

CHAPTER 55  
TARGETED SMALL BUSINESS FINANCIAL ASSISTANCE PROGRAM  
[Prior to 7/19/95, see 261—Ch 27]

**261—55.1(15) Targeted small business financial assistance program (TSBFAP).** The purpose of the targeted small business financial assistance program is to assist women, minorities, persons with disabilities and low-income individuals to establish or expand small business ventures in Iowa.

**261—55.2(15) Definitions.** As used in this chapter, the following definitions shall apply:

“*Authority*” means the economic development authority created in Iowa Code section 15.105.

“*Disability*” means the same as defined in Iowa Code section 15.102(10) “*b.*”

“*Microloan service provider*” means a service provider that has contracted with the authority to provide financial and technical assistance to targeted small businesses.

“*Program*” means the targeted small business financial assistance program established pursuant to this chapter.

“*Review committee*” means a committee established by the authority or microloan service provider to review program applications pursuant to subrule 55.3(8).

“*Targeted small business*” or “*TSB*” means a small business which is 51 percent or more owned, operated, and actively managed by one or more women, minority persons, service-disabled veterans, or persons with a disability provided the business meets all of the following requirements:

1. Is located in this state;
2. Is operated for profit;
3. Has an annual gross income of less than \$4 million computed as an average of the three preceding fiscal years.

[ARC 5907C, IAB 9/22/21, effective 10/27/21]

**261—55.3(15) Application and approval.**

**55.3(1) Application procedures.** Application materials may be obtained from the authority or microloan service provider.

**55.3(2) Maximum funding levels.** In no case shall an award exceed \$50,000. The interest rate charged shall not exceed 5 percent per annum or be less than 0 percent per annum. A targeted small business shall not receive a loan under the program that provides more than 90 percent of the funding for a project. All applicants must invest at least 10 percent of the total project budget in cash.

**55.3(3) Term.** The term of a loan shall not exceed five years.

**55.3(4) Eligible uses of funds.** Program funds shall be used for legitimate business expenses, including, but not limited to, the following purposes: purchase of equipment and furnishings, inventory, purchase of and improvements to land and buildings and specific operating expenses.

**55.3(5) Ineligible uses of funds.** Program funds shall not be used to refinance existing debt. For the purposes of this subrule, existing debt does not include interim financing for allowable program purposes intended as a bridge loan obtained after the date a program loan is approved. Program funds shall not be used to facilitate financing of a project which would consist solely of relocation of an existing business within Iowa.

**55.3(6) Threshold criteria.** Applicants for funds under the program must meet the following minimum criteria before their applications will be considered complete and eligible for evaluation:

*a.* The business must be eligible for certification as a targeted small business pursuant to 261—Chapter 52 at the time of application. The authority or microloan service provider will educate applicants about the benefits of such certification and encourage applicants to seek certification.

*b.* An applicant must be a resident of Iowa for at least six months to be eligible to apply for assistance. Applicants may be asked to provide necessary documentation to prove legal residency.

*c.* All applicants shall comply with the requirements of 261—Chapter 172.

**55.3(7) Submittal process.** All applications and related informational materials shall be submitted on forms prescribed by and in the manner prescribed by the authority or microloan service provider.

**55.3(8) Review process.**

*a.* Applications are reviewed for completeness. If additional information is required, the authority or microloan service provider shall send the applicant notice to submit additional information. If the requested information is not provided by the deadline indicated in the notice, the application may be considered incomplete or ineligible.

*b.* The authority or microloan service provider will establish a committee of at least three individuals to review all applications.

**55.3(9) Evaluation.** Applications are evaluated according to the following criteria:

*a.* Applicant credit score and outstanding liabilities.

*b.* Source(s) of the applicant's income.

*c.* Debt service coverage ratio.

**55.3(10) Negotiations of funds awarded.**

*a.* The authority reserves the right to negotiate the amount, term, interest rate, and other conditions of the loan prior to award. The amount, term, interest rate, and other conditions may be negotiated by a microloan service provider on behalf of the authority.

*b.* The authority or microloan service provider may decline to award funds to a business if there is a negative credit report (e.g., bankruptcy, foreclosure, tax liens, or unpaid or past due child support).

**55.3(11) Award decision.** If an application is approved by the review committee, the applicant business will receive an award letter which shall state the amount of award, conditions of the award, any security agreements, and the amount of monthly loan repayments. If an application is denied by the review committee, the applicant will receive a denial letter stating the reason for denial.

**55.3(12) Reapplication.** An applicant whose application is denied by the review committee cannot resubmit an application for the program for 90 days (3 months) from the date of the denial letter.

[ARC 5907C, IAB 9/22/21, effective 10/27/21]

#### **261—55.4(15) Monitoring.**

**55.4(1)** The authority or microloan service provider reserves the right to monitor the recipient's records to ensure compliance with the terms of the award. The authority or microloan service provider may request information on the condition of the business at any time during the life of the loan to determine the status of the project. Authority or microloan service provider staff will contact the recipient as frequently as conditions may warrant during the life of the loan.

**55.4(2)** The authority or microloan service provider may require a program recipient to consult with designated small business service providers for assistance with various aspects of the management and operation of the business.

**55.4(3)** If the authority or microloan service provider determines that a borrower is in default, the authority may seek recovery of the loan plus interest or other penalties, negotiate alternative payment schedules, suspend or discontinue collection efforts and take other action as the authority deems necessary.

**55.4(4)** A person receiving funds under the program may be subject to criminal penalties under Iowa Code section 15A.3 if it is determined that the person knowingly made a false statement in writing to procure economic development assistance from the state.

[ARC 5907C, IAB 9/22/21, effective 10/27/21]

**261—55.5(15) Disbursement of funds.** An approved applicant shall acknowledge and agree to the terms proposed by the authority or microloan service provider prior to disbursement of funds. Requests for disbursement and loan documents shall be in the form and content specified by the authority.

[ARC 5907C, IAB 9/22/21, effective 10/27/21]

**261—55.6(15) Award agreement.** Rescinded ARC 5907C, IAB 9/22/21, effective 10/27/21.

These rules are intended to implement Iowa Code sections 15.102 and 15.108 and 2013 Iowa Acts, House File 324.

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<sup>1</sup> Prior to 10/7/87, see Iowa Finance Authority 524—Chapter 11