LOAN PARTICIPATION PROGRAM

The NC Loan Participation Program is an intermediary small-business lending program that works with banks, credit unions, and CDFIs like you across North Carolina to help expand access to capital.

THE ISSUE

Many small and medium sized businesses lack the collateral and/or cash equity required to meet Institutional Lenders’ minimum credit requirements, creating a risk gap which prevents the loan from being injected into the local economy.

OUR SOLUTION

Utilize our Loan Participation Program to obtain a 20% ‘injection’ of subordinated debt that can go higher in certain circumstances, de-risking the loan in an incremental manner so as to make the transactional risk acceptable for the Institutional Lender.

BENEFITS

For the small-business owner:

- Enhances a lender’s ability to say yes
- Allows the borrower to maintain working capital
- No applicable fees
- Fast review process, as compared to many other national credit enhancement programs

For the lender:

- Reduces the exposure to loss
- Allows bankers to offer more competitive terms
- No applicable fees
- Allows approval of loans that would normally be declined due to high LTV/LTC
WHAT LENDERS NEED TO KNOW

- LPP is available to partner lenders (community banks, credit unions, and CDFIs) in all of North Carolina’s 100 counties. The Center does not directly administer loans to small-business owners. There is no fee for lender participation.
- Through a partner lender, we will purchase up to 20% of an eligible term loan made to a small business, defined as a business with 500 or fewer employees.
- Loans starting at $150,000 and up to $20 million are eligible
- Our minimum participation is $30,000*. Our maximum participation is $400,000. Our terms match those set by the originating lender.
- We have a new program feature focused on addressing the social and economic barriers faced by many small business owners. For businesses at least 51% owned by individuals who identify with a group that has faced historical and/or systemic barriers to accessing credit, including but not limited to people of color, women, veterans, and rural residents:
  - The Rural Center will purchase up to 30% of an eligible term loan made to a small business through a partner lender
  - The Rural Center’s maximum loan participation is $450,000.
- Partner lenders maintain responsibility for managing and servicing all loans, and must enter into a Master Loan Participation Agreement with the Rural Center.

*For loan amounts less than $150,000, consider the Capital Access Program (CAP)

EVERYONE WINS!

**THE LENDER**
Puts an earning asset on the books which has been substantially de-risked.

Places itself in the lead for future lending with this client.

**THE BANKER**
Acquires or retains a client who needs or already utilizes depository and other fee-based services which are systemically critical to the institution.

**THE BUSINESS**
Obtains the non-dilutive capital it needs to grow, while retaining as working capital those funds which might have otherwise been utilized to meet LTV requirements.

**THE COMMUNITY**
Benefits from additional capital circulating locally which supports new business growth and expansion, job growth, and potentially a larger tax base.

For more information, visit [https://www.ncruralcenter.org](https://www.ncruralcenter.org)