Just the Facts:

Kentucky Small Business Credit Initiative (KSBCI)

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The Kentucky Small Business Credit Initiative (KSBCI), administered by the Kentucky Cabinet for Economic Development, is designed to generate jobs and increase the availability of credit to small businesses by reducing the loan risk of participating Kentucky lenders, credit unions, and Community Development Financial Institutions. The initiative will leverage funding from these private sector sources to help finance creditworthy small businesses that would typically fall just outside a lender's normal underwriting standards.

The three programs that compose KSBCI are the:

Kentucky Capital Access Program (KYCAP): Offers loan portfolio insurance to private financial institutions, thus encouraging them to lend to creditworthy small businesses, by providing a matching contribution to a loan loss reserve account when they extend credit to qualified small businesses. In the case of a loss, the lender may draw against the account to offset a loss.

Kentucky Loan Participation Program (KYLPP): Assists borrowers whose cash flow does not meet a lender's coverage requirements by allowing CED to purchase (or participate in) a portion of the loan from the lender and offer the borrower, on that portion, an interest-free and payment-free grace period up to 24 months.

Kentucky Collateral Support Program (KYCSP): Provides a pledged asset (cash) to a lender for consideration in making a loan to a small business, thereby enhancing the lender's ability to underwrite the loan. For more information about KYCSP, see the KYCSP Guidelines.

This fact sheet provides an overview of the Kentucky Small Business Credit Initiative (KSBCI) Program. For a full discussion of the program requirements, please see each program's respective guidelines. As with all state administered tax incentive programs, any inducements offered to an eligible company under the KSBCI program are negotiated by Cabinet for Economic Development officials and subject to approval by the Kentucky Economic Development Finance Authority (KEDFA).

Eligible Borrowers

Eligible Borrowers include corporations, partnerships, joint ventures, sole proprietorships, state-designated charitable, religious, and other nonprofits, government-owned corporations, consumer and marketing cooperatives, and faith-based organizations, provided the loan is for a qualified business Purpose. An Eligible Borrower, including its affiliates and subsidiaries, must have 500 or fewer employees at the time the loan is enrolled in KSBCI and eligible borrowers must be Kentucky residents.

Borrowers may not be executive officers, directors, or principal shareholders of the financial institution enrolling the loan; a member of the immediate family of an executive officer, director, or principal shareholder of the financial institution enrolling the loan; or a related interest of such an executive officer, director, principal shareholder, or member of the immediate family.

Eligible Loan Purposes

Loan proceeds may be used for eligible purposes such as, but not limited to, start-up costs, working capital, business asset acquisitions and expansions, franchise financing, equipment loans, inventory financing, owner occupied commercial real estate acquisitions, renovation, and construction. In some cases, refinancing may be available. No passive real-estate or speculative investment projects are eligible. Other criteria are noted in the programs' guidelines.

Participating Lenders

For a list of participating lenders, click here. Loans are private transactions between participating lenders and eligible borrowers. Neither the Cabinet for Economic Development nor KEDFA play a role in participating lenders' decision making processes nor in their setting of terms, conditions, loan loss reserve requirements or interest rates.

Borrower Application Process

A borrower should consult the Participating Lenders webpage to determine if their bank has enrolled in the program. All requested information must be submitted to a participating lender.

For loans in which the state's participation will exceed $250,000, additional processes may be necessary.

To learn more, contact:
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