



## GUAM STATE SMALL BUSINESS CREDIT INITIATIVE (SSBCI) FAQs

### What types of credit and investment programs does the Guam SSBCI Loan Program include?

#### Program types include the following:

- Loan Guarantee Program (LGP): support private loans that may have otherwise been inaccessible or prohibitively expensive by agreeing to reduce the lender's exposure on a loan.
- Collateral Support Program (CSP): provide cash collateral to improve small business' ability to borrow funds to grow a business.
- Venture Capital Program (VC): provide capital in the form of equity investments to underserved startups and investors. For more information on Venture Capital visit the GEDA website at <https://www.investguam.com/destinuguahan/>

#### Loan Guarantee Program (LGP)

- Guarantee Amount: Up to 75% of the loan amount is guaranteed, with the guaranteed portion of the loan not exceeding \$500,000.00. The amount guaranteed is subject to negotiation between GEDA and the lender but cannot exceed 75%.
- Lenders are required to have at least 20% of their own capital at risk in each loan.
- Guarantee Term: The guarantee term is a maximum of seven (7) years.
- Interest Rates and Fees: Interest rates and fees are negotiated between the borrower and the lender.
- Collateral: Collateral is typically required, but each transaction is tailored to meet the borrower's financial situation.
- GEDA will charge a guarantee fee of 2% of the loan amount and will be due upon closing.

#### Collateral Support Program (CSP)

- Guam Collateral Support Program would provide a collateral support guarantee up to 49.9% of the amount borrowed with an average of 25%.
- Interest rates, maturity, and collateral will be negotiated between the lender and borrower.
- The minimum loan amount is \$25,000.00 and the maximum amount of collateral support is \$1,000,000.00.
- Maximum loan term of 5 years.
- Lenders are required to have at least 20% of their own capital at risk in each loan.
- Fees: GEDA will charge a program fee of 2% of the loan amount which will be due upon closing.

### What is a Loan Guarantee Program?

A Loan Guarantee Program enables small businesses to obtain term loans or lines of credit to help them grow and expand their businesses. The program provides a lender with the necessary security, in the form of a partial guarantee, for the lender to approve a loan or line-of-credit.

## **What is a Collateral Support Program?**

In collateral support programs, the state/territory opens a cash collateral account with the lender in the amount of the SSBCI collateral support. In the event the borrower defaults on the loan, the lender collects against the borrower's collateral first and then collects against the cash deposit for any remaining loss.

Per the U.S. Treasury, a CSP may be helpful when the borrower's cash flow is sufficient to repay the proposed loan, but a collateral shortfall exists because of insufficient asset values or a lender's more restrictive advance rates.

## **Can I qualify for the Collateral Support Program if I don't have any collateral?**

The CSP is ideal for small businesses that are creditworthy but do not have the necessary collateral to secure a loan to the lender's satisfaction. Please contact a GEDA Participating Lender offering the Collateral Support Program to discuss your project further.

## **What is the difference between the Collateral Support and Loan Guarantee Programs?**

The Collateral Support and Loan Guarantee programs offer different kinds of support to accomplish the same goal – increase a small business's borrowing power by reducing the lender's risk. The Collateral Support Program provides cash to pledge to the loan as additional collateral where a shortfall exists. The Loan Guarantee Program provides a GEDA guarantee to the lender to assume a portion of the risk, thereby enhancing the strength of the borrower's application and increasing the likelihood that the loan will be approved.

## **What is an eligible business purpose under the Guam SSBCI Loan Program?**

A business purpose includes but is not limited to, start-up costs; working capital; franchise fees; and acquisition of equipment, inventory, or services used in the production, manufacturing, or delivery of a business's goods or services, or in the purchase, construction, renovation, or tenant improvements of an eligible place of business that is not for passive real estate investment purchases. SSBCI funds may be used to purchase any tangible or intangible assets except goodwill.

## **How do I get a list of participating Guam SSBCI Loan Program lenders?**

Please visit the GEDA website at [www.investguam.com](http://www.investguam.com) or click the link below to view our flyer.

<https://www.investguam.com/wp-content/uploads/2024/docs/SSBCI%202.0%20Flyer.pdf>

## **What if my current lender is not participating in the Guam SSBCI Loan Program?**

Lenders wishing to opt-in to SSBCI's Loan Guarantee and Collateral Support programs may contact GEDA for more information by emailing Tara Murakami at [tara.murakami@investguam.com](mailto:tara.murakami@investguam.com), or John San Nicolas at [jsannicolas@investguam.com](mailto:jsannicolas@investguam.com) or Antoinette Leon Guerrero at [alg@investguam.com](mailto:alg@investguam.com), or call the GEDA office at (671) 647-4332.

## **What are the loan terms offered under the Guam SSBCI Loan Program?**

The interest rates and collateral requirements, along with other loan requirements, are negotiated between the borrower and the lender.

## **Can GEDA recommend a bank or lending institution to take my Guam SSBCI Loan Program application?**

Any insured bank, insured credit union, community bank or insured community development financial institution in Guam may participate in the Guam SSBCI Loan Program by formally opting into the program. GEDA Participating Lenders have taken additional steps to demonstrate that they meet all eligibility requirements and have an active interest in the Guam SSBCI loan programs. Upon completion of the participating lender process, participating lender names, points of contact and website links will be posted on the GEDA website.

### **Can a non-Guam small business participate in the Guam SSBCI Loan Program?**

The business must be licensed and authorized to conduct business in Guam and maintain an office in Guam to participate in Guam's SSBCI Loan Programs. Any loan transaction made to a small business outside of Guam must first be evaluated and reviewed by GEDA.

### **How is Very Small Business (VSB) defined?**

As defined by the U.S. Treasury SSBCI Capital Program Policy Guidelines, a VSB is a business with fewer than 10 employees at the time of the loan application and includes independent contractors and sole proprietors.

### **How does a small business self-certify that they are a Socially & Economically Disadvantaged Individual ("SEDI")?**

During the onboarding process for participation in the Guam SSBCI Loan Programs, all U.S. Treasury SSBCI required certifications will be provided to the lender. In addition, the U.S. Treasury SSBCI required program certifications, to include the SEDI certification, will be included in the Guam SSBCI Loan Program application. According to the U.S. Treasury SSBCI Capital Program Policy Guidelines, regarding the SEDI certification, businesses will be permitted to identify all the categories in item (1) to (3) that apply, including all of the subcategories in item (1) that apply. For item (1) no documentation or verification is needed, only the borrower's signature. For items (2) or (3), the certification form must include the physical address of the borrower's primary residence or the business location, whichever applicable, if in the CDFI Investment Area and requires the borrower to sign under either instance noted for (2) or (3). The borrower is required to select and sign under SEDI categories 1-3. However, SEDI category (4), if the current business physical location is currently located at the time of application in a CDFI Investment Area, only requires the business physical address. There are no signatures needed from the borrower in the instance of SEDI category (4).

### **What is a Socially & Economically Disadvantaged Individual ("SEDI") owned business?**

As defined by the U.S. Treasury SSBCI Capital Program Policy Guidelines, SEDI is any of the following: Business enterprises that certify that they are owned and controlled by individuals who have had their access to credit on reasonable terms diminished as compared to others in comparable economic circumstances, due to their (1) membership of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society; (2) gender; (3) veteran status; (4) limited English proficiency; (5) disability; (6) long-term residence in an environment isolated from the mainstream of American society; (7) membership of a federally or state-recognized Indian Tribe; (8) long-term residence in a rural community; (9) residence in a U.S. territory; (10) residence in a community undergoing economic transitions (including communities impacted by the shift towards a net-zero economy or deindustrialization); or (11) membership of another "underserved community" as defined in Executive Order 13985; Business enterprises that certify that they are owned and controlled by individuals whose residences are in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii); Business enterprises that certify that they will operate a location in a CDFI Investment Area, as defined in 12 C.F.R. § 1805.201(b)(3)(ii); or Business enterprises that are located in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii).

### **What types of businesses are eligible to participate?**

Permissible borrowers may include jurisdiction-designated charitable, religious, or other non-profit or philanthropic institutions; government-owned corporations; consumer and marketing cooperatives; and faith-based organizations, provided the loan is for a "business purpose" as defined below. Permissible borrowers may also include sole proprietors, independent contractors, worker cooperatives, and other employee-owned entities, as well as Tribal enterprises, provided that all applicable program requirements are satisfied.

### **What is an acceptable eligible business purpose?**

According to the U.S. Treasury SSBCI Capital Program Policy Guidelines, an acceptable eligible business purpose includes, but is not limited to, start-up costs; working capital; franchise fees; and acquisition of equipment, inventory, or services used in the production, manufacturing, or delivery of a business's goods or services, or in the purchase, construction, renovation, or tenant improvements of an eligible place of business that is not for passive

real estate investment purposes. SSBCI funds may be used to purchase any tangible or intangible assets except goodwill.

### **What types of business activities are ineligible?**

- A business engaged in speculative activities that profit from fluctuations in price, such as wildcatting for oil and dealing in commodities futures, unless those activities are incidental to the regular activities of the business and part of a legitimate risk management strategy to guard against price fluctuations related to the regular activities of the business or through the normal course of trade;
- A business that earns more than half of its annual net revenue from lending activities, unless the business is (1) a CDFI that is not a depository institution or a bank holding company, or (2) a Tribal enterprise lender that is not a depository institution or a bank holding company;
- A business engaged in pyramid sales, where a participant's primary incentive is based on the sales made by an ever-increasing number of participant's;
- A business engaged in activities that are prohibited by federal law or, if permitted by federal law, applicable law in the jurisdiction where the business is located or conducted (this includes businesses that make, sell, service, or distribute products or services used in connection with illegal activity, unless such can be shown to be completely outside of the businesses' intended market); this category of businesses includes direct and indirect marijuana businesses, as defined in Small Business Administration (SBA) Standard Operating Procedure (SOP) 50 10 6, or
- A business deriving more than one-third of gross annual revenue from legal gambling activities, unless the business is a Tribal SSBCI participant, in which case the Tribal SSBCI participant is prohibited from using SSBCI funds for gaming activities but is not restricted from using SSBCI funds for non-gaming activities merely due to an organizational tie to a gaming business. For purposes of Tribal SSBCI programs, "gaming activities" includes only "class II gaming" and "class III gaming" as these terms are defined under the Indian Gaming Regulatory Act (IGRA), 25 U.S.C. § 2703.

### **Can a lender charge fees for an SSBCI Loan Program?**

The U.S. Treasury SSBCI Capital Program Policy Guidelines allows lenders to charge a program fee or loan fee of up to \$750 on loan transactions less than \$25,000. Program fees for loans greater than \$25,000 will be capped at 3%.

### **Is there a job creation requirement for the Guam SSBCI Loan Programs?**

The minimum job requirement is one new permanent full-time job created or retained.

### **Is there an interest rate cap?**

At the time of obligation, the interest rate on all loans or lines of credit are to be negotiated between the lender and borrower.

The interest rate for each individual loan, at the time of the obligation and throughout the term of the loan, may not exceed the National Credit Union Administration's (NCUA) interest rate ceiling for loans made by federal credit unions as described in 12 U.S.C. § 1757(5)(A)(vi)(I) and set by the NCUA board. The NCUA's permissible interest rate ceiling supports its mission to protect credit unions and its consumers. In choosing to adopt the NCUA interest rate ceiling, Treasury aims to ensure that small businesses that participate in SSBCI receive loans that are economically beneficial to them.

### **Can a borrower participate in multiple SSBCI Loan programs?**

Yes, a borrower may apply to multiple Guam SSBCI Loan Programs so long as the borrower meets the program and lender eligibility requirements to include providing documentation showing the borrower will use the loan proceeds from the two loans for different purposes. However, the prohibition of duplication of benefits still applies to all Guam SSBCI Loan Programs. GEDA must also adhere to overall SSBCI lending limits per borrower.

**Can the borrower be a non-profit entity?**

Yes, the borrower may be a non-profit entity if the non-profit entity has an eligible SSBCI business purpose as defined in the U.S. Treasury SSBCI Capital Program Policy Guidelines.

**Would purchasing a truck in year one and an additional truck in year 2 be considered a duplication of benefits since it is for the same business purpose, even though they are different pieces of equipment?**

No, the additional truck purchase would not be a duplication of benefits. The business purpose in this example would be for the expansion of delivery/transportation services provided by the company. Under a scenario such as this, thorough documentation is recommended to explain the reason for the subsequent loan.

**How many lenders have been approved to participate in the SSBCI Loan Program?**

To date, there are three (3) approved GEDA SSBCI Participating lenders, please see below.

**What is the maximum amortization period allowed?**

There is no maximum amortization period. The amortization is based on the lender's credit policy.

**Does the lender use their internal application and forms or does GEDA have a SSBCI Loan Program application and forms to provide?**

The Guam SSBCI Loan Program has an enrollment application. Business owners interested in applying for a SSBCI Loan Programs should contact a participating lender of your choosing and inquire about applying for a business loan using the Guam SSBCI Loan Program.

**What if my current lender is not on the participating lender list?**

Lenders wishing to opt-in to SSBCI's Loan program may contact GEDA for more information by emailing Tara Murakami at [tara.murakami@investguam.com](mailto:tara.murakami@investguam.com), John San Nicolas at [jsannicolas@investguam.com](mailto:jsannicolas@investguam.com), Antoinette Leon Guerrero at [alg@investguam.com](mailto:alg@investguam.com), or calling GEDA's office at (671) 647-4332.

**What do I need to apply?**

The lender will complete the loan application, underwrite the loan application and request any supporting documentation to complete that process; individual requirements will vary based on the lender's credit policy.

**Can I refinance existing debt?**

Restrictions apply to refinancing and other uses. Contact a Participating Lender for more information.

**GEDA Participating Lenders**

Any Guam insured depository bank, insured depository credit union or insured depository community development financial institution may participate in the SSBCI Loan Programs by formally opting into the program. GEDA Participating Lenders have taken additional steps to demonstrate that they meet all eligibility requirements and have an active interest in Guam SSBCI Loan Programs. To date, the following financial institutions have qualified for GEDA Participating Lender status:



**Bank of Guam** – Janine Eustaquio, (671) 472-5349



**Community First Federal Credit Union** – Michael Finona, (671) 472-8210



**BankPacific Ltd** – Billyscott Bernardo, (671) 479-1157