



# DELPP

DE LOAN PARTICIPATION PROGRAM

## FACT SHEET

**MISSION:** The \*Delaware Loan Participation Program (DELPP) is designed to give lenders a tool to provide loans for businesses that might not otherwise qualify for traditional loans, in a manner consistent with safe and sound lending practices. The DELPP will promote entrepreneurship and help stimulate and sustain small business growth in Delaware.

### HOW IT WORKS

The Delaware Loan Participation Program helps small businesses obtain medium to long-term financing, usually in the form of term loans of up to 10 years, to help businesses grow and expand. The Delaware Division of Small Business (DSB) uses SSBCI funds to purchase up to 50% of a loan (up to \$5 Million) originated and serviced by a lender. DSB's portion of the loan will carry an interest rate fixed between 3%-5%, which when combined with the lender's interest rate, results in a lower blended interest rate for the borrower. DSB will also take a subordinate collateral position. Lenders benefit by expanding their business portfolio, increasing their market share, retaining existing clients, and reducing risk.

\* This program is administered by the Delaware Division of Small Business and funded through the U.S. Department of the Treasury's State Small Credit Initiative (SSBCI).

## STEPS TO ENROLL

1. The borrower applies to receive a loan or line of credit from a lender.
2. If the lender determines that the borrower needs additional financial assistance to qualify for the loan, they can request DSB to purchase up to 50% of the loan by submitting a complete DELPP application to DSB.
3. DSB reviews the application and notifies the lender if the loan has been accepted for participation.
4. If the application has been accepted, DSB will execute a participation agreement with the lender, and issue payment to the lender for their portion of the participation.
5. The lender services the entire loan amount and remits DSB's portion of borrower payments to the DSB as borrower payments are received.

# 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 Division of Small Business' loan participation percentage cannot exceed 50% of the total loan amount.

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- Lender agrees to provide the DSB with a copy of its credit evaluation of each borrower for which a Participation Agreement is requested. The DSB shall conduct its own credit analysis of each such Participation and its own credit decision to enter into a Participation Agreement.

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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 DSB's participation in the loan exceeds \$500,000, the ability of DSB to participate will be contingent upon approval by an external loan review committee.

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- Collections constituting principal, and all collections of charges, fees and similar amounts other than interest, shall be shared pro rata by the Lender and DSB.

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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.