

261—55.4(15) Loan and grant program.

55.4(1) Application procedures. Application materials may be obtained from the IDED business finance team, any small business development center (SBDC), or any of the business advocate service providers.

55.4(2) Maximum funding levels. In no case shall an award exceed \$50,000, nor in the case of a loan shall the interest rate charged exceed 5 percent per annum or be less than 0 percent per annum. Under no circumstances shall the targeted small business financial assistance program fund 100 percent of a project. A targeted small business shall not receive a loan, grant, or loan guarantee or a combination of loans, grants, or loan guarantees under the program that provide 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.

55.4(3) Forms of financial assistance available. The following types of financial assistance may be awarded under this program: loans, grants, loan guarantees or a combination of loans, grants and loan guarantees.

a. Direct loan. The term of a loan shall not exceed five years; the interest rate shall not exceed 5 percent per annum.

b. Grant. Grant funds shall only be awarded in instances where the grant will leverage a significant amount of other financing, such as conventional or SBA financing packages. In order to receive a grant, the applicant must demonstrate a minimum of 10 percent cash investment in the project.

c. Loan guarantee. The program shall provide guarantees not to exceed 80 percent for loans of up to seven years made by qualified lenders.

55.4(4) Eligible uses of funds. Awards of funds under this program 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.

55.4(5) Ineligible uses of funds. Targeted small business financial assistance funds shall not be used to refinance existing debt. Existing debt in the context of this rule does not include interim financing for allowable program purposes intended as a bridge loan obtained after the date of the targeted small business award. Neither shall the department award funds to facilitate financing of a project which would consist solely of relocation of an existing business within Iowa. IDED may waive this limitation if the business demonstrates to IDED that it faces unusual circumstances which make the relocation necessary for the business's continued viability.

55.4(6) Threshold criteria. Applicants for funds under the targeted small business financial assistance program must meet the following minimum criteria before their applications will be considered complete and eligible for ranking:

a. If applying as a TSB, the business must be certified as a "targeted small business" by the department of inspections and appeals before applying for funding. In order to be certified as a targeted small business, a business owner must be a woman, a targeted minority, or a person with a disability and have established at least 51 percent ownership of the business, and be actively involved in the day-to-day management of the business. (The targeted small business owner must have the expertise or related experience in order to be considered actively involved in the day-to-day management of the business.)

b. After the TSB has been awarded a loan or grant or a loan guarantee, the TSB must continue to be a certified TSB for the life of the loan or grant. Failure to meet this requirement may result in the loan or grant being called and due within 30 days. This will include all principal, interest and any penalties that have been assessed. If recertification occurs within 30 days of the date of the notice, the original terms will be reinstated.

55.4(7) Submittal process. All applications and related informational materials shall be submitted on forms prescribed by IDED. Completed applications shall be submitted to: Targeted Small Business Financial Assistance Program, Bureau of Business Finance, Iowa Department of Economic Development, 200 East Grand Avenue, Des Moines, Iowa 50309.

55.4(8) Review process. All completed TSB applications are reviewed by the program manager on an ongoing basis. Applications are reviewed for completeness. If additional information is required, the

program manager shall send the applicant notice to submit additional information. The applicant shall then have three weeks from the date of the IDED letter to submit the requested information.

Application requests are initially rated for funding by IDED staff. They are then reviewed on a monthly basis by the board. The board is an advisory committee established by 2007 Iowa Acts, House File 890, to assist the department in the evaluation of applications. The board is comprised of private sector representatives experienced in small business management and operation. The board membership shall consist of seven members, including one each from the following populations: Latino, Black, Asian or Pacific Islander, Caucasian women, Native American, and a person with a disability as defined in Iowa Code section 15.102 as amended by 2007 Iowa Acts, House File 890. One of the members shall be a member of the economic development board appointed by the economic development board. A quorum is four members. It requires the vote of at least four board members to recommend action on an application to the director. The board may recommend to the director the approval, denial, or deferral of an application. If less than a quorum of the board is present at a meeting, an application will be forwarded to the director without a recommendation from the board.

55.4(9) Rating factors. Applicants must score a minimum of 60 out of a possible 100 points in order to be recommended for funding. Points are awarded based on the information contained in the application according to the following criteria:

a. Business plan (20 points possible). Factors considered include: Does the application contain significant information regarding the product or service to be offered? Has the applicant provided sufficient documentation to support/justify the cash flow assumptions, e.g., third-party documentation regarding market size, annual sales and competition?

b. Financial plan (20 points possible). Factors considered include: Does the application contain comprehensive two-year cash flow projections which show the viability of the business? Does the application provide completed personal financial information and information on other funding sources?

c. Financial need (20 points possible). Factors considered include: the applicant's personal liquid assets and the applicant's ability or inability to secure a loan from conventional sources (i.e., bank, savings and loan, credit union, SBA).

d. Marketing plan (5 points possible). Factors considered include: Does the application contain sufficient information to ascertain that the applicant fully understands who the customers are and how to effectively reach them?

e. Management expertise and related experience (20 points possible). Factors considered include: 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?

f. Loan repayment (10 points possible). Factors considered include: Does the application document the business's ability to service its debt?

g. Nontraditional (5 points possible). Factors considered include: Is the proposed business category one in which TSBs have traditionally been underrepresented as owners?

h. Extra points (up to 5 points). Extra credit points may be awarded to applicants meeting the requirements described in 261—Chapter 171 for the award of extra points (e.g., project is in a blighted, brownfield or distressed area).

55.4(10) Negotiations of funds awarded.

a. The department reserves the right to negotiate the amount, term, interest rate, and other conditions of the loan or grant prior to award.

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

55.4(11) Award process. Upon approval by the director, 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.

55.4(12) Contract. Following notification of award, contracts are prepared for execution between the business owner and IDED. After execution of the contract, the business owner may request disbursement of funds, on the form prescribed by IDED. The time frame between final award date and disbursement of funds will generally be one to two months.

55.4(13) *Deferral process.* Applications may be deferred only one time by the loan review committee. If all additional information requested is received within the three-week time frame, the application will be considered on the following month's agenda. If information is not received in a timely manner, second consideration will be delayed by 30 days. No application will be held for over 60 days. If the request for additional information is not answered, the application will be denied.

55.4(14) *Reapplication.* Upon denial by the director, an applicant cannot resubmit an application for funding under the targeted small business financial assistance program for 90 days (3 months) from the date of IDEED's denial letter.

55.4(15) *Default.* When a loan is in default for a period of 60 days, the IDEED shall notify the office of the attorney general and request appropriate action.

55.4(16) *Misuse of funds.* A person receiving funds under the TSB financial assistance loan 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.

55.4(17) *Comprehensive management assistance and entrepreneurial development.*

a. Limitation. Comprehensive management assistance and entrepreneurial development is limited to businesses or individuals that have been awarded TSB funding.

b. Use of funds. Assistance is available only in the form of technical or professional assistance. This may be accomplished by use of department staff or department-contracted professional services in assisting the business to develop:

1. Management skills;
2. Inventory controls;
3. Financial controls;
4. Marketing plans;
5. Personnel assistance; or
6. Other related business assistance.

c. Determination of assistance. The administrator for the division of business development shall have the authority to approve contracts for management assistance. The maximum of case management assistance shall not exceed \$2,500 per business or individual.