

CHAPTER 51
SELF-EMPLOYMENT LOAN PROGRAM

[Prior to 7/19/95, see 261—Ch 8]
[Former Ch 51, "Speculative Building Loans," rescinded IAB 7/19/95, effective 8/23/95]

261—51.1(15) Purpose. The department of economic development administers the self-employment loan program (SELP) in coordination with the job training partnership program (261—Chapter 19) and the entrepreneurship training program administered under Iowa Code section 15.108, subsection 6, paragraph "c." The purpose of the SELP is to provide loans to low-income persons and persons with a disability to establish or expand small business ventures.

261—51.2(15) Definitions. As used in this chapter, unless the context otherwise requires:

"*Applicant*" means an individual proprietorship, partnership, limited liability company or corporation engaged in a single business, or related businesses wherein overlapping ownership interests exceed 50 percent.

"*Department*" or "*IDED*" means the Iowa department of economic development.

"*Family income (annualized)*" means all income actually received from all sources by all household members of the family during the six months immediately prior to application multiplied by two. When computing family income, income of a spouse and other family members shall be counted for the portion of the income determination period that the person was actually a part of the family unit of the applicant.

"*Fixed assets*" means those items used to manufacture a product, provide a service, or to sell, store or deliver merchandise. These items will not be sold in the normal course of business, but will be used and worn out or consumed over time, usually longer than a year, as the business is conducted.

"*Initial working capital*" means those items that are required as part of the base of the business and includes, but is not limited to, deposits for utilities, rent, down payments for insurance and lease purchases, purchase of office supplies and incidentals and petty cash.

"*Local sponsor*" means a representative from a local organization willing to offer assistance and guidance to applicants. Appropriate local sponsors will be identified in the application materials provided by the IDED and may include the SBDC, JTPA, local chamber of commerce, or other organizations approved by IDED.

"*Low income*" means an individual with an annualized household income that is equal to or less than 125 percent of the most current poverty income guidelines as published on an annual basis by the Department of Health and Human Services (DHHS).

"*Persons with a disability*" means, with respect to an individual, a physical or mental impairment that substantially limits one or more of the major life activities of the individual, a record of physical or mental impairment that substantially limits one or more of the major life activities of the individual, or being regarded as an individual with a physical or mental impairment that substantially limits one or more of the major life activities of the individual. "Disability" does not include any of the following:

1. Homosexuality or bisexuality.
2. Transvestitism, transsexualism, pedophilia, exhibitionism, voyeurism, gender identity disorders not resulting from physical impairments, or other sexual behavior disorders.
3. Compulsive gambling, kleptomania, or pyromania.
4. Psychoactive substance abuse disorders resulting from current illegal use of drugs.

"Major life activity" includes functions such as caring for one's self, performing manual tasks, walking, seeing, hearing, breathing, learning, or working.

261—51.3(15) Eligibility requirements.

51.3(1) Residence. An applicant must be a resident of Iowa to be eligible to apply for a loan.

51.3(2) Age. An applicant must be 18 years of age or older at the time of application.

51.3(3) *Income.* To qualify to apply for a loan an applicant must have annualized household family income that is no more than 70 percent of the lower living standard income. For purposes of calculating family income, exclusions are:

- a. Food stamps
- b. Compensation received in the form of food or housing
- c. Other noncash income
- d. Public assistance payment
- e. Federal, state, local, or private unemployment benefits
- f. Payment, other than on-the-job training wages, made to participants while enrolled in employment and training programs
- g. Capital gains and losses
- h. Scholarship and fellowship grants
- i. Accident, health, and casualty insurance proceeds
- j. Disability and death insurance payments
- k. Awards and gifts
- l. Inheritances
- m. Workers' compensation
- n. Terminal leave
- o. Pay or allowances previously received by any veteran while serving on active duty in the U.S. armed forces
- p. Educational assistance and compensation payments to veterans and other eligible persons under the following chapters of Title 38 of the U.S. Code:
 - Chapter 11—Compensation for service-connected disability or death
 - Chapter 13—Dependency and indemnity compensation for service-connected deaths
 - Chapter 31—Training and rehabilitation for veterans with service-connected disabilities
 - Chapter 32—Post-Vietnam era veterans' educational assistance
 - Chapter 34—Veterans' educational assistance
 - Chapter 35—Survivors' and dependents' educational assistance
 - Chapter 36—Administration of educational benefits
- q. Payments received under the Trade Act of 1974
- r. Payments received on behalf of foster children
- s. Child support payments
- t. Cash payments received pursuant to a state plan approved under the Social Security Act:
 - Title II—disability insurance payments
 - Title IV—aid to families with dependent children
 - Title XVI—supplemental security income for the aged, blind, and disabled
- u. Payments received under the Black Lung Benefits Reform Act of 1977 (Public Law 95-239)
- v. Assets drawn down as withdrawals from a bank
- w. Proceeds from the sale of property, a house, or car
- x. Tax refunds
- y. Other one-time and limited unearned income.

51.3(4) Reserved.

51.3(5) *Local sponsor.* Each applicant must secure participation from a local sponsor.

51.3(6) *Automatic eligibility.* Cash welfare recipients (AFDC, general assistance, refugee assistance, etc.), applicants who are JTPA-eligible or applicants who are certified as having a disability under the standards promulgated by the Iowa department of education, division of vocational rehabilitation, are automatically eligible to apply for a SELP loan.

51.3(7) *Experience.* An applicant must have successfully completed a business training program including, but not limited to, programs such as SEID, WEDGE, Drake's Minority Business Venture, and Kirkwood Community College's Rural Development Center; or be able to demonstrate a basic knowledge of business strategy and planning documented by previous successful business

management or ownership; or be willing to enroll in a business training program; or agree in writing to accept and utilize ongoing technical assistance.

51.3(8) Loan limitations.

a. Maximum amount. The maximum loan amount available to any one applicant is \$10,000.

b. Use of loan funds. The first \$5,000 can be used for the purchase of land, buildings, machinery, equipment, furniture, fixtures, inventory, tools of the trade, vehicles used in the business and initial operating capital. Any amount over \$5,000 can only be used for the purchase of fixed assets or to leverage other project funds on a one-to-one basis.

c. Follow-on funding. The department may accept applications for additional funding from current or former SELP loan recipients. No applicant may receive cumulatively more than \$10,000 under the program. For example, a loan recipient who was awarded \$5,000 in prior years may request an additional \$5,000 for the business. In determining whether to fund a request for follow-on funding, the department will consider, in addition to the evaluation criteria in subrule 51.4(3), factors including, but not limited to, the applicant's credit history with the department in repayment of the prior SELP loan; the solvency of the business; and the business's need for funding. Any application for follow-on funding will be subject to the restrictions outlined in paragraph 51.3(8) "b."

d. Drawdowns. The department reserves the right to restrict the timing of the drawdown of funds. As a general rule, the initial drawdown of funds may not include more than \$1,500 of initial working capital.

e. SELP—comprehensive management assistance.

(1) *Eligibility.* Comprehensive management assistance is limited to eligible applicants or recipients of the SELP program.

(2) *Use of funds.* Assistance is available only in the form of technical or professional services provided by department-contracted providers. Assistance may include, but shall not be limited to: consulting, training, apprenticeship, and professional services; assistance in furnishing information about available financial or technical assistance; evaluating small business venture proposals; assistance in the completion of viable start-up or expansion plans; and assistance in the completion of applications for financial or technical assistance under programs administered by the department.

(3) *Disbursement.* Each eligible business may receive up to \$2,500 for management assistance per year. All funds under the comprehensive management assistance program will be paid directly to the service provider. No funds will be given directly to the business.

261—51.4(15) Application procedure. Application materials are available from the IDED division of marketing and business development.

51.4(1) Submittal. Completed applications shall be submitted to: SELP, Division of Marketing and Business Development, Iowa Department of Economic Development, 200 East Grand Avenue, Des Moines, Iowa 50309.

51.4(2) Review. Applications will initially be reviewed by the IDED staff. IDED staff may request additional information from the applicant prior to committee review. A review committee will score each application. The scores will be averaged and the applications receiving an average score of 10 points or more out of a total of 19 will be considered by the committee for recommendation for funding. The committee's recommendation for funding will include the amount of the loan (not to exceed \$10,000), the interest rate to be charged (not to exceed 5 percent), and other terms and conditions. The IDED director will review the recommendation and make a final decision based on various factors including geographical distribution, economic impact, etc.

51.4(3) Evaluation factors. Applications will be reviewed and evaluated using a 19-point system, based upon the following criteria:

a. Background of applicant 0-5 points

Does the applicant have education or work experience that is relevant to the proposed business?
Does the application document previous business training or management experience?

b. Business plan—financial 0-5 points

Does the application contain a comprehensive two-year cash flow projection? Has the applicant provided sufficient documentation to support/justify the cash flow assumptions (i.e., third-party documentation regarding market size, annual sales, and competition)?

c. Business plan—marketing 0-5 points

Does the application contain sufficient information to ascertain that the applicant fully understands who their customers will be and how to reach them?

d. Need of applicant 0-3 points

Consideration will be given to an applicant's: inability to secure a loan from conventional sources (e.g., bank, savings and loan, credit union, etc.) for the business venture; personal debt level; and lack of personal financial resources to adequately fund the business venture.

e. Creditworthiness 0-1 point

Does the applicant have outstanding debt to the state? Can the business, as proposed, provide enough income to meet the applicant's minimum monthly income requirement, including service for outstanding debt?

261—51.5(15) Loan agreement. Upon award of a loan the IDED staff will prepare a loan agreement which will include loan conditions, a repayment schedule, and default provisions.

261—51.6(15) Monitoring and reporting.

51.6(1) Monitoring. The IDED reserves the right to monitor the recipient's records to ensure compliance with the terms of the loan. IDED staff will contact the loan recipient within 90 days of the award and as frequently as conditions may warrant during the life of the loan.

51.6(2) Reporting. Loan recipients shall submit to the IDED reports in the format requested by the department. The department retains the authority to request information on the condition of the business on a more frequent basis at any time during the life of the loan.

261—51.7(15) Default procedures.

51.7(1) Delinquency on a loan begins on the tenth day after the due date of the first missed payment not later made. A loan is in default when a borrower exceeds 90 days of delinquency.

51.7(2) If a payment is not made in a timely manner, the department will send written notices of delinquency or collection letters to the last-known address of the borrower. The notice will notify the borrower of the amount past due and request prompt payment of that amount.

51.7(3) If there is no response to written notices of delinquency or collection letters or if payment is not made, the department will send a Notice to Cure to the borrower. The Notice to Cure identifies the terms and conditions necessary to cure the delinquency and allows 20 days for the account to be resolved. The notice will notify the borrower that if the delinquency is not cured and results in default, the department may report the default to a credit reporting bureau and may bring suit against the borrower to compel repayment of the loan.

51.7(4) In the event the borrower does not comply with the Notice to Cure, a Final Demand letter will be sent to the borrower and a separate Final Demand letter will be sent to the cosigner.

51.7(5) Once a loan is in default and an account remains unresolved after the time period stated in the Final Demand letter, the department will refer the matter to the Iowa attorney general's office for appropriate action.

These rules are intended to implement Iowa Code sections 15.102 and 15.241.

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