



# MICHIGAN BUSINESS GROWTH FUND LOAN PARTICIPATION PROGRAM

The intent of the MBGF–LPP is to participate with lenders to finance projects when faced with borrowers whose projected cash flows are considered speculative by the lender or in instances in which the lender is seeking a non-competitive participant due to a legal lending limit or portfolio concentration concern.

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 borrowers to acquire the needed financing.

## ELIGIBLE BORROWERS

- To qualify, a business must be engaged with a private lender for the purpose of acquiring a commercial extension of commercial credit.
- 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](mailto:businessloans@michigan.org).

## 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 (“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. 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 or in instances in which the lender is seeking a non-competitive participant due to a legal lending limit or portfolio concentration concern .

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 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). Interest on the portion of the note held by MEDC is non-accrual during this period.
- The program can provide reduced or zero principal repayment on its purchase (maximum 36 months). However, in no event shall the portion of the principal balance held by MEDC exceed 49.9 percent.
- The program relies on the lender's credit, operational and financial risk assessment. The private lender acts as the “lead lender.”



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## **PROGRAM GUIDELINES** *continued*

- 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 stands as a pro rata participant with respect to collateral
- 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 may charge an annual fee. This fee will be 1 percent of the MSF amount balance at the time. This fee is charged to the lender.
- 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.
- 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.

## **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.
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**

County National Bank  
Detroit Development Fund  
Fifth Third Bank  
First Independence Bank  
Hillsdale County National Bank  
Huntington National Bank  
Invest Detroit  
Isabella Bank  
Level One Bank  
Metro Community Development  
MSU Federal Credit Union  
Mercantile Bank  
Northern Initiatives  
Union Bank