

MICHIGAN BUSINESS GROWTH FUND LOAN PARTICIPATION PROGRAM

The intent of the MBGF–LPP is to participate with lenders to finance expansion and diversification projects when faced with borrowers whose projected cash flows are considered speculative by the lender. The MBGF–LPP will purchase a portion of a loan from the lender and has the option to offer a grace period on the program’s portion of the loan for up to 36 months. MBGF–LPP participation is advantageous to lenders in two ways: 1) it limits the project exposure of lenders; and 2) it offers borrowers “free cash flow” during the grace period allowing full coverage on the lender’s portion of the loan. This will enable suppliers to acquire the needed financing to expand and diversify into new growth industries.

ELIGIBLE BORROWERS

- To qualify, a business must be engaged with a private lender for the purpose of acquiring a commercial extension of commercial credit for a diversification or expansion project.
- Borrower must have no more than 750 employees, and otherwise comply with all state and federal requirements for the program.

APPLICATION

- The Michigan Economic Development Corporation (MEDC) is now accepting applications for the MBGF–LPP.
- Interested borrowers and/or lenders can contact the MEDC through the program’s email address at businessloans@michigan.org. See Lender Facts and Information for more details on how to apply.cts.

LENDER FACTS AND INFORMATION

The MBGF–LPP is 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 Act of 2010, and is designed to assist lenders and borrowers in financing

expansion or diversification projects. Specifically the program seeks to enable companies to acquire the necessary financing that might otherwise be unavailable due to a cash flow shortage according to the lender’s analysis. The program will participate on loans with lenders to pursue this goal for approved projects.

PROGRAM GUIDELINES

Among the guidelines:

- To be eligible for the program the borrower must participate in a qualified industry: mining, manufacturing, research and development, wholesale and trade, film and digital media productions, office operations, or a business that is a qualified high technology business as described in MCL207.803(n). Generally this includes businesses dealing with most technological products and services.
- The entire proceeds of the credit facility must be used for projects within the State of Michigan.
- The program can purchase 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.
- The program can provide reduced or zero interest terms on its purchase (maximum 36 months).
- The program can provide reduced or zero principal repayment on its purchase (maximum 36 months).
- The program relies on the lender’s credit, operational and financial risk assessment. The private lender acts as the “lead bank.”
- The program shall collect at its determination, from the lead bank, 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 stands as a pro rata participant with respect to collateral
 - The program charges a fee at closing. This fee will typically be 1–3 percent of the MSF participation amount.
 - The lead lender shall under the terms of the Loan Participation and Servicing Agreement, service, document, perfect liens, collect interest, fees and principal; and in all other aspects manage the loan.
 - The lender is required to maintain, and provide access to, loan documents as would be customary in a typical participation with other parties.

APPLICATION PROCESS

Potential borrowers must complete a loan application with your institution. If a borrower does not meet the cash flow coverage requirements of a lender in order to obtain the targeted loan amount, the borrower may be eligible to participate in the Michigan Business Growth Fund—Loan Participation Program.

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

1. The **Michigan Loan Enhancement Program Intake Form** (click to open)
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.

These documents, along with any questions should be directed to:

Development Finance
Michigan Economic Development Corporation
300 North Washington Square
Lansing, MI 48913
businessloans@michigan.org

Current List of Participating Financial Institutions:

Bank of Michigan
Fifth Third Bank
FirstMerit Bank
Hillsdale County National Bank
Huntington National Bank
Isabella Bank
mBank
MSU Federal Credit Union
Mercantile Bank
Public Service Credit Union
Talmer Bank & Trust
The Stephenson National Bank & Trust