



**LUNCH
AND
LEARN**



Lunch & Learn Series with BDC Capital



Navigating Non-Conventional Credit Enhancement Programs

Tuesday, February 13, 2024

12pm-1pm

The “Alphabet Soup” of Commercial Lending Programs:

1. ABL – Asset-Based Lending
2. CAP – Capital Access Program
3. CDFI – Community Development Finance Institution
4. RLF – Recycling Loan Fund
5. SBIC – Small Business Investment Company
6. SSBCI – State Small Business Credit Initiative
7. SBA 504 – Small Business Administration 504 Loan
8. SBA 7(a) – Small Business Administration 7(a) Loan
9. SBA CA – Small Business Administration Community Advantage

1. ABL – Asset-Based Lending – Private Lenders

- **Type of Program:** Working capital primarily lending against A/R and inventory; fully-followed with Stucky-type software, lock box, and field audits
- **Basic Eligibility:** Companies with A/R: manufacturers, distributors, service, etc.
- **Loan Size:** \$1 million and up
- **Typical Borrower:** Companies with temporary losses; leveraged transactions
- **Lenders:** BDC Capital (\$1-10 million); Second Ave. (\$5-50 million - targets retailers); MidCap Business Credit (\$5-20 million); various banks (minimum \$3-5 million and above)

2. CAP – Capital Access Program – State Program

- **Type of Program:** Loan loss cash reserve at the bank; bank charges a 3% fee with a match from the administrator to grow the reserve; easy to use: 2-page enrollment form
- **Basic Eligibility:** For profit and non-profit located in that state; any business purpose, but not investment real estate; can be a start-up
- **Loan Size:** Typically for loans up to \$500,000 or \$750,000; no minimum; average is \$100,000 in MA
- **Lenders:** Programs in MA (BDC Capital); RI (BDC Capital); NH (NHBFA); CT (CT Innovations)

3. CDFI – Community Development Finance Institution – Federal Program

- **Type of Program:** Loans or equity for underserved communities
- **Basic Eligibility:** For minority-owned and businesses located in low-to-moderate income communities; most CDFIs focus only on affordable housing like BlueHub Capital
- **Loan Size:** \$50,000 to \$5 million
- **Lenders:** BDC Community Capital for operating businesses; various micro lenders like Mass. Growth Capital Corp., SEED, Common Capital

4. RLF – Recycling Loan Fund – State Program

- **Type of Program:** Funded by Mass. Department of Environmental Protection (MA DEP)
- **Basic Eligibility:** For recycling and re-use business located in Massachusetts
- **Loan Size:** Term loans from \$50,000 to \$500,000 with below market interest rates and up to a 10-year term
- **Lenders:** BDC Capital – loan program; MA DEP has a grant program (\$25,000-\$400,000 applications due by Friday, March 29, 2024)

5. SBIC – Small Business Investment Company – Federal Program

- **Type of Program:** Leverages private capital for mezzanine and equity investments
- **Basic Eligibility:** Companies with good management, strong cash flow, and a protectable niche
- **Loan Size:** \$15 million and up
- **Lenders:** Seacoast Capital (MA); Balance Point Capital Partners, L.L.C. (CT); (BDC Capital provides mezzanine, but not through an SBIC: \$1 to \$7 million)

6. SSBCI – State Small Business Credit Initiative – Federal Program

- **Type of Program:** Term loan participation program with bank in a first-out position
- **Basic Eligibility:** Companies located in that state; any business purpose, but not investment real estate
- **Loan Size:** typically \$20,000 to \$500,000 but BDC Capital/RI Capital can go up to \$3 million
- **Lenders:** RI: BDC Capital/RI Capital; SEED, RI BDC; NH: NHBFA; MA: Mass. Growth Capital Corp.

7. SBA 504 – Small Business Administration 504 Loan – Federal Program

- **Type of Program:** Federally funded up to 40% of project for owner-occupied real estate and fixed assets
- **Basic Eligibility:** Must occupy at least 51% of square footage; personal guarantees required
- **Loan Size:** Up to \$5.5 million for SBA piece; 90% financing with fixed rates of 10, 20, and 25 years
- **Lenders:** Certified Development Companies: CDC New England (BDC Capital's affiliate); Bay Colony; Granite State; SEED; Ocean State; CIC

8. SBA 7(a) – Small Business Administration 7(a) Loan – Federal Program

- **Type of Program:** Guarantee program for most business purposes including working capital
- **Basic Eligibility:** See SBA SOPs (!); to be used when cash flow is tight, collateral is short, or leverage is high
- **Loan Size:** Up to \$5 million
- **Lenders:** Most banks and credit unions

9. SBA CA – Small Business Administration Community Advantage – Federal Program

- **Type of Program:** Guarantee program for businesses in underserved markets, such as startups, veteran-owned companies and businesses in low-income communities
- **Basic Eligibility:** For any business purpose
- **Loan Size:** Up to \$350,000
- **Lenders:** Direct lending by: BDC Capital, some Certified Development Companies, CDFIs, and SBA microloan intermediaries

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