



Frequently Asked Questions (FAQs)

What is Small Business Boost (SBB)?

SBB is a new community investment program offered by FHLB Dallas (the Bank) for the growth and development of qualified small businesses. The program is intended to help participating members invest in their community businesses by filling the gap in those instances where the small business needs help to meet member underwriting standards by adding equity and/or enhancing repayment ability. SBB allows participating members to bridge certain underwriting obstacles and make loans to qualified small businesses that would not otherwise meet lending requirements. SBB funds are provided as a secondary, uncollateralized loan that the borrower is expected to repay. There are no repayments in year one which improves initial cash flow for the small business.

What can SBB be used for?

SBB may be used to finance the startup or expansion of a small business, including building purchase, land acquisition and construction, permanent working capital, inventory, closing costs, etc. In transactions involving real estate, at least 51% of the real estate must be occupied by the small business. Transactions involving a refinance must have at least 33% of the total business deal in new money.

How does SBB work?

Enrolled members can submit applications during open funding rounds for qualified small business transactions. SBB loans are awarded on a first come, first served basis beginning January 22, 2019. If approved, members have months to close on the loan and submit a funding request for disbursement.

Who services the loan?

The Bank 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 the Bank annually from the member's primary DDA.

Who underwrites it?

The member is asked to provide their loan policy and underwriting standards at the time of enrollment (and again at application if the policy has changed). SBB integrates with the member's existing commercial underwriting; no separate underwriting required. The Bank will confirm that the loan to the small business fails member loan underwriting standards without SBB funding. We do not have our own requirements regarding equity, LTV, DSCR, etc. for approving the SBB loan.

Do members have to have credit exposure in the deal?

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

Are members able to profit from the transaction?

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

What if the business cannot repay the SBB loan?

In case of delinquent payments or bankruptcy filings by the borrower, it is the member's responsibility to alert FHLBank Dallas. Should the loan default, the member should commence reasonable collection efforts for the member and SBB loan. If the member demonstrates that the borrower does not have the ability to repay in a timely fashion, then the Bank may also consider a deferment or modification to the SBB loan. The member must notify the Bank immediately of any 60+ day delinquencies by the borrower on the loan.

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.

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% of the member's loan. If there is public guarantee (SBA guarantee), the SBB loan can represent up to 50% 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. The annual member cap is \$300,000.

How long can the SBB loan be financed?

The loan term for non-real estate transactions can extend up to 7 years and be amortized up to 10 years. If financing of real estate is greater than 50% 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?

Members who did not attend one of the scheduled SBB webinars should request a recording from the Community Investment department. Prior to submitting requests for assistance, members must submit the [SBB Enrollment Form](#), [SBB Master Agreement](#), an excerpt of their loan policy which pertains to the underwriting standards for business and/or commercial loans, and a blank copy of a credit write-up.