



EMPLOYMENT AND
ECONOMIC DEVELOPMENT

State Small Business Credit Initiative 2.0 Program Overview



June 13, 2023

SSBCI 2.0 Overview

- U.S. Treasury awarded \$97M to MN
- First disbursement of \$29.5M received
- Specific allocations and goals for Socially and Economically Disadvantaged Individual (SEDI)-Owned and Very Small Businesses
- SEDI businesses are owned and controlled by individuals who have diminished access to credit due to characteristics or location
- SSBCI funds must be the cause of and result in private financing
- Overall minimum 10:1 private leverage ratio expected

SSBCI 2.0 Overview

Eligible business characteristics

- Located in Minnesota
- Fewer than 500 employees preferred, no more than 750 allowed
- Funds used for eligible business purposes
- Each transaction requires certification regarding use of proceeds, conflict of interest, SEDI ownership (if applicable), and that no principal is a sex offender
- Certain programs have additional eligibility restrictions

SSBCI 2.0 Programs

- Automation Loan Participation - \$12.5M
- Growth Loan Fund - \$12.5M
- Minnesota Loan Guarantee - \$12.5M
- Small Business Loan Participation - \$25M
- Multi-Fund and Direct Investment Venture Capital (administered by U of M) - \$34.5M

Growth Loan Fund

- Early stage and start up businesses engaged in technologically innovative industries
- Applicants plan to raise equity and either be a certified Angel Tax Credit business or have support of at least one venture capital fund or accredited investor
- Businesses are enrolled to access a direct loan from DEED
- Enrollment for loans of \$100,000 to \$400,000 based on 20% of the defined equity funding raised in a 12-month period
- At least 70% of proposed equity raised in order to receive loan
- 1% interest, 7-year term, deferred payments until year 4, payments begin year 4 for 50% of the principal with a balloon payment due at maturity
- Non-recourse and no collateral requirement
- Applications available on DEED's [program site](#)

Automation Loan Participation - Borrowers

- Industries: manufacturing, distribution, technology and warehousing businesses
- Loan purpose: machinery, equipment or software to increase productivity and automation
- Gap financing tool for lead lender companion loan
- Loan amounts up to \$500,000
- 5- to 7-year term at 1% interest rate
- Payments deferred up to 12 months
- Guarantees and collateral required

Automation Loan Participation

Dan Sacco, President
AmeriStar Manufacturing
Mankato

Automation Loan Participation - Lenders

- Lead lender identifies gap need
- Minimum of 1:1 private match from companion loan
- Loan must be the cause of and result in the private financing – discuss timing considerations with DEED
- Companion loans conform to SSBCI guidelines
- DEED can subordinate to private sector financing
- Lead lender coordinates with business to apply
- Applications available on DEED's [program site](#)

Minnesota Loan Guarantee - Borrowers

- Businesses apply directly with lenders
- Credit decisions made by enrolled lenders
- No specific targeted industry or loan purpose (SSBCI restrictions apply)
- Lender determines whether guarantee is required for credit approval and submits request to DEED
- Lender directory available at DEED's [program site](#)

Minnesota Loan Guarantee - Lenders

- Program still enrolling eligible bank, credit union and nonprofit lenders
- Lender applications available on DEED's [program site](#)
- Lender requests loan enrollment, including reason guarantee is needed to approve credit
- 80% guarantee up to \$800,000
- 0.25% enrollment fee; waived if loan term is <1 yr. or SEDI-owned business
- Term loans and lines of credit allowed (some restrictions)
- Loans must comply with SSBCI regulations and meet DEED risk standards

Minnesota Loan Guarantee

Perla Mayo, Director of Lending
Neighborhood Development Center
Saint Paul

Small Business Loan Participation - Borrowers

- Borrowers apply directly with lenders
- Credit decisions made by enrolled lenders
- No specific targeted industry or loan purpose (SSBCI restrictions apply)
- Lenders have been selected and will begin loan enrollment once contracts are complete
- Approved lenders are community-based organizations serving businesses that have limited access traditional bank financing
- Lender directory coming soon to DEED's [program site](#)

Small Business Loan Participation - Lenders

- DEED purchases 25% of lender's loan, 30% if SEDI-owned
- Minimum purchase \$10,000, maximum \$250,000
- Term loans and lines of credit allowed (some restrictions)
- State is subordinate in the event of a default
- Loans enrolled first come, first served while funds are available
- Loans must comply with SSBCI regulations and meet DEED risk standards

Multi Fund/Direct Investment VC

- UMN's Office of Investments & Banking managing both programs
- UMN will invest in funds as a limited partner in venture capital funds (\$22.5M) and make direct investments (\$12M)
- Focus is MN startups in agtech/foodtech, life sciences, climate tech, advanced manufacturing, software and technology
- DEED will ensure investments meet SSBCI compliance requirements
- Both programs open for application at <https://mnssbcivc.umn.edu/>



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Thank you!

Contact the SSBCI team with additional questions:

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