



Member driven.  
Community focused.

## Small Business Boost 2020 Program Manual

## General Information

Small Business Boost (SBB) is a recoverable assistance program offered by the Federal Home Loan Bank of Dallas (“the Bank”) that helps members provide financing for qualified small business transactions by filling the gap between what the member can finance and the loan request by the eligible small business. The program objective is to assist in the growth and development of small businesses, including both start-up and expansion. SBB funds are disbursed through members to small businesses as a secondary, unsecured loan with no payments in year one. Beginning in year two the small business repays the SBB loan to the member, and the member forwards payments collected to the Bank.

Enrolled members can then register qualified small businesses for SBB funding during open funding rounds. In 2020, \$1.5 million in SBB funding will be available on a first-come, first-served basis starting at 9:00 a.m. on Monday, January 6 through 5:00 p.m. on Friday, July 3. Any remaining funds will then be re-pooled and made available again to all members beginning at 9:00 a.m. on Monday, July 20, on a first-come, first-served basis..

<b>2020 SBB Registration Open</b>	<b>2020 SBB Registration Close</b>	<b>2020 Allocated Funds</b>
Monday, January 6, 2020 9:00 a.m.	Until funds exhausted, or; Friday, July 3, 2019 5:00 p.m.	<ul style="list-style-type: none"><li>• \$1.5 million</li></ul>
Monday, July 20, 2020 9:00 a.m.	Until exhausted, or; Friday, December 4, 2020 5:00 p.m.	<ul style="list-style-type: none"><li>• Remaining funds from first round, if any, and</li><li>• \$1.5 million</li></ul>

All SBB documents should be sent to [SBB@fhlb.com](mailto:SBB@fhlb.com) for consideration.

A completed registration form must identify the business to which recoverable assistance will be given and provide an explanation of the need for SBB funds. A copy of the member’s credit write-up must be included with the submission. Registration forms may be accepted as early as 9:00 a.m. on the date that a SBB funding round opens but any submission prior will not be considered. The Bank will review each submission to determine whether or not the program parameters are met. If the parameters are met, and funding is still available in the open round, the registration will be approved. If the program parameters are not met, the registration will be denied.

Upon approval of a registration, the member has three months or until December 15, whichever comes first, to close the SBB loan and submit a program funding request form. All funding requests for the current year must be submitted before 5:00 p.m. on Tuesday, December 15. The Bank will review the funding request and, upon approval, deposit the SBB funds to the member’s Demand Deposit Account (DDA) and advise the member of the deposit. If the funding request is denied, the member will be advised of the reason.

Members will collect repayment of the SBB loan in accordance with the amortization schedule provided by the Bank. The member will forward repayment to the Bank annually. If the member is not able to collect the repayments, the SBB loan may be charged off by the Bank.

Members will be required to submit a performance measurement report in year two (2) for each business funded during the prior calendar year to ensure compliance with the program requirements.

# GLOSSARY

Bank: FHLB Dallas

Small Business Boost (SBB): A program developed by the Bank to provide secondary loans through members to eligible small businesses by filling the gap between what the member can finance and the loan request by the eligible small business.

Bankruptcy Event: (a) Any involuntary proceeding commenced or an involuntary petition filed seeking (i) liquidation, reorganization or other relief in respect to the business or its debts, or of a substantial part of its assets, under any federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Eligible Business or any subsidiary or for a substantial part of its assets; or (b) (i) any voluntary proceeding commenced or any petition filed by the business seeking liquidation, reorganization or other relief under any federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent by the business to the institution of, or failure by the business to contest in a timely and appropriate manner, any proceeding or petition described in paragraph (a) of this definition, (iii) application by the business for, or consent by the business to, the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the business or for a substantial part of its assets, (iv) filing by the business of an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) the creation by the business of a general assignment for the benefit of its creditors, or (vi) taking any action by the business for the purpose of effecting any of the foregoing.

Common Business: A business of related or similar type to the applicant business where the ownership, or a majority owner, of the applicant business owns all or a majority

Eligible Small Business: A Small Business that meets the requirements of the Small Business Boost program and is not otherwise determined by the Bank to be an Ineligible Small Business.

Enrollment Form: A form submitted to the Bank to enroll into the Small Business Boost program

Employment Certification Form: A form completed by small businesses and submitted by members that verifies the business's current employment one year after the SBB loan was funded

Economic Impact Description Form: A form submitted by members if a business does not have one FTE (full time equivalent) job retained or created for every \$50,000 of SBB funds requested

Full Time Employee (FT): An employee who is employed on average at least 30 hours per week

Full Time Equivalent Employee (FTE): A combination of employees, each of whom individually is not a full-time employee because they are not employed on average at least 30 hours per week, but who, in combination, are counted as the equivalent of a full-time employee

Funding Approval Form: A form submitted by members to request that approved SBB funds be placed in their Demand Deposit Account (DDA)

Ineligible Small Business: Any small business that does not meet the Bank's definition based on certain size requirements, or any small business in the financial, housing, insurance, non-profit, real estate or government sectors. Small businesses that are either illegal or deemed immoral, or for other reasons determined by the Bank, are also not eligible

Lending/Underwriting Criteria: Standards used by a member to determine the creditworthiness of a potential borrower

Member(s): Any institution that has received approval from the Bank to join its membership and has purchased the required stock. To participate in the SBB program, a member must be in good standing and creditworthy, as determined by the Bank, and must not be in default with regard to any obligations or commitments under any of the Bank's programs including, without limitation, Small Business Boost.

Performance Measurement Form: A form submitted by the member prior to the first annual remittance to the Bank. The form reports on the status of SBB repayments and measures the impact of the Small Business Boost program with respect to small business assistance and local economic growth

Program: Federal Home Loan Bank of Dallas' Small Business Boost program

Refinance: Any debt refinanced from the applicant member institution. Does not include debt from institutions other than the applicant member

Registration Form: A form submitted by members that describes the business and loan that will use Small Business Boost funds

Small Business: Any firm, proprietorship, partnership or corporation that has less than the annual revenue limits or employee counts for small businesses, as set forth by the Small Business Administration's (SBA) size standards by North American Industry Classification Standards (NAICS). Revenues and employees from common businesses will be counted towards the small business size standard.

Total Project Cost: Total of all costs in a small business transaction under the program

# PROGRAM GUIDELINES

## *Enrollment*

To participate in the program, a member must first enroll by submitting to [SBB@fhfb.com](mailto:SBB@fhfb.com) the SBB enrollment form and an executed copy of the SBB Master Agreement, which must be completed in its entirety. The Bank will review the form and notify the member of their acceptance into the program.

## *Small Business Registration/Eligibility Guidelines*

- The member must be approved for enrollment prior to the registration of its first small business.
- One FTE (full-time equivalent) job must be retained or created for every \$50,000 of SBB funds requested. For example, a project requesting \$80,000 must retain or create two FTEs. The FTE retention or creation must be documented with a signed statement from the borrower. If the project does not comply with the above jobs ratio, it may still qualify to receive Small Business Boost commitment by providing an Economic Impact Description Form. The member must describe, in narrative form, how the project has had or will have a positive economic/community impact. The following list of indicators will be used to demonstrate economic impact:
  1. The number of employees retained or created
  2. Other economic impact achieved through the project, such as:
    - The business is minority, woman, or veteran owned
    - Construction materials purchased, construction jobs generated
    - Equipment and furnishing purchases
    - Inventory purchases
    - Fees – realtors, lawyers, title insurance, banks
    - Municipality benefit – taxes, permits, sewer hook-up, blight removal
    - Other local businesses expanded/enhanced
    - The business will close if financing is not obtained
  3. Member benefit – other products and services

The Bank will review the impact narrative and make a decision, based on the justification provided, to approve, deny or elect to provide a reduced amount of SBB funds.

- The business must be an eligible small business, as defined in the Glossary.
- The member must submit a copy of the small business's articles of incorporation or other document evidencing the existence of the small business.
- The member must submit a copy of the member institution's credit write-up for the transaction. Upon request by the Bank, the member must submit an excerpt of the member's loan policy that states the underwriting standards, including equity required and loan-to-value and debt coverage ratios.
- Member financing must be at least 40 percent of the total project costs.
- Members must have credit exposure in each deal.
- The underwriting criteria for SBB loans must be consistent with the member's standard underwriting criteria.
- Total SBB loan cannot exceed 50 percent of the member's loan if a public guarantee program is not part of the transaction.

- The SBB loan can represent up to 50 percent of the member institution's remaining exposure if a public guarantee program is part of the transaction.
- The maximum SBB loan amount that can be requested for each business is \$100,000.
- In transactions involving the refinancing of existing member debt, at least 33% of the member loan must include new money to qualify for the SBB loan.
- Businesses may obtain only one SBB loan.
- In transactions involving real estate, at least 51 percent of the real estate must be occupied by the business.
- All supporting documentation and additional documentation requested must be received by the Bank within 30 days of original submission to [SBB@fhlb.com](mailto:SBB@fhlb.com). If not received in its entirety, the application will be rejected.

## Funding

- Once approved, members have three months or until 5:00 p.m. on Tuesday, December 15, whichever comes first, to close on the loan and submit a funding request.
- No later than two (2) days prior to closing, members must submit a draft of their loan note and the SBB Loan Agreement.
 

*Note: The SBB Loan Agreement may serve as the note for the SBB loan. If the member uses a note in addition to this Agreement, the terms of the note cannot contradict the terms of the Agreement. The member is also not required to secure the Small Business Boost loan. However, the Bank has no prohibition relative to the member securing SBB loans. Any Small Business Boost funds returned to the member upon collection must be returned to the Bank.*
- For example, the repayment language on the SBB Loan Agreement for Operative Provision 1 may read as follows:
 

“Borrower will pay this loan in accordance with the following payment schedule: 12 monthly principal payments of \$XXXX.XX, beginning (DATE 2021), during which interest accrues on the unpaid principal balance using an interest rate of 3.00% per annum based on a year of 360 days; XX monthly principal payments of \$XXX.XX, beginning (DATE 2022), during which interest continues to accrue on the unpaid principal balance using an interest rate of 6.00% per annum based on a year of 360 days; and one final payment of \$XXXXXX.XX on (Date 20XX) with interest calculated on the unpaid principal balance using an interest rate of 6.00% per annum based on a year of 360 days. The estimated final payment is based on the assumption that all payments will be made exactly as scheduled; the actual final payment will be for all principal and accrued interest not yet paid.”
- The member will fund the SBB loan to the borrower then request reimbursement from the Bank. The member must submit an executed Funding Request Form, SBB Loan Agreement, and member loan note to receive reimbursement for the SBB loan.
- A final amortization schedule will be provided to the member. Annual repayments will be collected in accordance with this schedule. The member must adhere to this schedule for monthly collection from the borrower unless otherwise agreed to in writing.

## Repayments

- The loan terms are as follows:
  1. If financing equipment and/or working capital, the term can extend to the lesser of 7 years or member loan term.
  2. If financing of real estate is greater than 50 percent of the project costs, the term will be the lesser of 10 years or member loan term.
- The amortization of the SBB loan has a limit of 15 years for transactions involving real estate and 10 years for other transactions.

- Beginning in year two, members may add a reasonable spread, up to 300 basis points, onto the SBB loan.
- SBB loans are repaid to the Bank only upon the ability of the small business to make the repayment.
- Repayment terms are as follows:

<u>Year</u>	<u>Payments to Bank</u>	<u>Net Payments to Member</u>
1	No Repayment	No Repayment
2	Principal amortization begins	Up to 300 basis points
3 and thereafter	Principal amortization plus 3%	Up to 300 basis points

- Annual payments are made at the end of the month on the anniversary date of the SBB loan.
- Payment is made through the member's Demand Deposit Account (DDA) with the Bank.
- Prepayments in full are permitted. No prepayment penalties are assessed.
- Any small business refinancing with another lending institution will be required to pay off the SBB loan.
- If the small business is having difficulty repaying SBB funds, the member can submit a written request for a modification to the SBB loan terms. The modified loan terms should not exceed the established loan term limits in effect for the program, unless the member's loan term is extended, then the SBB term may be modified beyond the established loan term limits.
- If a business is 60 days or more delinquent in the repayment of either the member's loan or the SBB loan, the member must notify the Bank immediately.
- If the member demonstrates that the small business does not have the ability to repay the SBB loan, principal recovery may be deferred at the Bank's discretion.
- If a business has filed for bankruptcy, the member must advise the Bank upon notification of such filing. It is the member's responsibility to keep the Bank advised of the status of the bankruptcy or any other event of default.
- Any small business paying off the member's loan in its entirety must also pay off the SBB loan.

For more information, please contact the Community Investment Department at 800-362-2944 or [SBB@fhfb.com](mailto:SBB@fhfb.com).