

# SMALL BUSINESS LENDING



**Presented by the Economic Development Bank**  
*A subsidiary entity*  
*of the U.S. Virgin Islands Economic Development Authority*



# **Economic Development Bank Overview**

- **The Government Development Bank (GDB) and Small Business Development Agency (SBDA) provides technical support, business counseling and guidance to small businesses in our territory. In May 2014, the Economic Development Bank (EDB) was enacted by law to assume the functions of these two entities.**
- **The EDB provides loans to existing and start-up businesses thereby creating and maintaining jobs in the Territory, and is responsible for the credit administration of its loan portfolio.**

# LOAN PROGRAMS

- ❖ Micro-Credit up to \$50,000
- ❖ Farmers and Fishermen up to \$50,000
- ❖ Development up to \$500,000
- ❖ Frederiksted up to \$20,000
- ❖ Small Business Development up to \$100,000
- ❖ Economic Development Administration  
up to \$75,000
- ❖ Intermediary Relending up to \$100,000
- ❖ State Small Business Credit Initiative – Guarantee

# Micro-Credit

- ❖ Maximum direct loan of \$50,000
- ❖ Loan term of 5 years
- ❖ Fixed interest rate of 5%
- ❖ Borrower must be born in the USVI; or a US citizen or legal permanent resident of the USVI for at least 5 years immediately preceding the application for a loan

# Farmers and Fishermen's

- Maximum direct loan of \$50,000
- Loan term of 5 years
- Interest rate not to exceed 4%
- Applicant must have the necessary license to engage in commercial fishing or farming
- Applicant must be engaged in commercial fishing or farming for at least 3 years in the USVI

# Development

- Loan amount \$10,000 - \$500,000
- Maximum loan term – 10 years
- Interest rate: WSJ Prime Rate plus 1.5%
- Applicant must provide proof that they were born in the USVI, or a US citizen or legal permanent resident and a resident of the USVI for at least 5 years immediately preceding the application for a loan
- Business has less than 50 employees and revenues per year of less than \$5million

# Frederiksted

- Maximum direct loan of \$20,000
- Maximum loan term of 5 years
- Gross sales shall not exceed \$300,000 annually
- Wall Street Journal Prime Rate + 1.5% over prime
- The business must be operated on a full-time basis by the owner
- The loan recipient must be a resident of the USVI for at least 10 years

# Small Business Development

- Maximum loan amount \$100,000
- Maximum loan term – 15 years
- WSJ Prime rate plus 1.5%
- Applicant must be born in the USVI; or his mother or father was born in the USVI and he has been a bona fide continuous resident of the USVI for at least 5 years; or he has been a bona fide continuous resident of the USVI for at least 10 years



# Small Business Development

- If the business is owned by two or more persons; one of the owner must be active in the management or operation of such business concern and this should be their principal means of support
- The revenues of the business cannot exceed \$4 million and will not employ more than 50 persons

# Economic Development Administration

- Maximum loan amount \$75,000
- Maximum loan term not to exceed 15 years
- Interest rate mirrors that of the EDB policies, which is not to exceed 12%
- Business should have 500 employees or less and cannot extend support to borrowers that have more than 750 employees

# Intermediary Relending Loan Program

- Maximum direct loan of \$100,000
- Maximum loan term of 15 years
- Gross sales shall not exceed \$1,000,000 annually
- Wall Street Journal Prime Rate + 1.5% over prime
- The loan recipient must be a U.S. Citizen or Green Card holder

# Eligible Businesses

- ❖ Arts and Crafts
- ❖ Tourism
- ❖ Technical
- ❖ Professionals
- ❖ Retail
- ❖ Restaurant
- ❖ Taxi operators
- ❖ Farmers and Fishermen
- ❖ Laundromat
- ❖ Such other business as the board may determine is in best interest of the development of the V.I economy

# Standard Application Requirement

- **Business Plan**
- **Loan Application**
- **Stamped Copy of Past 3-years tax returns**
- **Quotes to Support Loan Proceeds**
- **Business License**
- **Registered Corporate Documents**
- **Current Copy of Lease Agreement or Letter of Intent to Lease**
- **Collateral: developed or undeveloped real estate, acceptable business assets, and taxi medallions**
- **Decline letter for all loan programs except the Micro-Credit**

# Use of Proceeds

- Inventory and supplies
- Working capital to cover operating expenses
- Livestock
- Machinery, equipment, vehicle which will be used for selling or delivering goods for the business
- Furniture/fixtures
- Leasehold improvement
- Business assets
- Business expansion
- Start-up costs
- Debt refinancing (restrictions apply)

- Credit is crucial and a credit check is done for each loan request via a national credit database
- There is a \$150 application fee on every loan. If the loan is approved and the terms and conditions of the commitment letter are accepted, there is a 1% fee on the approved amount

# Partnership

- ❖ **Disadvantage Business Enterprise**
- ❖ **U.S. Virgin Islands Energy Office**
- ❖ **Small Business Development Center**
- ❖ **U.S. Department of Commerce – Economic Development Administration**
- ❖ **U.S. Virgin Islands Department of Agriculture**
- ❖ **U.S. Virgin Islands Housing Finance Authority**
- ❖ **Small Business Administration**
- ❖ **USDA Rural Development**
- ❖ **University of the Virgin Islands Cooperative Extension Services**



# State Small Business Credit Initiative (SSBCI)

## EDB Guarantee Program:

To help spur small business lending, investments, and job creation after the impact of the 2007-2009 recession on small businesses, the SSBCI was created by the 2010 Small Business Jobs Act. This Act was signed into law by President Barack Obama on September 27, 2010. The Act created the SSBCI and appropriated \$1.5 billion to be used by the U.S. Department of the Treasury to provide direct support to states for use in programs designed to increase access to credit for small businesses. The SSBCI was designed to help enhance new or existing state programs that provide small businesses with access to capital. Also to encourage banks to provide loans they would not approve in other circumstances. In 2011, the USVI was awarded \$13.1 million as a participating state. The three (3) approved state programs for the USVI are collateral, credit, or payment/surety/performance bond.

# Cont'd

- Collateral support program provides collateral support not to exceed 50% of the loan amount;
- Credit guarantee program provides loan participation not to exceed 50% of the total financing or the loan amount whichever is less;
- Payment, Surety and Performance Bond which can guarantee an average of 30% of a performance or payment bond from a private surety company. This program provides a guarantee for small contractors to enable them to bid on larger projects.

# Cont'd

- **Use of Proceeds:** Start-up costs, working capital, business procurement, equipment, inventory, 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.
- **Term and interest rate:** The terms and interest rate of the loan will be based on the agreement between the Participating Lender and the EDB. The guarantee can be based on a term loan and a line-of-credit.
- **Eligible businesses:** The types of small business include sole proprietorships, partnerships, limited liability companies, and corporations.

# Cont'd

- The borrower must first apply for financing at a local bank that is participating in the SSBCI program. These banks are: Bank of Nova Scotia, Banco Popular, First, and Merchants Commercial Bank. If the loan is approved by the bank for SSBCI guarantee support, the lender then submits the application to EDB for its review and determination.
- This program was initially approved by Treasury and must continue to operate as such until the full allocation has been exhausted. Once the program funds has been exhausted, the EDB can decide to continue the program as initially authorized or enhance the program by either removing or adding another program. The Government of the Virgin Islands is fully responsible for this program and must follow the program guidelines as stipulated in the regulations.

# Contact Information - STT



**U.S. Virgin Islands Economic Development Authority  
8000 Nisky Shopping Center  
Suite 620  
St. Thomas, USVI 00802  
Tel. No.: 340-714-1700; Fax: 340-715-2753**

**Contact:**

**Mrs. Denise Donadelle, Loan/Collection Officer  
Email: [ddonadelle@usvieda.org](mailto:ddonadelle@usvieda.org)**

# Contact Information - STX



**U.S. Virgin Islands Economic Development Authority**  
**4 King Street**  
**St. Croix, U.S.V.I. 00840**  
**Tel. No.: 340-773-6499; Fax: 340-773-7701**

## Contact:

**Ms. Monique T. Samuel, Acting Director of Lending**  
**Email: [mtsamuel@usvieda.org](mailto:mtsamuel@usvieda.org)**