

265—5.22(16) Loan criteria.

5.22(1) Evaluation. The participating lender shall evaluate each application for a small business loan to assure that the following criteria are met:

a. The project sponsor shall show evidence that it is able to operate the business successfully. This shall include an overall business management plan including, but not limited to, the following:

1. A generalized projection of revenues and expenditures for the three-year period beginning the month of anticipated loan closing;
2. Capital formation plans, if any, other than from the small business loan program;
3. To the extent possible, identification and analysis of risks;
4. Plans for record keeping, personnel and financial management;
5. Plans for marketing.

b. The project sponsor shall have enough capital in the business so that, with assistance from the small business loan program, the project sponsor will be able to operate the business on a financially sound basis. The project sponsor shall provide the participating lender access to its financial records including, but not limited to, information concerning the identity of all persons having an ownership interest in the small business, its capital structure, and its present and projected debt structure.

c. The loan shall be so secured or of sound value as to reasonably assure repayment. The participating lender may require any collateral, security or mortgage documents or other filings or protection as are reasonably necessary to assure security.

d. The business's past earnings record and future prospects shall indicate an ability to repay the loan out of income from the business. The project sponsor shall provide a summary of past earnings and future earnings prospects for the business, and allow the participating lender reasonable access to its books and records.

5.22(2) Small business qualifications. For the purpose of meeting the employment position test of Iowa Code chapter 16, a project sponsor, to be an eligible project sponsor, shall not have had more than 20 full-time positions during each of the 26 consecutive weeks within the 52-week period immediately preceding the date on which the project sponsor files an application with the participating lender and shall not have more than 20 full-time equivalent positions on the date of application.

5.22(3) Business dominant in its field of operation. For the purposes of the employment position test and the gross revenue test of Iowa Code chapter 16, a business shall be considered dominant in its field of operation if:

a. It has had more than 20 full-time positions during each of 26 consecutive weeks within the 52-week period immediately preceding the date on which the project sponsor, which is an affiliate or is a subsidiary of the business to which the test is being applied, files an application with a participating lender, or has more than 20 full-time equivalent positions on the date of application; and

b. It has more than \$3,000,000 in gross revenues as computed for the preceding fiscal year, or as the average of the three preceding fiscal years.

5.22(4) Professions. For the purpose of meeting the professional tests, to be an eligible project sponsor, the project sponsor shall not be a business more than 50 percent of which is owned, in the aggregate by professionals or professional entities which occupy or use, in the aggregate, more than 50 percent of the project. For purposes hereof, a professional entity shall be considered to be occupying or using a project to the extent that its partners, shareholders, officers or owners occupy or use such project.

This rule is intended to implement Iowa Code section 16.1(28).