Federal Government's State Small Business Credit Initiative (SSBCI)

*The original SSBCI provided funding, allocated through a statutorily created formula and. distributed in one-third increments (called tranches).

SSBCI 1.0 – S.C. using it for Loan Participation

Federal Government

- -Funds available 2011 through 2017 S.C. applied for and received all funds available
- -90%+ of funds went to loan participation program, remaining went to Capital Access Program (BCD was already running the CAP)
- -Requires 1:1 match of SSBCI to private funds
- -10:1 leverage of private to SSBCI funds over 10 year period is required
- -Loan must be to business headquartered in S.C. and not allowed for passive investments (e.g.,



- (separate application, etc. for each Tranche) and receives money
- -Initial agreement was that 20% would go back to JEDA at the end of the program in case JEDA wanted to do a loan program and 80% would stay with BDC as long as BDC maintained the program. Program was successful so JEDA loaned the 20% it was owed back to BDC to enable BDC to make more loans, instead of JEDA running its own separate loan program.
- -JEDA contracts with BDC to administer the program (see S.C. Code 41-43-300)



Business Development Corporation

Sends Tranche 2 funding

(owned by 35 member banks – basically every bank in the state; BDC is an SBA lender)

-1:1 match of SSBCI to private funds

Sends Tranche 1 funding

- -Inform everyone it is available, but must enter contract with BDC to take part.
- -18 banks initially enter contracts with BDC; banks can be added at anytime
- -Once bank has contract with BDC, bank can come to BDC and ask BDC to participate in a loan if the bank is unable to loan any more loans (federal regulations limit amount banks can loan loan to value ratio)
- -BDC did not have to participate in every loan a bank brought to them (BDC turned down ??%)



SSBCI 2.0 – S.C. using it for Loan Participation & Venture Capital

Federal Government

- -Requires 1:1 match of SSBCI to private funds
- -Requires 10:1 leverage of private to SSBCI funds over 10 year period
- -Overall program must meet 55.66% SEDI (Socially and Economically Disadvantaged Individuals) with money going into businesses: (1) owned by individuals that qualify under SEDI
- requirements; (2) located in SEDI business tract; or (3) business owned by an individual that lives in SEDI census tract (includes community banks, businesses borrowing from them, venture capital funds and the companies they are investing in)
- -SEDI requirements mean a good portion of money will be invested in smaller companies



JEDA

JEDA completes all necessary paperwork for tranche 1 by the February deadline, but the federal government then changed the requirements in March

-Application outlines S.C.'s plan for the SSBCI program funds. Application this time is for 50% loan participation and 50% venture capital, as opposed to in SSBCI 1.0 in which most went to loan participation and some to CAP). Application had to include who JEDA was contracting with to do the program (i.e., loan participation with BDC and venture capital with InvestSC). InvestSC was used because it already had past experience in doing a venture capital program. Application required lots of documentation from the entities JEDA would be contracting with (e.g., audited financial statements, etc.)

*No money is owed back to federal government

