Establishing A Small Business Emergency Loan Fund Program

After A Disaster

Jim Rich
President, Greater Beaumont Chamber of Commerce
Southeast Texas Economic Development Foundation
Who Are We

- **Greater Beaumont Chamber of Commerce**
  - The GBCOC is a regional Chamber providing economic support efforts to over 1,000 businesses throughout Southeast Texas. The GBCOC is also the economic development services provider for the City of Beaumont.

- **Southeast Texas Economic Development Foundation**
  - The SETEDF is an economic development organization comprised of the Texas counties of Jefferson, Orange and Hardin, working cohesively to showcase the attributes of the region in a comprehensive, united fashion. SETEDF is an affiliate of the GBCOC.
  - The SETEDF is also a Certified Development Company, a servicing agent to the Small Business Administration’s 504 Loan program. The 504 Loan Program is operated under the dba SBAlliance Capital.
Certified Development Companies

Certified Development Companies, or CDCs, are non-profit organizations that have been certified by the Small Business Administration (SBA) to provide financing for small businesses under the SBA 504 Program.

- The SBA 504 Loan Program is SBA’s economic development financing program that helps American small businesses grow while benefiting communities through tax base expansion, business growth and job creation.

- SBA 504 loans are available at fixed interest rates for terms of ten to twenty years and allow all types of small, for-profit businesses to purchase and/or renovate capital assets including land, buildings and equipment.
10 Lessons Learned

1) Preparation is the key to responding to a disaster.

2) No two disasters are alike, but many of the recovery issues are the same. Learn from the lessons of others.

3) Do not depend on external assistance during the immediate aftermath.

4) Capitalize on the media attention. You have a small window of opportunity to frame your message.
10 Lessons Learned

5) Assign resources to work on recovery immediately and concurrently with emergency response.

6) See the disaster as an opportunity.

7) The return of the workforce is critical for business recovery.

8) Access to capital is the key to recovery. Identify your specific needs.
10 Lessons Learned

9) Build a unified coalition. Make a trip to Washington and your state capitol as soon as possible post-disaster.

10) Invest in the assistance of professionals to tell your story and represent your cause.
Lt. Governor Dewhurst Announces $1 Million Grant to Aid Small Businesses Affected by Hurricane Rita

AUSTIN—Lt. Gov. David Dewhurst today announced a $1 million grant made available through the Governor’s Disaster Relief Fund—that will help small businesses impacted by Hurricane Rita get back on their feet.

The grant will be administered locally by the SB Alliance Capital organization, which is part of the Southeast Texas Economic Development Foundation—a certified development company operated by the Greater Beaumont Chamber of Commerce. These funds will be used to provide eligible businesses with up to $15,000 in zero-interest loans.
Grant From Southeast Texas Emergency Relief Fund Makes Possible New SBAlliance Capital Bridge Loan Program

BEAUMONT, TX – November 16, 2005 – Today, the Southeast Texas Emergency Relief Fund (SETERF) granted $100,000 to SBAlliance Capital to assist small businesses in the hard-hit Jefferson, Hardin and Orange Counties recover from the devastating impact of Hurricane Rita. SETERF, which was created by attorney Regina Rogers and businessman Joe Penland (who are serving as trustees) in response to Hurricanes Katrina and Rita, has two goals: providing assistance to social service agencies and helping fund loans to small businesses through a grant to SBAlliance Capital.
Hurricane Rita Application

- Cover Sheet

IEDC: Establishing A Small Business Emergency Loan Fund Program
Application

IEDC: Establishing A Small Business Emergency Loan Fund Program
Hurricane Rita Application

Questions and Answers

- Who may apply for a 0% Small Business Disaster Relief Fund loan?
  To be eligible to receive a loan, the applicant must be an owner or principal in a for-profit, private sector business that had fewer than 100 employees on September 24, 2005 and the business must be located in Jefferson, Orange, or Hardin county

- How much can I borrow?
  The RELIEF FUND is established to provide small businesses with $5,000 and $30,000 loans, secured by a personal guarantee for six months. For businesses seeking larger amounts, the committee will consider applications on a case-by-case basis but will require the applicant to meet higher qualifying requirements.

- What are the terms for the payback?
  Each recipient will be required to pay back the loan within six months. To assist the borrower in helping them meet their obligation, a payment schedule will be worked out to accept either monthly or a one-time payment in full.

- Where should you send the completed application?
  All application should be completed and returned to: SBAlliance Capital P.O. Box 3150 Beaumont, Texas 77701

- How does the application review process work?
  All applications will be reviewed by an independent committee appointed by the SBAlliance board members. This committee will review each request and those chosen by the committee for further consideration may be required to verify their application information by supplying copies of tax returns or affidavits of authenticity of information. The loan committee reserves the right to ask for subsequent verification of information.

SBAlliance Capital
P. O. Box 3150
Beaumont, Texas 77701
409-836-6591
www.bmtcoc.org

IEDC: Establishing A Small Business Emergency Loan Fund Program
Results and Repayment

- TXDRF
  - $758,600 awarded to small businesses
  - $503,925.24 repaid to TXDRF

- SETDRF
  - $186,725.46 awarded to small businesses
  - $145,350.54 repaid to SETDRF

- TOTAL Funds Awarded - $945,325.46

IEDC: Establishing A Small Business Emergency Loan Fund Program
Hurricane Ike Disaster Recovery Funds Available for Small Business Assistance

BEAUMONT, TX - The South East Texas Regional Planning Commission and SBAlliance Capital, a certified development corporation of the Southeast Texas Economic Development Foundation will announce the release of applications for Hurricane Ike disaster recovery funds to be awarded to small business owners.

Southeast Texas was awarded $190 million in Hurricane Ike recovery funds in round one of the state allocation. Of the total, $1.9 million was earmarked to assist small businesses in their recovery from physical or economic losses sustained as a result of the disaster. Funds will be awarded as forgivable loans and recipients will not be required to pay back the funds as long as they remain in business for two years after the disbursement.

IEDC: Establishing A Small Business Emergency Loan Fund Program
The Hurricane Ike Forgivable Loan Program was made possible through a Community Development Block Grant. The funds were disbursed based on the evaluation of particular criteria established by SETEDF and the Southeast Texas Regional Planning Commission.

- Guidelines
- Application
- Questions and Answers
- Score Sheet

IEDC: Establishing A Small Business Emergency Loan Fund Program
Hurricane Ike Forgivable Loan Program

On September 13, 2008, Southeast Texas was devastated by Hurricane Ike impacting many small businesses. Many are still in need of assistance to recover from both physical and economic damages resulting from the disaster. The three county region of Jefferson, Orange and Hardin have been designated recipients of a $1.9 million Community Development Block Grant to be used toward economic recovery.

Funds will be distributed throughout the three county region as forgivable loans. Any business receiving funds will have 50% of the loan value forgiven after showing proof of operation for one year post-disbursement and will have 100% of the loan value forgiven if operations continue for at least two years post-disbursement. Should a business cease operations before the predetermined term limits, funds must be paid back in full.

The following criteria will be used to determine eligibility of funds:
- For profit businesses located in Jefferson, Orange or Hardin Counties
- Creation or retention of 1 job satisfying LMR national objectives
- Business must have been operational prior to Hurricane Ike.
- An individual credit score of 900 or higher
- Compliance with CDBG regulations

A special allotment is available for businesses willing to locate in a storm surge area. Approved loans may be used for marketing, working capital, equipment or site improvements. A loan committee will consider all applicants on a comparative basis after a probed deadline. Priority will be given to those applications with the highest cumulative impact on the economy including job creation and retention.

Applicant businesses will be required to provide the following information based on the loan amount requested:
- All Applicants:
  - Credit Bureau Report (within the past 30 days)
  - Copy of Driver’s License
  - Proof of Business Ownership
- Requests above $10,000
  - Copy of current tax returns (personal and business)
  - Profit and Loss Statement
  - Balance Sheet
  - Accounts Receivable/Accounts Payable

SBAAlliance Capital will be responsible for administering and monitoring the distributed funds. SBAAlliance Capital will make a site visit to each applicant business once the application has been received. Approved applicants will be required to sign a promissory note in the event of default on the combined operations clause. Applications and accompanying documentation will be reviewed for financial viability both pre and post hurricane. Financial security and financial viability will be a contributing factor in the approval of fund disbursement.

Collateral will be taken where appropriate to secure the note.

Maximum funding limits are initially based on number of employees:

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Funding Limit</th>
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<tr>
<td>1-3 employees</td>
<td>$10,000</td>
</tr>
<tr>
<td>4-6 employees</td>
<td>$15,000</td>
</tr>
<tr>
<td>7-9 employees</td>
<td>$20,000</td>
</tr>
<tr>
<td>10 or more employees</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

**SBAAlliance Capital reserves the right to adjust funding limits based on the needs of the applicant.**
Hurricane Ike Forgivable Loan Application

- Application

![Forgivable Loan Program Form](image-url)
Questions and Answers

Hurricane Ike Disaster Program FAQ

1. To be in compliance with CDBG regulations, you must adhere to the Low to Moderate Income guideline.

2. Definition of Low to Moderate Income:
   - (You must meet one of the following to be eligible for a forgivable loan):
     - A business with 5 or less employees in which the owner is one of the employees. (An owner can not be the only employee in this group)
     - A business that has an employee living within the LMI designated area.
     - A business located within the LMI designated area.
     - An employee whose annual salary is $39,000 or below.
     - An employee whose household income total is equal to or less than 80 percent of the area median family income figure of $54,390. Wage is $45,448 or less.

3. Please be advised you will need to prove you met and maintained the LMI status at time of the loan. 1 year after the loan and the 2 year commitment.

4. Contract workers are considered an employee if the position is at least 2 year term. Example: Hiring someone to put a roof on your building would not be considered an employee since the job would be completed in weeks.

5. Beauty Salon owners who lease or rent booths to other bevauticians may consider them contract employees for the purpose of this application.

6. Children employed by parents business may be considered in the LMI employee count if all government regulations have been met.

7. Multiple owner businesses: Majority owner will be responsible for qualifying for the forgivable loan and adhering to the guidelines and regulations.

8. Individual credit reports (not business) are to be submitted. Please include the full report. You can obtain a free credit report at www.freescorereport.com.

9. Deadline to submit completed application with all attached documents is January 3, 2013. Only applications received by cutoff date will be considered for round one funding.

10. Grant requests will be reviewed late January and recipients will be notified by phone.

11. Denied applications will receive a letter of explanation.
Hurricane Ike Forgivable Loan Application

- Score Sheet

### Forgivable Loan Score Sheet

**Committee Members**

<table>
<thead>
<tr>
<th>Credit Score</th>
<th>Point Value</th>
<th>Credit Score</th>
<th>Point Value</th>
<th>Years in Business</th>
<th>Point Value</th>
<th>Community Impact</th>
<th>Point Value</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>600 to 620</td>
<td>1</td>
<td>201 to 220</td>
<td>6</td>
<td>2 Year</td>
<td>2</td>
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<td>621 to 640</td>
<td>2</td>
<td>221 to 240</td>
<td>7</td>
<td>3 Years</td>
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<td></td>
<td></td>
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<tr>
<td>641 to 660</td>
<td>3</td>
<td>241 to 260</td>
<td>8</td>
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<td>661 to 680</td>
<td>4</td>
<td>261 to 280</td>
<td>9</td>
<td>5 and up</td>
<td>5</td>
<td></td>
<td></td>
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<tr>
<td>681 to 700</td>
<td>5</td>
<td>281 &amp; Up</td>
<td>10</td>
<td></td>
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</tbody>
</table>

**Remarks**

- Good handle: State Certified
- Pre-Is Proof of Ownership
- Simple Environmental
- LMI Proof
- Other

IEDC: Establishing A Small Business Emergency Loan Fund Program
Results

- Community Development Block Grant – Texas Department of Rural Affairs
  - 739 applications from small businesses
  - $11,936,500 in total requested funds

- Results of funds awarded
  - 108 businesses received assistance
  - $1,710,000 in forgivable small business loans
  - Businesses receiving funds represented 12 different communities
  - Only two businesses have defaulted on the terms of the loan and have repaid the debt.
Hurricane Ike Forgivable Loan Site Visit Checklist

- What will these funds be used for? ___________________________________
- Verification of LMI: http://www.huduser.org/portal/datasets/il/il09/tx.pdf
  
  TWC Return ____________________ Dated:____________________
  Copy of W2 ____________________ Year:_____________________
  Other:_________________________

- Company & Owner in “Good Standing” with STATE agencies? Additional verification by tax ID# and SS#:
  http://www.window.state.tx.us/procurement/prog/vendor_performance/debarred/

- Company & Owner in “Good Standing” with FEDERAL Agencies? Additional verification by tax ID# and SS#:
  http://www.window.state.tx.us/procurement/prog/vendor_performance/debarred/

- Property Taxes Paid
Hurricane Ike Forgivable Loan Site Visit Checklist - Continued

- Proof of business ownership.
- Picture of building
- Explain guidelines and requirements.
  - Year 1 & 2 site visit for verification of LMI Employee
  - Promissory Note explanation
  - Copy of SS and DL for file
  - FOIA and Disclosure acknowledgment
The Southeast Texas Economic Development Foundation charted new territory in its effort to expedite disaster recovery by utilizing Community Development Block Grant Funds for economic development. Through a close working relationship with the local Council of Government, area Chambers of Commerce, economic development organizations and municipalities, Southeast Texas was able to recover from one of the countries largest natural disasters.

Be Ready, Be Cooperative, and Be Positive!

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