

District of Columbia Collateral Support Program

The State Small Business Credit Initiative was created by the Small Business Jobs Act of 2010 to provide funds to state programs that increase access to capital for small businesses. As part of the Jobs Act, the U.S. Department of Treasury received \$1.5 billion in total credit initiative funding to be allocated to state small business programs. The District of Columbia was allocated \$13.2 million dollars, which will be used to fund the District of Columbia Collateral Support Program, also known as DCCSP.

The DCCSP provides a pledged asset or cash collateral account to an enrolled lender in order to enhance the collateral coverage of a small business borrower that is otherwise qualified but unable to meet the lender's security requirements. The cash collateral account will then be pledged as collateral on behalf of the borrower on a transaction by transaction basis and located at the participating lending institution or at other designated insured depository financial institution in the name of the District of Columbia Collateral Support Program. By leveraging the capital of private lenders, the DCCSP makes more capital available to District small businesses.

About the Program

The first part of the initiative is the Collateral Support Program. The program provides capital to small businesses with insufficient collateral by depositing cash collateral with lenders (bank, credit union or community development financial institution); who then loan to these businesses.

- ◆ Creditworthy small businesses can use these loans to buy equipment, real estate or inventory; for expansions or renovations, working capital, start-up costs, leasehold improvements, refinancing of another lender's debt or to finance purchase of a franchise.
- ◆ Small companies account for about half the private-sector jobs in the United States, according to the federal Small Business Administration, and small and mid-sized companies have been creating jobs faster than large ones since the 2008 crash.
- ◆ So it's important to the District's economy and people to support small businesses, and especially those strapped for capital and unable to borrow for a lack of collateral.

Eligibility

To be eligible, District businesses must be otherwise strong with typically good historical cash flow coverage and good prospects. Additional guidelines of the program include:

- The program can provide up to half of a business' collateral shortfall;
- The business must use all the proceeds in the District;
- Maximum collateral is capped at \$1 million;
- The program requires personal guarantees by owners,
- The program charges a fee at closing of up to 2 percent and up to 1 percent a year, of the collateral support balance; and
- Businesses must be a Certified Business Enterprise by the D.C. Department of Small and Local Business Development.

For more information, visit disb.dc.gov or contact Mark Wells at (202) 442-7822 or mark.wells@dc.gov.

