



# Collateral Support Program

**VIRGIN ISLANDS ECONOMIC  
DEVELOPMENT AUTHORITY**

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# 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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# 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

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## 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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