



# MICHIGAN BUSINESS GROWTH FUND COLLATERAL SUPPORT PROGRAM

The intent of the Michigan Business Growth Fund Collateral Support Program (MBGFCSP) is to address collateral shortfalls that would otherwise not allow a lender to provide new financing to a small business operating in Michigan. The program addresses these shortfalls by providing cash collateral to enhance the collateral coverage of borrowers.

These cash collateral deposits will cover all or a portion of a calculated collateral shortfall as described by the lending institution. Lenders which identify a potential borrower with a collateral shortfall will apply for coverage through the Michigan Economic Development Corporation (MEDC), which provides the administrative services for the program for the Michigan Strategic Fund (MSF). If approved, the MSF will deposit the cash into an interest-bearing account with that lender and this account will then be pledged as collateral on behalf of the borrower. For amortizing loans, the MSF will draw down the account as the loan principal is paid. Non-amortizing loans including working capital lines of credit, are supported by a cash collateral deposit equal to the maximum possible collateral support. In the event of full default, the lender will have rights to the account less a liquidation fee.

## ELIGIBLE BORROWERS

- To qualify, a business must be engaged with a private lender for the purpose of acquiring a commercial extension of commercial credit and must exhibit a collateral shortfall according to the lender's analysis
- Borrower must have no more than 750 employees, and otherwise comply with all state and federal requirements for the program

## ELIGIBLE BORROWERS

The MEDC is now accepting applications for the Michigan Business Growth Fund Collateral Support Program (MBGF-CSP).

Interested borrowers and/or lenders can contact the MEDC through the program's email address at [businessloans@michigan.org](mailto:businessloans@michigan.org).

## LENDER FACTS AND INFORMATION

The Michigan Business Growth Fund Collateral Support Program (MBGFCSP) is the one of the programs launched under the Michigan Business Growth Fund. The program is funded by federal support provided under the federal State Small Business Credit Initiative ("SSBCI") Act of 2010, and subsequently under the reauthorization of SSBCI in 2021, are designed to assist lenders and borrowers in financing projects including the acquisition and/or improvement of real estate, the acquisition of equipment, or to provide working capital availability.

FDIC regulated banks, NCUA regulated credit unions, CDFIs, and lenders regulated by Farm Credit Services are all eligible lenders for this program. Individual lender eligibility may be affected by those lenders standing with the appropriate regulatory agency.

## PROGRAM GUIDELINES

Among the guidelines:

- To be eligible for the program the borrower must participate in a qualified industry:
  - » For a single loan or combination of loans, supported by the Program, totaling \$500,000 or less, a borrower is generally eligible regardless of industry in which it operates, with limited exceptions as determined by the program;
  - » For a single loan or combination of loans, supported by the program, totaling \$500,001 or more, a borrower must operate primarily in one or more of the following industries: mobility, manufacturing, professional and corporate services, medical device technology, engineering, design and development, high tech, agribusiness, tourism, logistics, and financial services.
- The entire proceeds of the credit facility must be used for projects within the state of Michigan.
- The program can support up to 49.9 percent of a new extension of commercial credit.
- The maximum participation is capped at \$5,000,000, and may not be used to support individual extensions of commercial credit of greater than \$20,000,000.



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## PROGRAM GUIDELINES continued

- The program shall enhance the collateral position of borrowers by depositing cash into accounts at participating lending institutions which will then be pledged as collateral on behalf of the borrower on a transaction-by-transaction basis.
  - Personal guarantees are required from any individual holding a 20 percent or more ownership interest of the borrower. In the event that no one individual holds at least a 20 percent ownership in the entity acting as the borrower, the program will require a personal guarantee from at least one owner. The guaranty is normally subordinate to the existing exposure for the project of the participating lender at the time of closing.
  - The program balance shall be reduced proportionately with the principal reduction of the extension of commercial credit so as to maintain support at the percentage of the principal amount as set at closing.
  - Losses resulting in a distribution to the lender of program funds may be paid at a rate less than 100 percent of the pledged security based on a formula in the deposit agreement.
  - The program shall collect at its determination, from the lead lender, its credit analysis, borrower financial statements, risk rating justification, cash flows and other documents which the program deems necessary.
  - The program validates that assessment and evaluates the economic development benefits to the state to determine project approval.
  - The program charges a fee at closing. This fee will be 1–2 percent of the MSF participation amount. This fee is charged to the lender.
  - The program charges an annual fee. This fee will be 1 percent of the MSF amount balance at the time. This fee is charged to the lender.
  - Participating lending institution shall be required to make periodic reports to the MSF. This includes an annual report related to any extension of credit enrolled in the program, as well as periodic reporting as may be required by SSBCI.
2. The participating lender's credit approval documents including: all financial analysis, risk rating, statement spreads, cash flows, relationship and historical documentation and collateral analysis which would typically be required to adequately satisfy traditional commercial loan underwriting.
  3. MEDC background check forms ([click here to open](#))

These documents, along with any questions should be directed to [businessloans@michigan.org](mailto:businessloans@michigan.org).

## CURRENT LIST OF PARTICIPATING FINANCIAL INSTITUTIONS

Bank of America	Isabella Bank
Bank of Ann Arbor	Lake Michigan Credit Union
Bank Michigan	LAFCU
Chelsea State Bank	Macatawa Bank
Citizens Bank	Mercantile Bank
Comerica Bank	MSU Federal Credit Union
County National Bank	Nicolet National Bank
Crestmark Bank	Northern Initiatives
Dart Bank	Northstar Bank
Embers Credit Union	Omni Community Credit Union
Fifth Third Bank	Oxford Bank
First Bank, Upper Michigan	Pathward, N.A.
First Merchants Bank	Sturgis Bank & Trust
First National Bank of Michigan	Superior National Bank
First State Bank	TriCounty Bank
Firstbank	Union Bank
Flagstar Bank	United Bank of Michigan
Greenstone Farm Credit	Upper Peninsula State Bank
Horizon Bank	Waterford Bank
Huntington National Bank	West Shore Bank
Huron Valley State Bank	
Independent Bank	
Invest Detroit	

## APPLICATION PROCESS

Please submit the following in order to be considered for participation:

1. The Michigan Loan Enhancement intake form ([click to open](#))