

# **CAPITAL ACCESS PROGRAM**

## **Notice to Borrower**

This notice is provided to borrowers who may receive a loan from a lender under the Capital Access Program of the Arkansas Development Finance Authority.

The purpose of this program is to assist lenders to make loans that might otherwise not qualify for a lender loan. The program utilizes a special loss reserve to assist the lender in covering losses from a portfolio of loans that a lender makes under the program. The borrower pays a premium charge to the reserve, which is matched by a lender premium payment to the reserve. The Arkansas Development Finance Authority ("ADFA") will then match the combined total of the Borrower's and Lender's combined payments.

It is important to emphasize that the loan is a private transaction between lender and borrower. While the program may assist a lender in being able to take more risk than normal, it is important to understand that it is still the lender that is bearing the risk of the loan. ADFA is not a party to the loan and plays no role at all in the lender's decision regarding whether or not to make the loan, or in the setting of the interest rate, fees, duration or any other terms or conditions of the loan. The lender's rights and remedies are delineated in the loan contract and in law applicable to any lender financing. ADFA plays no role in any decision by the lender with respect to enforcing the lender's rights under the loan contract.

While the program is intended to assist the lender in providing you with access to lender financing, you should understand that it is likely to be more expensive for you than would be the case with a conventional lender loan. Not only do you make a payment to the reserve, but it is expected that the lender may, in some manner, recover from you the cost of the lender's payment into the reserve.