RECOVERY LOAN LOSS RESERVE FUND – FAQ

1. **Who is eligible for the Recovery Loan Loss Reserve Fund?**
   Any entity with small or micro business lending experience that is a Community Development Finance Institutions (CDFI) certified by the US Department of Treasury, or a Minority Depository Institution (MDI) recognized by the FDIC. At the time of application, applicants must be able to provide their current certification by the U.S. Department of Treasury or FDIC letter of recognition to support their MDI status.

2. **Are only NJ based CDFIs and MDIs able to apply for the Recovery Loan Loss Reserve Fund?**

   A CDFI or MDI located outside of NJ can apply to this program and does not have to be based in NJ, but all loans registered under this fund would need to be for NJ based businesses only.

3. **What is the purpose of the Recovery Loan Loss Reserve Fund**?

   The Recovery Loan Loss Reserve Fund offers CDFIs and MDIs the ability to leverage their own non-federal, state, or public resources to provide working capital loans that fit within certain approved parameters as stated in the Recovery Loan Loss Reserve Fund Board Memo. CDFIs/MDIs can register eligible loans for a 50% guarantee in the event of default throughout the term of the loan allowing them to take on more risk and exposure and to do more lending.

4. **When and where can I apply for the Recovery Loan Loss Reserve Fund?**

   The online application will go live in May 2023 and will be available at: Recovery Loan Loss Reserve Fund - NJEDA

5. **Is there an application fee?**

   Yes, there is a $1000 non-refundable application fee per applicant that will be required at the time of application. Before submitting the application, the applicant will be asked to pay the fee by credit card.

6. **What documentation may be required of the CDFI/MDI at the time of application submission?**

   Please reference the Recovery Loan Loss Reserve Fund Board Memo for the loan program qualifications that must be offered to receive support by the guarantee. NJEDA will also request applicants to provide supporting documentation to confirm that the funding for the administered loan program is available and not from a federal, state, or public funding source. A current tax clearance certificate from the NJ Division of Taxation will be required. Please reference the applicant checklist for additional information to be submitted by each CDFI/MDI at the time of the Recovery Loan Loss Reserve Fund application.

7. **What is the funding source for the Recovery Loan Loss Reserve Fund?**

   This product is funded through the federal State Small Business Credit Initiative (SSBCI).

8. **What is the State Small Business Credit Initiative (SSBCI)?**

   SSBCI is a federal program administered by the Department of the Treasury (Treasury). Funding from this federal program is used to strengthen state programs that support private financing to small businesses. SSBCI is designed to cause and result in the lending and investment of private capital into small businesses.

   Where can I find more information on required SSBCI compliance and guidelines? SSBCI program rules including the **Capital Program Policy Guidelines** and **Capital Program Reporting Guidance** can be found on the following US Department Of The Treasury website: https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci

9. **What type of loan product can be supported by the Recovery Loan Loss Reserve Fund?**

   The CDFI/MDI can provide working capital loans that fit SSBCI requirements and the product parameters as stated in the Recovery Loan Loss Reserve Fund Specifications . Each CDFI or MDI will utilize their own credit terms, underwriting practices, and application processes for the administration of the loans backed by the Authority's guarantee

10. **Can the allocation be used to support existing working capital loan programs already offered by the CDFI or MDI?**

    Yes, each CDFI or MDI that applies to this product may use either a new lending program or an existing one. The program is still required to meet the required loan features as mentioned in the Recovery Loan Loss Reserve Fund Board Memo. In neither case can the loan be leveraged by public, state, or federal sources of funding.

11. **What are the permitted uses for the loans that will be supported by the guarantee?**

    Loans may be used by the business for operating expenses only. Examples of permitted uses include payroll, marketing, inventory, rent, mortgage/property tax payments, utilities, or any other expenses that are applicable to the daily operation of the business.

12. **Are there loan usages that cannot be supported by the guarantee?**

    Yes, ineligible expense uses include:

    - any refinancing of existing debt
    - purchases of equipment
    - construction, reconstruction, demolition, alteration, repair work,

maintenance work, or construction related to installation of equipment where such activity exceeds $1,999.99.

Loans that do not fit the criteria of the eligible uses will not be eligible to use the guarantee

13. What is the maximum amount of loan guarantee that can be applied to each working capital loan?

NJEDA will cover 50% of the loan balance in the event of a loan default.

14. What is the maximum loan term for each loan guarantee?

Each loan term can have a maximum term of 7 years.

15. When must the CDFI/MDI inform NJEDA of the loan guarantee request?

All loans must be registered with NJEDA within 90 days after the closing date of the loan as per the Master Guarantee Agreement. If any loan is beyond the 90-day window or does not fit the criteria of the eligible uses, the loan will be deemed ineligible for the benefit of the 50% guarantee.

It is up to the CDFI/MDI to ensure all loans meet the necessary state and SSBCI criteria to be eligible. All documents must be received by NJEDA, and if any necessary information is missing due to the CDFI or MDI not providing it, NJEDA will not be held responsible for guaranteeing the loan.

16. How long can CDFI/MDI register loans guarantees under this program?

The Master Guarantee Agreement with NJEDA will last for the length of the SSBCI allocation agreement executed by US Treasury and NJ Treasury, and loans can be registered for up to this term.

17. What is the maximum fund amount that each CDFI or MDI can qualify for?

At the time of application each CDFI/MDI can opt in for an allocation up to $2.5 million.

18. Should the CDFI/MDI exhaust the maximum allocation of $2.5 million, will there be an opportunity to apply for more funding?

Yes, at 3 years from the closing date, NJEDA will assess the overall performance to ensure the program is being utilized and the potential to increase the allocation beyond $2.5 million should funding still be available or if an applicant opts out.

19. What happens if the fund is not utilized as agreed upon at the time of approval?

At 3 years from closing date with NJEDA staff will assess overall performance and if the CDFI/MDI does not utilize at least 50% of the loan loss reserve then the agreement will be reduced or terminated per the Master Guarantee Agreement.

20. What is the 1:1 match required by this program?

Each dollar of SSBCI capital must be matched by at least another dollar of private capital at the time of the working capital loan funding. Public funding, including NJ state funding, does not count toward that match. CDFIs and MDIs that have received grants from NJEDA to create lending products cannot use this guarantee to support the product.

The allocation of funding is designed to allow the portfolio to reach a leverage ratio (private capital to SSBCI funds) of 10:1 over a ten-year period.

21. In the event of a loan default, are there requirements that must be met by the CDFI/MDI before the funds can be drawn upon?

Yes, the EDA will hold the funds until they are drawn on. Before there is a request to draw upon the fund, the CDFI or MDI must demand and pursue full repayment from the business and forward that demand to the Authority. Upon paying the guarantee, NJEDA will require the CDFI or MDI to use its best efforts to collect the debt. NJEDA will cover 50% of the balance of the loan when the default is filed.

The Master Guarantee Agreement will further outline the process each entity should take to draw on the NJEDA's guarantee of the defaulted loan

22. How will the CDFI/MDI be required remit payment to NJEDA for any debt collected on defaulted loans supported by the guarantee?

CDFI/MDIs should remit repayment to NJEDA on a first loss basis. The guarantee will be a first loss guarantee, meaning a) to the extent there is any collateral to be liquidated, the CDFI or MDI is made whole before EDA is repaid and b) to the extent the CDFI or MDI is repaid by the borrower, it is made whole before the EDA is repaid.

23. If approved for the allocation, are there any reporting requirements?

Yes, CDFIs/MDIs will need to provide NJEDA with reporting on a quarterly, annual, and/or as needed basis and are responsible for collecting all applicant data to include but not limited to business ownership, demographic information to identify SEDI applicants, and other necessary documentation from borrowers as defined by state and SSBCI compliance guidelines

***The CDFI/MDI will need to maintain all files and documentation in case of an audit. ***

24. When are the initial quarterly reports due?

The first quarterly reports are due by July 14, 2023. All due dates and templates will be provided to the participating CDFIs/MDIs

25. Where can I find more information on required SSBCI reporting?

Additional information including SSBCI **Capital Program Reporting Guidance** can be found on the following US Department of The Treasury website: https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci