

Frequently Asked Questions (FAQs)

The Federal Home Loan Bank of Dallas (FHLB Dallas) has expanded and modified the Small Business Boost (SBB) program for the May 1 – December 4, 2020 funding round to assist in the COVID-19 economic recovery efforts. FHLB Dallas is making available \$1.5 million in funds with the primary goals of helping small businesses continue to operate and retain jobs. The funding round has been moved up to begin May 1 and the program uses have been expanded.

What is Small Business Boost (SBB)?

SBB is a program offered by FHLB Dallas intended to help participating members provide financing for qualified small business transactions. SBB fills the gap between what the member can finance and the loan request made by an eligible small business. For example, SBB can fill the financial gap when the small business does not have the required equity or collateral to get their loan request fully funded by the member.

SBB funds are provided as a secondary, unsecured loan in conjunction with a loan made by the participating member institution. There are no repayments due on the SBB loan in year one which helps improve initial cash flow for the small business.

What can SBB be used for?

SBB may be used to finance the startup, expansion or continued operation of a small business, including permanent working capital, building purchase, land acquisition and construction, inventory, closing costs, etc. In transactions involving real estate, at least 51 percent of the real estate must be occupied by the small business. In the May 2020 funding round, FHLB Dallas has expanded acceptable uses to include working capital to pay fixed costs, payroll, accounts payable and other bills that cannot be paid because of impacts from the COVID-19 pandemic.

How does SBB work?

Enrolled members can register a small business for recoverable assistance during open funding rounds. SBB funds are awarded on a first-come, first-served basis. The next funding round will open May 1, 2020, and remain open until funds are exhausted or December 4, 2020, whichever occurs first. If approved, members have three months to close and submit a funding request for disbursement.

Can SBB be used to refinance existing member debt?

SBB cannot be used to reduce the existing member debt owed by a small business. However, SBB may be used in addition to the refinancing of existing member debt. For example, a member may refinance \$100,000 in existing debt and request \$50,000 in SBB funds for working capital. The previous requirement that the member loan must include at least 33 percent new money is waived for the remainder of 2020.

Who services the loan?

FHLB Dallas will provide an amortization schedule to the member for the SBB loan. The member should collect repayments from the small business in accordance with this schedule beginning in year two. Principal and interest payments collected by the member for the SBB loan will be remitted to FHLB Dallas annually from the member's primary demand deposit account (DDA).

Who underwrites the loan?

SBB integrates with the member's existing underwriting; no separate underwriting required. SBB does not have separate requirements regarding equity, LTV, DSCR, etc. for approving the SBB transaction.

Do members have credit exposure in the deal?

Yes. Member financing must make up at least 40 percent of the total transaction costs.

Are members able to profit from the SBB transaction?

Yes! Beginning in year two, members may charge the small business up to 3 percent interest on SBB funds. This helps compensate the member for servicing the SBB loan.

What if the business cannot repay the SBB loan?

The member must notify FHLB Dallas immediately of delinquencies of 60 days or more by the borrower on the loan. If the member demonstrates that the borrower does not have the ability to repay in a timely fashion, then FHLB Dallas may also consider a deferment or modification to the SBB loan. Should the loan default, the member should commence reasonable collection efforts. Ultimately FHLB Dallas only expects repayment of SBB funds based upon the ability of the small business to make payments to the member.

What qualifies as a "small business"?

The member must certify that the borrower is considered a small business by the Small Business Administration (SBA) size standards and provide documentation evidencing the existence of the small business such as the Articles of Incorporation, Assumed Name Certificates, etc.

How much can a small business receive in SBB funding?

Small businesses may obtain only one SBB loan. The maximum SBB loan amount for each small business is the lesser of \$100,000 or 50 percent of the member's loan. If there is public guarantee (SBA guarantee), the SBB loan can represent up to 50 percent of the member's remaining exposure. In addition, one FTE (full-time equivalent) job must be *retained* or created for every \$50,000 in SBB funds, or other economic impact must be demonstrated, such as the business may close if financing is not received.

Is there a limit for how much members may receive in SBB funding?

No. As of September 30, 2020, members are no longer limited to a maximum of \$225,000 in SBB funds.

How long can the SBB loan be financed?

The loan term for non-real estate transactions can extend up to seven years and be amortized up to 10 years. If financing of real estate is greater than 50 percent of the project costs, the SBB loan term will be the lesser of 10 years or the member's loan term. The SBB loan can be amortized up to 15 years for transactions involving real estate.

How do members sign up?

Prior to submitting requests for assistance, members must enroll in the program. To enroll, members may request the enrollment package (SBB Enrollment Form and *SBB Master Agreement*) be sent via DocuSign by submitting a request using the contact form at fhlb.com/sbb or by emailing SBB@fhlb.com.

How do enrolled members apply for SBB funding?

Members may request that applications for SBB funding be sent via DocuSign by submitting a request using the contact form at fhlb.com/sbb or by emailing SBB@fhlb.com.

For more information contact Community Investment at 800.362.2944 or SBB@fhlb.com.