

Update for Louisiana Lenders ~ LED Loan Portfolio Guaranty Program (LPGP)

Confidential, not for public release

Thank you so much for your consideration of participation in the LED Loan Portfolio Guaranty Program (LPGP). We know that Louisiana lenders stand ready to assist the State in providing Small Business Loans to the many distressed small businesses in Louisiana that are challenged due to the COVID-19 crisis. Our goal is to help you respond quickly to the needs of your current clients and generate new contacts that you may receive regarding this program.

LED is entering into an operating agreement with the Louisiana Public Facilities Authority (LPFA) to administer the program on our behalf, and this includes our \$10MM commitment to secure the program. The Governor will announce the availability of this program very soon.

The State through LED will guarantee a portion of your allocated loan portfolio given your willingness to participate in the program and meeting the requirements to be eligible. The LPGP will provide capital for the purpose of creating a loan guaranty fund of \$10M which LED will use to guarantee 20% of a portfolio allocated to each participating lender. Our \$10MM will support a pool of \$50MM in new loans.

We know time is of the essence, and for this reason we have designed a program, application process and reporting requirements that are streamlined.

The LED LPGP will be issued in a pool to each participating lender on a lump-sum basis, with LED providing a 20% guaranty. This means Lender A will have a portfolio allocation of \$500,000 and this portfolio will be secured by \$100,000 of the LED guarantee fund. Lender A may then issue a number of loans, in a portfolio of \$500,000; with the total amount guaranteed to the lender for loss recovery being up to \$100,000 from the LED guarantee fund. The guarantee is to support the full portfolio of new funding issued to borrowers, not on each individual loan.

Each lender is responsible for reviewing, issuing, securing collateral, if applicable, and collecting, under standard lending practices, loans of up to \$100,000 per small business applicant and any affiliates. While all small businesses employing under 100 people are eligible, efforts should be made to encourage main street small businesses, e.g., restaurants, or others that may not otherwise qualify for the Federal SBA programs, to participate.

Lenders may not enforce collateral requirements that are contrary to Federal rules and regulations for participation in other assistance programs.

LED will provide a 1% administration fee to each participating lender, based on the size of their requested allocation. (Example: \$2MM portfolio allocation, \$20,000 payable to participating lender)

Program structure includes the following:

1. Suggested for borrowers to maintain employee payroll for an 8-week period at a minimum of payroll levels at the time of application for the loan, and funds to be used to maintain the continuance of operations within COVID-19 executive orders, proclamations, and relevant state agency guidance (“borrower’s obligations”).
2. In addition to borrower’s obligation, loan structure should mirror the borrower’s needs (non-revolving LOC or term loan).
3. Payment period would be at least one year, but could be longer depending on business functionality during and length of the emergency period and anticipated as no more than 5 years.
4. Rate would be fixed at, not to exceed 3.5%; lender may charge a lower the rate at their sole discretion.
5. First 6 months would bear no interest; and no loan payment due. (LED’s administration fee helps to offset this expense) First payment would be delayed by 6 months from day of loan closing before entering into the loan repayment period.
6. Acceptable amount of loan would be tied to pre-COVID 19 employment numbers and functionality of business expenses pre-COVID 19 as evaluated by and determined by the participating lenders, not to exceed \$100K.
7. Minimum Credit Score acceptable to the lender or other underwriting criteria utilized by the participating lender.
8. Eligible businesses are those for-profit entities employing 100 or fewer employees, including farmers and fishermen. Ineligible businesses are those engaged in gaming, etc. Churches, religious and non-profit organizations are also ineligible.
9. Lenders to provide the documentation of a streamlined application for each business in the portfolio: loan amount, borrower’s obligations (payroll, accounts payable, etc.), one-pager document outlining business name, time in business, Tax ID number, number of employees, business owner names, ownership, and type of business.
10. Periodic reporting including, but not limited to, compliance with borrower’s obligations, will be required on the loan portfolio guaranteed by LED and LED will maintain audit rights.

I am hopeful that you are in contact with our Project Manager Ms. Kelly Raney (Kelly.Raney@la.gov). She can answer your questions or provide contact information for assistance. The documentation will be provided for your review shortly. You retain the right to exit the program, and not finalize your commitment. Your full participation is conditioned upon executing the final documents.

Since the announcement of this program by Governor Edwards is imminent, we need your help.

(1) LED is seeking to have the permission of participating lenders to have contact information on the LED web-site. You must provide the POC information as you wish it, so it's easy for you when the phone rings. Important as we will be pushing potential clients to you. WE NEED THIS ASAP IF YOU WISH TO PARTICIPATE

(2) We are also seeking your non-binding allocation request. We are assigning a portfolio allocation to each applicant and the program will cap out at \$50MM. We are close to \$35MM in allocation so far, with over 30 participating lenders. I believe we'll see 10 more lenders or so, and the allocation will be exhausted. WE NEED THIS ASAP IF YOU WISH TO PARTICIPATE

PLEASE LET US HEAR FROM YOU ASAP (Kelly.Raney@la.gov) TO CONFIRM YOUR LISTING AND ALLOCATION.

IF YOU HAVE ALREADY SENT THIS TO KELLY, NO WORRIES, SHE HAS IT.

Thank you for your partnership in this important endeavor, we look forward to working with you.

Don Pierson
Secretary
Louisiana Economic Development

T [225.342.5388](tel:225.342.5388)
F [225.342.5349](tel:225.342.5349)

www.opportunitylouisiana.com