



# DCAP

DELAWARE CAPITAL ACCESS PROGRAM

## FACT SHEET

**MISSION:** The Delaware Capital Access Program (DCAP) is designed to give lenders a tool to make business loans that may not normally qualify for a conventional bank loan, in a manner consistent with safe and sound lending practices. The program is designed to provide access to financing for many Delaware businesses that might otherwise not be able to obtain such access. In doing so, the Delaware Capital Access Program uses a small amount of Federal State Small Business Credit Initiative (SSBCI) funding to leverage a large amount of private financing.

**PROGRAM PURPOSE** - To help small businesses flourish in Delaware by providing financing to businesses who may not have access through the traditional banking model due to minor collateral or credit issues.

### How It Works

- When a participating financial institution enrolls a loan in the Delaware Capital Access Program, the borrower, lender, and Delaware Division of Small Business (DSB) all contribute a one-time premium payment calculated as a percentage of the enrolled loan amount to a “reserve fund”. The reserve fund can then be used as collateral by the lender in the case that the borrower defaults. The DCAP program is a risk-pooling concept because multiple borrowers within the same lending institution all contribute premium payments to the same reserve fund.
- Contributions are made according to the following percentages of the enrolled loan amount:
  - Borrower 2%
  - Lender 2%
  - Division of Small Business (Using SSBCI Funds) 4%
  - Division of Small Business (Using the Delaware Strategic Fund) 0% - 20%

- The financial risk to the lender is reduced because the reserve fund can be drawn upon by the lender in the event the borrower defaults on the loan, thereby increasing the collateral of the borrower, and the ability of the borrower to access capital.
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## STEPS TO ENROLL

1. The borrower applies to receive a loan or line of credit from a financial institution that participates in the program.
2. If the participating financial institution chooses to issue financing to the borrower and believes that the borrower qualifies to participate in the DCAP program, the financial institution submits a complete DCAP application to DSB, along with proof of the borrower's and lender's deposits into the reserve fund.
3. DSB reviews the application and notifies the financial institution if the loan has been enrolled. If the loan has been accepted for enrollment, the Division will supply proof of the SSBCI and Strategic Fund deposit (if applicable) into the reserve fund along with the enrollment acceptance notification. If the loan has not been enrolled, the lender and borrower have their reserve fund deposits returned.

# MINIMUM REQUIREMENTS CHECKLIST

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The Borrower is a corporation, partnership, joint venture, sole proprietorship, individual, cooperative, or other entity, whether profit or nonprofit, which is authorized to conduct business in the State of Delaware, and the proceeds of the loan will be used for an endeavor related to industrial, commercial, or agricultural enterprise, or any combination thereof, within the State of Delaware.

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The Lender has not made the loan in order to place, under the protection provided by the Program, prior debt which is not covered under the Program, and which is or was owed by the Borrower to the Lender or to an Affiliate of the Lender.

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Eligible borrowers must have fewer than 750 employees.

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Loan proceeds must be used for a business purpose only and cannot be used for passive real estate investment purposes, the purchase of securities, or lobbying efforts.

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Loan proceeds cannot be used to reimburse funds to any owner, including any equity investment or investment of capital for the business's continuance.

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Loan proceeds cannot be provided to a business engaged in speculative activities that profit from fluctuations in price.

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If funds are used for the construction of a new building, the small business must occupy and use at least 60 percent of the total rentable property.

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Loan proceeds cannot be used to repay delinquent federal or jurisdiction income taxes or repay taxes held in trust or escrow.

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The borrower cannot be an executive officer, director, or principal shareholder of the financial institution lender, or an immediate family member of any of the aforementioned parties.

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Applicant must be in good standing in each other jurisdiction in which its conduct of business requires such qualifications.

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