

LendAL FAQs

Where does LendAL's capital come from?

The State of Alabama was awarded up to \$98 million from the United States Department of the Treasury through the State Small Business Credit Initiative. Of this, up to \$65 million is allocated to support debt capital lending. Innovate Alabama manages this program, which offers lenders three different credit enhancements that share the credit risk with the lender. With this lower credit exposure, lenders can find themselves approving a loan they otherwise could not. This does not mean that the lender will approve any loan request. The borrower still needs to demonstrate the ability to repay the loan. Innovate Alabama receives the funds in three tranches and can only access the next tranche once it successfully deploys 80% of the previous tranche and passes Treasury compliance audits.

What are LendAL's targeted borrowers?

LendAL can support loans of up to \$5,000,000 to businesses with up to 750 employees. The business does not need to be headquartered in Alabama, but the loan proceeds and benefits need to occur in Alabama. Borrowers can range from new startups all the way to well-established businesses. Loans do not flow directly from Innovate Alabama but rather through an enrolled lending institution. Innovate Alabama provides a credit enhancement to share in the loan risk in case the borrower is unable to repay it. Innovate Alabama's mission is focused on entrepreneurship, technology and innovation. Innovate Alabama implements programs and policies that support Alabama's innovation ecosystem. Through these efforts, Innovate Alabama empowers entrepreneurs, business owners and students to build a business, a career and a life in Alabama. As such, cutting edge, high growth companies are a focus of LendAL, but not exclusively. Supporting the capital needs of Alabama's entrepreneurs is the focus of these SSBCI funds.

What is the process of receiving a loan enhanced by LendAL?

The first step is to engage a lender or technical assistance provider to prepare to apply. If the lender is unable to approve your loan, they can seek one of Innovate Alabama's credit enhancements to share the risk of the loan. If this lowers the lender's risk to an acceptable level, they can approve the loan and provide your business with the capital it needs.

If you are looking for a loan, please [complete this short capital needs survey](#).

How long does getting a loan take?

There is no predetermined timeframe to get a loan. A loan could be approved within five days, or it may take several months. Much of the timing is determined by your business' readiness to submit a financial package and business plan for the loan review process.

Taking advantage of technical assistance can help you do so.



How can I use the loan proceeds?

By design, loan proceeds may be used for a wide range of purposes. It is easier to list uses that are *prohibited* which are the following:

- Repaying delinquent federal or jurisdiction income taxes unless the borrower has a payment plan in place with the relevant taxing authority;
- Repaying taxes held in trust or escrow (e.g., payroll or sales taxes);
- Reimbursing funds owed to any owner, including any equity investment or investment of capital for the business's continuance; or
- Purchasing any portion of the ownership interest of any owner of the business except for the purchase of an interest in an employee stock ownership plan qualifying under section 401 of Internal Revenue Code, worker cooperative, employee ownership trust, or related vehicle, provided that the transaction results in broad-based employee ownership for employees in the business and the employee stock ownership plan or other employee-owned entity holds a majority interest (on a fully diluted basis) in the business. This prohibition applies to the acquisition of shares of a company or the partnership interest of a partner when the proceeds of the loan directly supported by LendAL enhanced loan funds.

Can LendAL be used to refinance existing debt?

Yes – the LendAL enhanced loan can be used to refinance existing debt as long as there is a demonstrated benefit to the business. The program's benefits are intended for the borrower, so we need to see a material benefit to the business for the refinanced amount.

What is a credit enhancement, and which ones do LendAL offer for enrolled lenders?

Simply put, a credit enhancement is a program or tool that reduces or shares the risk with a lender and reduces their net exposure of potential loss on a loan. A lender will say "no" if they believe a loan is too risky, meaning that the demonstrated ability to repay the loan is questionable. The goal is to use one of LendAL's credit enhancements to make the lender comfortable with the level of risk and approve the loan; however, if the level of risk is significant, even a LendAL credit enhancement may not be enough to get a loan approved.

LendAL's three credit enhancements are listed below:

- W. H. Wills Loan Guaranty Program – This is a program where Innovate Alabama will share in the loan loss and reimburse the lender 50% of their realized loss.
- Collateral Support Program – This program is specifically designed to give a borrower the ability to offer a lender additional collateral to secure the loan. Collateral is a very important aspect of securing a loan. If there is a collateral gap keeping the lender from approving the loan, Innovate Alabama will deposit to offset the collateral gap up to 50% of the loan.
- Loan Participation Program – This program is where Innovate Alabama purchases 30% of your loan from the lender and will be subordinated to the lender if the loan is placed in default. This means that if the loan fails, the lender will get paid back before Innovate Alabama does.

You do not need to be an expert in these programs as Innovate Alabama will work on your behalf with the lender to offer the best credit enhancement for your specific loan request.