

Program Overview

What is the Credit Building Pilot Program (CBPP) and why is it important?

The Credit Building Pilot Program is a program developed in coordination with the Washington Department of Commerce and their Small Business Resiliency Network partners to deploy approximately \$7.5 million of federal COVID relief funds to small businesses and entrepreneurs furthest from opportunity that were negatively impacted by the pandemic. These small businesses, including start-up businesses and entrepreneurs with no or limited credit history, generally have limited access to traditional banking services and can benefit substantially from participating in this program. The program will help borrowers establish and improve credit, build banking relationships, access much-needed capital, and access grant funds to grow their businesses.

How long does this program run?

All loan originations pertaining to this program must be completed by December 31, 2024, and the maturity dates of those loans must be no later than December 31, 2026.

What small businesses are eligible to participate in this program?

As determined by the Small Business Resiliency Network partners, small businesses that work through SBRN partners, have been negatively impacted by COVID and have 20 or fewer equivalent full-time employees are eligible to participate. Note that businesses are required to work through the SBRN partners to receive support and guidance as a condition of this program.

Which credit unions are eligible to participate in this program?

Credit unions that serve members located in Washington state, are selected by GoWest Foundation, and contractually agree to the program requirements are eligible to participate. Some of the key program requirements include:

- Identifying a point person and backup to act as the program contact for the duration of the pilot program
- Collaborating with SBRN partners as needed to enhance the success of small business applicants
- Utilizing a prescribed loan application and minimized documentation packet
- Devising a method to track these loans on your core system so they are easily identified and reportable
- Committing to a fixed loan interest rate of 4.00%
- Adhering to program-specific delinquency and collection practices
- Reporting information on these loans monthly to GoWest Foundation

What information is required to be reported to GoWest Foundation each month?

Each month, a summary report detailing program activity must be provided, until no program loans remain outstanding. The report shall contain at least the following information with respect to each loan (and additional reporting metrics may be added):

- Borrower name (use identifier number to protect identity if needed)
- Origination date

- Originated loan amount
- Loan term (months)
- Current unpaid balance
- Payments of principal received
- Payments of interest received
- If payments are past due, the number of days delinquent
- Average credit score (soft credit pulls only) across all loans

How do credit unions benefit from participating?

Credit unions are champions of serving under-served communities, and this program may assist in reaching more small businesses from those communities. Key benefits for credit unions include:

- Positively impacting small businesses in your community
- Potentially expanding reach of lending diversity programs
- Acquiring and developing relationships with new members
- Streamlined, easy process
- Virtually risk-free product offering

Simple Product Solution

What products will credit unions provide through this program?

This pilot program is developed with a focus on simplicity and consistency, and accordingly involves providing only two credit union products: a regular share account and a share-secured loan.

Are my standard membership opening forms and processes utilized to open a membership for small businesses participating in this program?

Yes, your standard membership opening forms, processes and disclosures should be utilized for small businesses participating in this program, to make sure that all of the necessary information is collected, and regulatory requirements are met.

What special parameters apply to the share-secured loan?

The share-secured loans originated through this program must:

- Range between \$500 and \$25,000
- Have a term of at least 12 months, with monthly payments required
- Have a final maturity date of no later than December 31, 2026
- Require no credit report be pulled for underwriting (however, soft pulls will be required for reporting aggregate/average credit scores across all loans)
- Require only program-specific application and underwriting documentation
- No loan origination fee can be charged
- No prepayment penalties can be charged
- No late fees can be charged
- Carry a fixed interest rate of 4.00%
- Be originated by December 31, 2024
- Follow program-specific collections practices

What if the program loan terms differ from the credit union's usual terms and conditions for share-secured loans?

It is likely that some of the terms and conditions for this program's share-secured loans will differ from your credit union's standard terms and conditions. To alleviate any policy conflicts or regulatory concerns about these differences, an **Example Board Resolution** has been provided, to be used by your Board of Directors to acknowledge the differences and provide their approval of this exception.

Where do the funds come from for the share account?

The funds to be deposited come from the Washington Commerce Department, as these are the federal grant dollars. Credit unions must determine the amount of funds required for each origination transaction and request the funds be wired to them from GoWest Foundation, who will receive the dollars from the Washington Department of Commerce. Different from traditional share-secured loans, the amount of funds to secure these loans will be **the total of the principal amount loaned plus total interest calculated over the life of the loan**. These amounts will be obtained from your standard Truth in Lending disclosures.

How do I request the share deposit funds from GoWest Foundation?

GoWest Foundation will provide detailed information to participating credit unions regarding the process for requesting and receiving funds. Loan funds must not be disbursed to the business member until they have been received from GoWest Foundation. Loans approved during a given week must be reported to GoWest Foundation on Friday of that week, and funding for the related share account will be received from GoWest Foundation by Thursday of the following week.

What happens when the loan has been repaid?

Once the business has made at least 12 monthly payments and has repaid the total outstanding loan balance, the full amount of funds in the share account become available to the business for their business use, subject to program restrictions.

What happens if the loan is repaid before the business has made 12 monthly payments?

Since making 12 monthly payments is a condition of this credit building program, if the loan is repaid prior to the business making 12 monthly payments, the funds in the share account must be returned to GoWest Foundation, who will return them to Washington Department of Commerce. We will provide detailed instructions on this process to participating credit unions.

What if the borrower misses a scheduled loan payment?

Loans in this program may become delinquent if a payment is not made on time. However, due to the program goal of establishing and building positive credit for these businesses, the loan delinquency must not be allowed to exceed 29 days past due. If a loan reaches 29 days past due, the credit union must transfer funds from the share account to cover the full payment amount due (principal plus interest) to the loan and apply the funds accordingly, to bring the loan back to current status.

If a delinquent loan has been charged a late fee, can that amount also be transferred from the share account to satisfy the late fee due?

Late fees are not allowed to be charged to these loans, according to the terms of the program. Therefore, no amounts are available to cover late charges.

Miscellaneous

Are Washington DFI and the NCUA aware of, and in support of, this program?

Yes, these products have been shared with both regulatory bodies so they are familiar with them when examining participating institutions going forward.

Who are the Small Business Resiliency Network partners?

In 2020, the Small Business Resiliency Network (SBRN) was established to help ensure small businesses and entrepreneurs furthest from opportunity are able to access assistance with COVID relief funding, grants, loans, and other resources. There are approximately 30 of these partners, and credit unions will receive a listing of those partners to support their program participation. More information about SBRN partners can be found [here](#).

Can I refer my existing members who don't qualify for other business loan products to this program?

Yes, as long as the business connects with, and works through, one of the Small Business Resiliency Network partners that support this program. The SBRN partner will determine eligibility and the application will go through the same process as other program participants if this occurs.

Can I run a credit report on these members as part of underwriting their share-secured loan?

Since the small business borrowers who will be served through this program are generally credit sensitive, no credit report may be pulled as part of this loan underwriting process. Due to the fully-secured nature of the loans, including both principal and interest, any risk created by this limitation is minimal.

Can a share CD be used in this program instead of a regular share account?

In order to maintain the focus on simplicity and consistency, only regular share accounts are to be used for this program.

If my credit union's standard share-secured loan rate is lower than 4.00%, should I give the lower rate?

Since a key feature and goal of this program is uniformity across all participants, a rate of 4.00% should be used in all cases, even if your credit union's usual share-secured loan rate is lower than 4.00%.

Can I cross-sell additional products and services to participants of this program?

Credit unions may draw on their expertise in serving these business members, and if additional products and services are appropriate to meet their needs, those conversations

can take place. However any additional products or services provided will not fall under the program umbrella, so would entail typical risks and benefits for both parties.

Can the loan maturity exceed December 31, 2026?

For purposes of this program, loan maturities cannot extend beyond December 31, 2026. Terms must be at least 12 months with a final maturity no later than December 31, 2026.

Should these loans be reported to credit reporting agencies?

Yes! A primary objective of this program is to help small businesses and entrepreneurs build credit, and this will be accomplished through the credit reporting process. However, a loan collection process tailored to not allow these loans to exceed 29 days past due must be in place to safeguard against derogatory credit reporting.

How will this program be marketed to prospective participants?

Marketing outreach will be done primarily through the SBRN partners, since a relationship with those parties is a requirement of this program. If your credit union creates any outreach materials or communications, those **must** receive approval from GoWest Foundation prior to them being utilized.

Who can help if I have questions about this program?

GoWest Foundation is ready to help! Please email cbpp@gowest.org with any questions or need for further information.