# Loan Participation Program (LPP) Requirements

<table>
<thead>
<tr>
<th>Lender Eligibility</th>
<th>Banks, credit unions, and certified CDFIs with an executed Master Loan Participation Agreement</th>
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</thead>
<tbody>
<tr>
<td>Borrower Eligibility</td>
<td>Available in all 100 counties to businesses and non-profits with 500 or fewer employees. Start-up businesses are eligible for consideration. Special program features are available to borrowers who qualify as historically socially or economically disadvantaged individuals (SEDI)*.</td>
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<td>Socially or economically disadvantaged individuals (SEDI) eligibility*</td>
<td>Available in all 100 counties to businesses and non-profits with 500 or fewer employees. Special program features are available to borrowers who qualify as historically socially or economically disadvantaged individuals (SEDI)*. Business that are 51% owned and controlled by individuals that have had their access to credit on reasonable terms diminished as compared to others in comparable economic circumstances, due to their membership of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society; gender; veteran status; limited English proficiency; disability; membership of a federally or state recognized Indian Tribe; long-term residence in a rural community; or membership of another &quot;underserved community&quot; as defined in Executive Order 13985. Also, businesses 51% owned and controlled by individuals who live in a CDFI Investment Area and businesses that currently operate or certify that they will operate in a CDFI Investment Area.</td>
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</tbody>
</table>
| Participation Amounts | - Minimum participation: $30,000 (Minimum total loan size of $150,000)  
- Maximum standard participation: $400,000. (Maximum total loan size of $20M.)  
- Maximum SEDI participation $450,000 |
| Participation Percent | • 20% standard maximum  
• 30% SEDI maximum |
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<td>Participation Structure</td>
<td>Generally subordinated in the event of default</td>
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<tr>
<td>Terms</td>
<td>Up to 10 years</td>
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<tr>
<td>Pricing and Origination Fees</td>
<td>Pricing and fees are determined by the lender. LPP will match lender’s pricing. Lender keeps all origination fees.</td>
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| Use of Proceeds | Eligible: purchase, construction, renovation or tenant improvements of an owner occupied place of business; start-up costs, working capital, equipment, inventory  
Ineligible: most passive investments, reimbursing funds to any owner of the business, repaying delinquent taxes, paying payroll or sales taxes |
| Excluded Industries | Businesses that engage in speculative activities, pyramid sales, activities prohibited by federal or local law, or gambling enterprises. Additional guidelines in Master Loan Participation Agreement (MLPA). |
| Credit Score Requirements | No minimum score |
| Cash Flow Coverage Required | 1.10:1 minimum coverage |
| Guarantees | Personal guarantees obtained from owners with > 20% equity interest |
Initial documentation needed to review a request

- Application for participation
- Commitment letter/term sheet
- Credit memo
- Financial spreads
- Tax returns (business and personal)
- Credit reports

Special Circumstances

Owner-occupied real estate:
- 51% for acquisition or renovation of existing property
- 60% for new construction
- A special purposed LLC is permitted. LLC must lease 100% of the real estate to the operating company. Operating company must provide a guarantee.

Refinancing by new lender:
- Additional funds advanced for a business purpose (min 150% of previous existing balance)
- 30% reduction in fee adjusted APR

Refinancing by the same lender:
- Lender undertakes new underwriting
- Additional funds advanced for a business purpose (min 150% of previous existing balance)
- No event of default in trailing 36 months*
- Original note must be fully matured according to terms

Construction loans for investment properties:
- Principal amount of less than $500,000
- Building will not serve as a residence for owner or relatives
- Building will be put into service immediately
- Loan purpose is constructing or refurbishing a structure
- No prior or future use of SSBCI funds
- Construction to permanent loans are not eligible

*Employee ownership
Purchase of an interest in an ESOP, worker cooperative, or related vehicle is allowed if the transaction results in the ESOP or employee owned entity holding a majority interest in the business