



INFORMATION BRIEFING ON INTERMEDIARY LENDING PILOT PROGRAM (ILPP)

April 2011

Topics for discussion

- ▶ Overview of Intermediary Lending Pilot Program (ILPP)
- ▶ Eligibility Requirements for ILP Intermediaries
- ▶ Terms of SBA Loans to ILP Intermediary
- ▶ Lending and Loss Reserve Requirements
- ▶ Loans to Small Businesses
- ▶ Terms of Loans to Small Businesses
- ▶ ILP Intermediary Reporting Requirements
- ▶ How do I apply to become an ILP Intermediary
- ▶ Selection Process
- ▶ Evaluation Criteria
- ▶ Resources and Q&A

Overview of Intermediary Lending Pilot Program (ILPP)

Program overview

- ILPP is a three year pilot program authorized in the Small Business Jobs Act of 2010.
- SBA makes direct loans of up to \$1 million to up to 20 non-profit lending intermediaries each year.
- Intermediaries will then use the ILP loan funds to make loans of up to \$200,000 to startup, newly established, or growing small businesses.

Impact of this program

- **Address current financing gaps including :**
- Limited availability of commercial loans of \$200,000 or less
- Borrowers with declining collateral values, lower credit scores
- Lenders with less funding available for loans and lower appetite for risk lending to tighter underwriting standard
- Certain populations remaining underserved (e.g. LMI, EZ/RC, HUBZones)

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Eligibility Requirements for ILP Intermediaries

	Intermediary
Organization	<ul style="list-style-type: none">• Private, nonprofit entity, other than a current Microloan Intermediary (affiliates may be eligible)
Experience	<ul style="list-style-type: none">• 1 year of experience making loans to startup, newly established, or growing small business concerns• <i>Experience in making and servicing commercial loans in amounts between \$50,000 - \$200,000</i>

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Terms of SBA Loan to ILP Intermediary

Maximum Loan Amount	\$1,000,000
Interest Rate	1% per annum
Term	20 years from date of the note
Repayment	Quarterly payments of interest and principal; ACH payments will be required through www.pay.gov .
Deferment	First payment on an ILP Loan is deferred for two years from date of the first disbursement. Interest will accrue on all disbursed funds during the deferment period. Accrued interest will be added to the outstanding principal balance at the end of the deferment period and amortized over the remaining life of the note.

Terms of SBA Loan to ILP Intermediary

Disbursements	<ul style="list-style-type: none">• Disbursements will be limited to \$500,000 at a time<ul style="list-style-type: none">– Subsequent disbursements will be permitted once an ILP intermediary has loaned out 80% or more of previously disbursed funds– Disbursements of less than \$250,000 will not be permitted, except as a final disbursement
Prepayment	Prepayment is allowed at any time without penalty.
Collateral	SBA does not require collateral.
Fees	SBA does not charge any fees.

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Lending and Loss Reserve Requirements

- ❑ 100% of the ILPP Loan proceeds must be used to make loans to small businesses.
- ❑ ILP Intermediaries must deposit the principal portion of all payments received from borrowers into an ILP Relending Fund. These funds may not be comingled with funds from any other programs.
- ❑ ILP Intermediaries must relend a percentage of the funds in the ILP Relending Fund until their loans from SBA are fully repaid.
- ❑ ILP Intermediaries must maintain a loss reserve of at least 5% of the principal balance of all outstanding loans to small businesses made from the ILP Relending Fund.



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Loans to Small Businesses

- ❑ The ILP program is a delegated program – ILP Intermediaries are responsible for all loan decisions regarding eligibility (including size).
- ❑ Businesses must meet the same size and type of business requirements as for the 7(a) program.
- ❑ ILP Intermediaries will use their own forms.
- ❑ ILP Intermediaries must analyze each application in a commercially reasonable manner consistent with prudent lending standards.
- ❑ ILP Intermediaries must document that the small business borrower does not have credit available elsewhere.



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Terms of Loans to Small Businesses

Maximum Loan Amount	\$200,000
Maximum Interest Rate	Loans \$50,000 or less – 8.75%
	Loans greater than \$50,000 – 7%
Use of Proceeds & Maximum Maturity Periods	Working capital – 10 years
	Furniture, fixtures, materials, supplies, and equipment – 25 years
	Real estate – 25 years
Allowable Fees	Necessary out-of-pocket expenses, such as filing or recording fees
	Reasonable direct costs of liquidation
	Late payment fees may not exceed 5% of the scheduled loan payment
	Reasonable application and origination fees (total fees must not exceed 1% of the loan amount)

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ILP Intermediary Reporting Requirements

- Within seven days from the closing of a loan to the ultimate borrower, enter into the electronic reporting system
- On a quarterly basis, provide an electronic report on ILP Relending Fund activities with bank statements
- On a quarterly basis, electronically update the payment status and outstanding principal balances of loans to borrowers
- On an annual basis, provide audited financial statements or A-133 Single Audit, as applicable.

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How do I apply to become an ILP Intermediary?

- 1 Read the ILP program regulations in the Federal Register and the ILP Program Announcement. Verify that your organization meets the ILP program requirements
- 2 Complete the ILP Program Application for Selection (SBA Form 2417)
- 3 Submit the completed application to SBA (hard copy and on CD) by June 10

ILP Regulations, Program Announcement, and Application for Selection are available at www.sba.gov/content/intermediary-lending-pilot.



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Selection Process

- ❑ Competitive application process – Applicants will be evaluated on nine criteria. See the ILP Program Announcement for further details.
- ❑ SBA will select up to 20 of the most qualified applicants to become ILP Intermediaries and receive an ILP Loan of up to \$1 million in FY 2011.
- ❑ SBA will select an additional 20 ILP Intermediaries through a second competitive application round in FY 2012.



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Evaluation Criteria

▶ Section I: Organization

- 1) Strength, depth and experience of applicant's governing board, committees, and management team
- 2) Strength, depth and experience of applicant's lending staff



Evaluation Criteria

▶ Section II: Lending Plan Narratives

- 3) Need and demand for ILP program assistance in the targeted geographic area(s)
- 4) Ability of lending strategy to meet the needs and demands of the targeted geographic area(s)
- 5) Applicant's prior experience making small business loans of between \$50,000 and \$200,000
- 6) Likelihood of success of applicant's ILP lending strategy and ability to mitigate risks in ILP portfolio
- 7) Ability to comply with ILP program requirements



Evaluation Criteria

▶ Section III: Financial Health and Capitalization

- 7) Strength of applicant's current financial condition and capitalization
- 8) Ability of applicant to operate soundly and in an economically viable manner while participating in the ILP program



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Resources and Q&A

There are a number of resources available to help answer questions about the ILPP program:

Visit our website: www.sba.gov/content/intermediary-lending-pilot.

- ▶ You will find the latest information about the program on this site

Contact:

- ▶ Small Business Administration District Offices
 - Find your local office at: <http://www.sba.gov/about-offices-list/2>

Questions?