, and any tangible or intangible assets except goodwill
- Collateral is required in some form on all loans
- Guarantees of owners having 20% or greater is required in all cases
- Businesses seeking loans through the program apply through lenders that are enrolled in the program

[View the agreement](#)

## CONTACT US TO START THE PROCESS TODAY

[www.michiganbusiness.org/access-capital](http://www.michiganbusiness.org/access-capital)  
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*\*The inclusion of the guarantee is intended to allow the small businesses to obtain financing that would not otherwise be available under conventional terms.*

