



Frequently Asked Questions (FAQ)

1. What is the Texas Small Business Credit Initiative (TSBCI)?

On March 11, 2021, the American Rescue Plan Act reauthorized funding for the State Small Business Credit Initiative (SSBCI). The new version of the SSBCI program provides a combined \$10 billion to states to empower small businesses to access capital needed to invest in job-creating opportunities. The funds will also support recipient jurisdictions in promoting American entrepreneurship and democratizing access to startup capital across the country, including in underserved communities.

Texas has received an allocation of up to \$472 million from Treasury for credit support programs. The allocation will be divided between a Capital Access Program (CAP) and a Loan Guarantee Program (LGP). The CAP will be up to \$118 million and the LGP allocation will be up to \$354 million. Loans may be enrolled in the CAP with loan amounts between \$5,000 and \$5 million. Loans between \$5,000 and \$20 million may be enrolled into the LGP.

2. Can a business directly apply for a loan from the TSBCI Program?

No. The TSBCI program is designed to incentivize financial institutions (FI) to provide loans to small businesses that otherwise would not have access to capital. Small businesses are encouraged to contact their preferred FI to ask about the FI's participation in the TSBCI program.

3. How does the program work?

Two programs are offered under TSBCI:

- Capital Access Programs (CAP): This program provides portfolio insurance in the form of a loan loss reserve fund into which the FI and borrower contribute equal amounts. The program then matches the combined contributions. FIs can use the funds in the loan loss reserve account to cover losses on enrolled loans.
- Loan Guarantee Programs (LGP): This program provides loan guarantees on original principal for enrolled loans.

4. What businesses are eligible to participate in the TSBCI program?

The TSBCI program is designed to incentivize FIs to provide loans to small businesses (fewer than 500 employees) that are for-profit organizations, domiciled in Texas, with at least of 51% of their employees located in Texas.

5. What are some eligible uses of funds for loans enrolled in the TSBCI program?

Proceeds from loans enrolled in the TSBCI program must be used for a business purpose, including start-up costs, working capital, franchise fees, and acquisition of equipment, inventory, or services used in the production, manufacturing, or delivery of a business's goods or services, or in the purchase, construction, renovation, or tenant improvements of an eligible place of business that is not for passive real estate investment purposes. Enrolled loan funds may be used to purchase any tangible or intangible assets except goodwill. The term "business purpose" excludes acquiring or holding passive investments in real estate, the purchase of securities, and lobbying activities.

6. How can my FI apply to participate in the TSBCI program?

FIs can apply to participate in the TSBCI program by registering at <https://gov.texas.gov/business/page/tsbci>. Following registration approval, the FI will be granted access to the program application portal. Following submission of a completed participation application, an approved FI must sign a participation agreement in a form prescribed by the Economic Development & Tourism Office in the Office of the Governor before the FI may obtain access to the loan enrollment portal.

7. Is it difficult to get a loan through the TSBCI program?

The process for small businesses to obtain a loan that will be enrolled in the TSBCI program is not substantially different than the standard loan process. The borrower and FI will each have to review and certify or acknowledge information in TSBCI-specific forms.

8. What if my FI will not participate in the TSBCI program?

As a small business borrower, you have the option to contact various FIs that may participate in the TSBCI program. The TSBCI program is open to banks, credit unions, and Community Development Financial Institutions. A list of approved FIs will be published on the program website at <https://tsbci.gov.texas.gov>.

9. Is this a first-come, first-served application process?

Yes, the TSBCI program is first-come, first-served.

10. Is the TSBCI Program open to non-profits?

No. Loans to non-profit borrowers are not eligible to be enrolled into the program. The TSBCI program only allows loans to for-profit businesses to be enrolled.

Certain non-profit and not-for-profit FIs are eligible to participate in the TSBCI program and should apply to become an approved FI through the TSBCI website at <https://tsbci.gov.texas.gov>.

11. My business previously received PPP or SBA or Previous CAP funding. Am I still eligible?

Yes. Borrowers that received Paycheck Protection Program (PPP) funding and small businesses that received any federal aid due to COVID-19 including the Shuttered Venues Grant, the Restaurant Revitalization Fund, or SBA Debt Relief are not disqualified from participation merely because they received federal aid.

12. Can I apply for more than one location or business?

Yes, applicants may have more than one loan enrolled in the program (with certain restrictions).

13. What fees are associated with the LGP and CAP loans?

TSBCI does not charge the borrower or FI any fees, however, the FI may have their own fees they may charge the borrower to originate the loan.

14. What is the interest rate for a loan through the TSBCI Program?

The TSBCI program does not issue loans and does not play a direct role in the lending process. As such, the rates offered by FIs are not subject to TSBCI approval so long as they are not above the maximum interest rate allowed by State law or the NCUA interest rate ceiling, whichever is less.