

WHAT IS THE ENTERPRISE FINANCE GUARANTEE?

A government loan guarantee scheme, delivered via participating Lenders and aimed at supporting the availability of working capital and investment funding for small and medium sized businesses in the UK. The scheme will also provide additional security where concern over the value of existing security may lead to a Lender requiring early repayment of an existing loan.

Subject to all eligibility criteria being met, the Enterprise Finance Guarantee (EFG) will provide a 75% government guarantee to the Lender, thus giving them the confidence to lend to the business in one of the following ways:

- New term loans for growing businesses where a sound proposition may otherwise be declined due to a complete or partial lack of security (investment funding)
- Conversion of part or all of an existing utilised overdraft into a term loan in order to release capacity in the overdraft to meet on-going working capital requirements (working capital funding)
- To bolster the security available where term loans have already been made to SMEs, but falling security values are leading to a real threat that the Lender will require early repayment of the existing debt (bolstering security value)

Delivery of the Enterprise Finance Guarantee, including the decision on whether or not it is appropriate to use it in connection with any specific lending transaction, is fully delegated to the participating Lenders. **There is no automatic entitlement to receive a guaranteed loan even if a business believes it satisfies the basic eligibility criteria.**

All of the main high street banks plus a number of other lending institutions are participating in the Enterprise Finance Guarantee. The Business Link website (www.businesslink.gov.uk) provides a comprehensive list of all participating Lenders.

The flowchart overleaf describes the process that needs to be followed.

For Additional Information on Financing Your Business:

Websites:



www.businesslink.gov.uk

Your lender's own website

Tel Number:

0845 600 9 006 (Business Link Helpline)

HOW DOES A BUSINESS APPLY FOR AN EFG LOAN?

Step One – Lending Decision by Lender according to their commercial criteria

- Assessment of the business proposition which the proposed loan will be used to support, informed by the borrower's experience, historic trading performance, business plan, market research etc.
- Assessment of the financial position of the business, based on historic trading figures, management accounts, financial projections and the performance in servicing other borrowings.
- Assessment of the borrowing requirement, including taking account of any security available and the likely ability of the borrower to make the necessary repayments.



Step Two – EFG Eligibility Check by Lender against BERR eligibility criteria

- Unable to provide any or sufficient additional security to the Lender
- Small business operating in the UK with an annual turnover of up to £25 million
- Borrowing requirement of £1,000 - £1million
- Loan term of between 3 months and 10 years
- In an eligible sector. Most sectors are eligible. The principal exclusions relate to businesses in the coal, real estate and insurance sectors. Your lender will advise if any of these restrictions affect your business.
- Borrowing required for an eligible purpose, as detailed overleaf

After assessing the above two areas, the Lender will then advise you on whether your business is eligible for an EFG Loan. Please note that Lenders may ask for additional security in conjunction with the granting of an EFG Loan.

Cost to Your Business:

- In addition to regular capital and interest payments to your lender, plus any arrangement fee which they may charge, a premium is also payable to BERR.
- The premium is equivalent to two per cent per annum on the outstanding balance of the loan, assessed and collected quarterly in advance throughout the life of the loan.
- A discount of 25 per cent will be applied to all premiums due and successfully collected during 2009.