

Automation Loan Participation Program

SSBCI 2.0, Office of Business Finance

 Economic Development & Research Division

**Lender Guidance and Checklist**

The American Rescue Plan Act reauthorized and expanded the State Small Business Credit Initiative (SSBCI) to provide $10 billion to support small businesses and improve access to capital in the wake of the pandemic. SSBCI provides funds to states, territories, and Tribal governments to promote entrepreneurship, support small business ownership, and increase accessibility to capital across the country, including in underserved communities.

The U.S. Treasury instructed the recipients, such as MN DEED, to create equity/venture capital programs, loan participation programs, loan guarantee programs, collateral support programs, and capital access programs tailored to local market conditions.

The Automation Loan Participation program (ALPP) is one of six programs developed by DEED to fulfill the mission of the SSBCI 2.0 funding and is guided heavily by the parameters laid out by the U.S Treasury. DEED and its partners’ compliance with the SSBCI regulations is required to continue to receive SSBCI funding.

For more details on the SSBCI regulations please refer to the U.S Treasury website  [State Small Business Credit Initiative (SSBCI) | U.S. Dept. of the Treasury](https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci).  For more information on the SSBCI–specific programs created by DEED go to [State Small Business Credit Initiative / MN DEED](https://mn.gov/deed/business/financing-business/deed-programs/ssbci/#:~:text=The%20State%20Small%20Business%20Credit%20Initiative%20%28SSBCI%29%20was,to%20%2497%20million%20for%20small%20business%20financing%20support.).

The checklist below will help you determine if your borrower’s project is a good fit for the Automation Loan Participation Program. You are encouraged to reach out to DEED’s Program Administrator to discuss the specific financing project and how it aligns with the program parameters prior to submitting an application. The Program Administrator will also be able to provide an approximate timeline for application review and approval process. Generally, it is best to estimate 30 to 60 days from submission of an application to loan disbursement.

**ELIGIBLITY CHECKLIST** (all must be checked to proceed)

 **Business Eligibility**

[x]  Business must operate in Minnesota and be active and in good standing with the Secretary of State. All loan proceeds must be used at a Minnesota location.

[x]  The business must be in an eligible industry – Manufacturing, distribution, technology or warehousing industry.

[ ]  The business must be purchasing eligible automation-related equipment, machinery, or software. See [Automation Loan FAQs](https://mn.gov/deed/business/financing-business/deed-programs/ssbci/automation-loan/#4) for more specifics.

[ ]  The business must have no more than 750 employees, preferably 500 or less.

**Financing Eligibility**

[ ]  There must be a lead ‘partner lender’ that is the primary financing source for the project, including items to be purchased with the ALPP loan.

[ ]  The partner lender must share its full credit presentation and other relevant information with DEED.

[ ]  Maximum loan amount is $500,000. DEED’s loan should be matched 5:1 with private financing and must be matched at a minimum 1:1. Loan requests near these limits must clearly prove funding is not available elsewhere, as well as demonstrate a strong impact of this investment.

[ ]  The machinery, equipment, or software the business will purchase must total less than $20 million and the combined private financing and ALPP loan must total less than $5 million.

[ ]  There must be a demonstratable gap in available private financing for the equipment, machinery, or software to be purchased by the business and a viable reason why SSBCI financing is needed for the project. A substantive explanation in the Application is important.

[ ]  DEED financing will not go towards repayment of state or federal income tax and taxes held in trust or escrow (ie. Payroll taxes), reimburse any owner or purchase any portion of an ownership interest, finance passive real estate transactions, or goodwill.

[ ]  All loans (DEED and lender’s companion loan) are subject to restrictions on uses of loan proceeds. Lender is encouraged to limit the companion loan to equipment purchases, freight, installation, training, and modest required improvements to accommodate the new equipment.

[ ]  DEED financing may not be for the same purpose as 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.

[ ]  The Automation loan may not be obtained after the business has ordered the equipment or after the partner lender has closed its loan.

[ ]  Personal guarantees are required from any owner with at least 20% of the shares and any owner with at least 10% of shares that are active in the business.

[ ]  Collateral is required for all loans and may be subordinated to partner lender. Lender to supply DEED with subordination agreement prior to closings for review by DEED’s legal team.

[ ]  If the partner lender intends to participate a portion of its loan to other lenders, the lender is required to bear the risk of at least 20% of the total transaction at origination and retain a minimum of 5% of the total transaction, which includes both the lender loan and the DEED loan combined.

**Requirements of Lending Partner Loan Terms:**

[ ]  Interest Rate Cap. The interest rate for the partner lender loan at the time of origination and throughout the term of the loan will not exceed the NCUA interest rate ceiling.

☐ No portion of the loan is or will be enrolled in another federal program, including but not limited to SBA 7(a), SBA 504, SBA Community Advantage or USDA B&I

[ ]  Lender will adhere to Fair Lending laws. For a bank, or other depository institution, that is subject to federal prudential regulation and supervision, if such an institution uses the institution’s customary documentation as appropriate to the SSBCI-supported transaction, this shall be deemed satisfactory, except in cases of fraud or violations of otherwise applicable law.

[ ]  Lender loan terms will not contain the following covenants:

* + Confessions of Judgment,
	+ Double dipping fees
	+ Prepayment fees for loans under $100,000 and if over $100,000, fee must be reasonable, customary, and clearly disclosed to the borrower.

[ ]  Closing costs (origination fee, application fee, documentation fee, or similar) will not exceed 2.0% for loans greater than $25,000. This restriction excludes reimbursable costs.

[ ]  Lender shall comply with requests for information to assist DEED in periodic reporting to Treasury, if needed.

**Additional Lending Guidelines:**

* Partner lender will coordinate its loan closing and funds disbursement with DEED to ensure program requirements are met.
* Upon loan approval, DEED will provide a commitment letter for its financing. This conditional commitment is not a guarantee the loan will close. DEED may rescind or adjust the final loan amount if project changes occur.
* Capital investment expenditures may only be counted after DEED’s loan commitment letter is issued. Bank and DEED’s funds may not reimburse borrower for any portion of the equipment purchases.
* DEED may defer payments, if appropriate for the project timeline.
* DEED prefers disbursements be made directly to the partner lender to manage advances to vendor(s) or borrower. Lender shall complete a Disbursement Journal (provided by DEED) and submit to DEED upon all financing being fully disbursed.
* Lender shall provide DEED a copy of Bank commitment letter detailing approved loan terms and upon loan closing all executed loan documents.

**Documentation to submit with the ALPP Application:**

[ ]  ALPP Application – signed

[ ]  Business’s financial statements, guarantors’ personal financial statement(s), debt schedule, business documentation (articles of incorporation/bylaws), and management bios.

[ ]  Lender Credit Summary (including all underwriting, business, management & guarantor analysis)

**Certifications:**

**All must be signed and included with the application.**

[ ]  Borrower Use of Proceeds and Conflict of Interest SSBCI Certification

[ ]  Borrower Sex Offender SSBCI Certification

[ ]  Borrower SEDI SSBCI Certification (if applicable)

[ ]  SSBCI Demographics-Related Data Form

[ ]  Lender Sex Offender SSBCI Certification

[ ]  Lender Use of Proceeds and Conflict of Interest SSBCI Certification

Please direct any questions to Tiffany Fettig, Program Administrator, at tiffany.fettig@state.mn.us or 651-259-7446.

**ACKNOWLEDGEMENT**

Lending Institution \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature of Authorized Lending Representative: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Printed Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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