

Transaction Qualification Summary

SSBCI LendAL – Wallace Howard Wills Loan Guaranty Program

1. Borrower Eligibility

- **SSBCI-Eligible:** Borrowers must be SSBCI-eligible with an eligible business purpose.
- **Equity Injection:** Borrowers are generally required to contribute at least 10% equity into the financed project, except when the loan is for working capital or refinancing existing debt (where no equity is needed).
- **Collateral:** Acceptable collateral is required with a maximum 125% Loan-to-Value (LTV) ratio or 90% Loan-to-Cost (LTC) for the project.
- **Debt Service Coverage:** If no historical financial statements show a minimum Debt Service Coverage Ratio (DSCR) of 1.25:1, a pro forma must be submitted and accepted by the lender showing that the DSCR will be achieved by the second anniversary of the loan.
- **Job Creation:** Each loan must create at least one accessible full-time job (FTE) for every \$250,000 borrowed. An accessible job is defined as one that can be obtained without a four-year degree and must provide a living wage.

2. Loan Amounts

- **Minimum Loan:** \$10,000.
- **Maximum Loan:** \$5 million.
- **Guaranty:** The maximum loan guaranty is 50%, with a maximum of \$500,000 for the guaranty. Loans over \$1 million may be considered, but the maximum guaranty generally remains at \$500,000.

3. Eligible Loan Types

- Term loans, construction draw-down loans, and revolving lines of credit.
- Loans may have interest-only payments for up to 36 months (for term loans) or as specified for other types of loans.

4. Lender Requirements

- **Guaranty Percentage:** Innovate Alabama will guarantee up to 50% of the loan amount.
- **Leverage:** The program is designed to maintain a 1:1 leverage ratio, meaning that for every dollar guaranteed by Innovate Alabama, the lender must provide an equal or greater amount of private capital.

5. Loans Proceeds Usage

- Loan proceeds can be used for business expansion, working capital, equipment purchases, and other eligible business purposes.
- **Prohibited uses:** Funds cannot be used for activities such as financing extraordinary dividends, speculative activities, illegal businesses, pyramid sales, or legal gambling.

6. Loan Guaranty Terms

- **Duration:** The loan guaranty is typically valid for up to 60 months for term loans and 36 months for revolving lines of credit.
- **Guaranty Fees:** There is an origination fee of 2% (or 1.5% for Rural and SEDI borrowers). The program also includes annual maintenance fees that increase over time. For example, the maintenance fee starts at 1% in year 3 and increases thereafter, with discounts for Rural and SEDI borrowers.



7. Capital at Risk

- Lender's Exposure: Lenders must retain at least 50% of the loan risk; the program is structured as a loss share arrangement, with Innovate Alabama covering up to 50% of the loan in case of a default.

8. Compliance and Reporting

- Lenders must provide quarterly reports on loan performance, including payment status, loan balance, and financial reporting.
- Annual Reviews: Loans will be reviewed annually by the Loan Administrator for compliance with SSBCI guidelines and terms.
- Non-Performing Loans: If a loan is downgraded, the lender must report it within 30 days and submit a monthly status update for loans at risk.

9. Program Limits

- Borrower Limit: The maximum total exposure to any single borrower is \$5 million. Any loan guarantees exceeding this limit must be approved by Innovate Alabama and the Alabama Department of Finance.
- Loan Limits: Loan guarantees are typically capped at \$500,000, and the maximum total loan amount is \$5 million.

10. Eligible Businesses

- The program is designed for small businesses with 500 or fewer employees.
- Loan Size Target: The average loan size is expected to be \$200,000.