



## TEXAS CAPITAL ACCESS PROGRAM

### FREQUENTLY ASKED QUESTIONS

#### **1. What is the Texas Capital Access Program?**

The Capital Access Program was created during the 75th Texas Legislative Session to increase the availability of financing for businesses and non-profit organizations that face barriers to accessing capital. The Texas Capital Access Program provides money that the State, through the Office of the Governor, Economic Development and Tourism Office (Office), will deposit in a participating lender's loan loss reserve account. This amount will be matched by contributions from the lender and borrower. Businesses that fall outside the guidelines of conventional financing, or "near bankable" businesses, may still have the opportunity to receive financing. The program serves to foster long term banking relationships between financial institutions, small and medium-sized businesses and non-profit organizations.

#### **2. What is the loan loss reserve account and who contributes to it?**

The loan loss reserve account is an account established at the lending institution that acts as a credit enhancement to off-set the risk of the loan. The borrower contributes between 2-3% of the loan amount to the reserve, the lender will match the borrower's contribution, and the State will contribute an amount equal to the combined contribution of the borrower and the lender. The lending institution may recover all or part of its contribution in any previously agreed upon manner with the borrower. The borrower may finance the reserve contribution within the terms of the loan. Reserve contributions stay with the lending institution even if the loan is paid off.

#### **3. Who are the customers?**

The program targets small and medium-sized businesses and non-profit corporations that usually would not qualify for conventional financing. A loan loss reserve account is placed at the lending institution to off-set the risk the bank undertakes when financing a "near bankable" loan.

#### **4. Who is eligible to receive a Capital Access Program Loan?**

An eligible borrower must be a business with fewer than 500 employees, or a non-profit corporation, which is domiciled in the state of Texas or having at least 51% of its employees in this state.

#### **5. What can a Capital Access Program loan be used for?**

Businesses may use proceeds for working capital or the purchase, construction, or lease of capital assets, including buildings and equipment used by the business.

#### **6. What may Capital Access Program loans not be used for?**

Ineligible uses of proceeds include construction or purchase of residential housing and simple real estate investments (excluding those occupied at least 51% by the applicant's business).

### **7. Why should my business utilize the Capital Access Program?**

Businesses that do not meet conventional financing guidelines, do not meet time in business requirements, or do not have sufficient collateral, should look into using the Capital Access Program.

### **8. What are the minimum and maximum loan amounts? What type of rates can I expect?**

There is no minimum or maximum loan amount, only a maximum amount the state will provide to the lending institution's reserve fund. The State contribution may not exceed 8% of the loan for businesses located in an Enterprise Zone, day care providers or group home providers, or if the lending institution is a certified community development financial institute, 6% for any other applicant or a maximum of \$35,000 per loan. The lender determines the loan terms.

### **9. How much will the State contribute to the loan loss reserve account?**

The State may contribute up to 150% of the combined contribution of the borrower and the lender if the lender has assets of less than \$1 billion or has not previously enrolled loans under the program of more than \$2 million. The State will contribute up to 200% of the combined contribution of the borrower and the lender if the borrower is financing a project in an Enterprise Zone, if the proposed business is a day-care center or group home provider or if the lender is a certified community development financial institute. In all other cases the State will contribute up to 100% of the combined contribution of the borrower and the lender. The State's maximum contribution to a reserve account for any single loan recipient may not exceed \$150,000 during a three-year period.

### **10. How do I get a Capital Access Program Loan?**

A borrower will submit a loan application and any additional documentation to a participating lending institution in order to qualify for the loan program. The lender will determine the applicant's eligibility and enroll the loan with the Office. The Office will review the enrollment forms for accuracy and completeness. Upon approval, the Office will transfer the contribution to the reserve account at the lending institution. The lending institution will monitor the loan and notify the Office of any changes to the enrolled loan.

## **Capital Access Program Participating Lenders**

### **LiftFund**

2007 W. Martin St.  
San Antonio, Texas 78207  
Office: (888) 215-2373  
Email: [info@liftfund.com](mailto:info@liftfund.com)  
[www.liftfund.com](http://www.liftfund.com)

### **PeopleFund**

2921 E. 17th Street, Bldg. D, Suite 100  
Austin, Texas 78702  
Office (512) 472-8087  
Fax (512) 472-8191  
[www.peoplefund.org](http://www.peoplefund.org)

# TEXAS CAPITAL ACCESS REQUIREMENTS

## Program Objective

The Texas Capital Access Program was established to increase the availability of financing for small businesses and nonprofit organizations that face barriers in accessing capital, or fall outside the guidelines for conventional lending. To begin the process, the borrower must apply for a loan with a participating lender (listed below) with the terms between the borrower and the lender.

## Loan Proceeds Guidelines

Use of proceeds may include working capital or the purchase, construction, or lease of capital assets, which include buildings and equipment. Construction or purchase of residential housing and simple real estate investments (excluding those occupied by the applicant's business) are ineligible uses of capital access proceeds.

## Eligibility

To be eligible, a borrower must be:

- A small business (less than 100 employees); or
- A medium sized business (100 to 499 employees); or
- A nonprofit organization; **AND**
- Domiciled in this state or having at least 51% of its employees located in this state

## Reserve Fund Contributions

Each participating lender establishes a reserve fund in order to be used in case of a defaulted loan. The reserve fund is composed of contributions from the borrower, lender and the State. The following are the reserve fund contributions:

### **Borrower:**

- 2%-3% of loan amount

### **Lender:**

- Must match borrower's contribution.
- Lender/borrower contribution together must match the required 4% floor

### **State Contribution-**

- 4%-8% of loan amount, not to exceed \$35,000 per loan or \$150,000 for any single loan recipient during a three year period

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