

Business Disaster Recovery Programs
Loan Interest Supplement Program
Program Guidelines
(Amendment - approved February 23, 2010)

Purpose

The purpose of the Loan Interest Supplement Program is to provide assistance in the form of interest supplements to businesses who have obtained physical disaster loans or economic injury disaster loans from an eligible lender. Funds will be provided to individual businesses, for a maximum of three (3) years, not to exceed \$50,000 per business.

Program Description

- This program is designed to supplement the interest related to post disaster debt. Based on existing loans, the loan interest is calculated, and these dollars are available quarterly, to offset the cost of carrying debt associated with the 2008 natural disaster(s).

Definitions

- “*Administrative entity*” means the direct applicants for this activity who are the cities of Cedar Falls, Cedar Rapids, Des Moines, Iowa City and Waterloo, and “lead” counties applying on behalf of the six Disaster Recovery Areas designated by IDED.
- “*Business*” means a corporation, a professional corporation, a limited liability company, a partnership, a sole proprietorship, or a nonprofit corporation.
- “*Department*” or *IDED*” means the Iowa department of economic development.
- “*Disaster Loan*” means one of the following types of loans:
 - 1) “*Physical Disaster Loan*” - financial assistance provided to a businesses, by an eligible lender, to repair or replace physically damaged property owned by the business at the time of the 2008 natural disaster(s), including real estate, inventories, supplies, machinery and equipment.
 - 2) “*Economic injury disaster loan*” - a loan provided by an eligible lender for: lost income or lost profits; to pay liabilities which the business could have paid if the disaster had not occurred; working capital for a limited period so business can operate until conditions return to normal.
- “*Eligible Lender*” means any of the following entities that provide disaster recovery loans to business: the SBA; a financial institution; an economic development organization; a rural electric or telephone cooperative with an established Economic Development Administration (EDA) or U.S. Department of Agriculture (USDA) revolving loan fund program or intermediary re-lending program.
- “*Physically damaged*” for the purpose of this program means physical damage caused by flooding including overland flow, or physical damage caused by tornado. Damage caused by sanitary or storm sewer backup is not included unless the department determines that such damage was a direct result of the 2008 natural disaster(s).
- “*SBA*” means the U.S. Small Business Administration

Eligibility

- Business has received a disaster loan for economic injury and/or physical damage as a result of the 2008 natural disaster(s).
- Business must provide documentation supporting the physical disaster loan is for the purpose of repairing or replacing physically damaged property owned by the business at the time of the 2008 natural disaster(s)
- Business is open and operating at the time of application and at each disbursement period.
- Common ownership must be in place both pre-disaster and active post-disaster.

- If both a holding company and operating company have received disaster loans both are eligible for assistance.
- Commercial portion of a mixed-use facility is eligible.
- Residential facilities are not eligible.

Eligible program activities; maximum amount of assistance

- An eligible business may apply for interest supplements of up to \$50,000, for the first three (3) years of the term of the disaster related loans.
- Economic injury disaster loans must have closed prior to June 1, 2009.
- Physical disaster loans must have closed prior to June 30, 2010.
- Physical disaster loans closed after June 30, 2009 will have a maximum reimbursable interest rate of eight percent. For an adjustable rate disaster loan the maximum APR cannot exceed the eight percent. If the Federal Reserve index the loan is based upon changes the state may review the maximum interest rate.
- The maximum allowable reimbursement is calculated on the first 36-months of interest on the original disaster related loan or original line of credit. The amount of quarterly reimbursement is for actual interest paid in that quarter with total reimbursement equal to or less than 36-month of interest calculated from the original disaster loan.
- If a disaster loan is restructured, the maximum amount of reimbursement is equal to or less than 36 months of interest calculated from the original disaster loan.
- Interest supplements will be disbursed quarterly for the previous quarter's follows:

For the Quarter Ending	GAX accepted after this date
September 30, 2009 For interest receipts thru 8/31/2009	October 1, 2009
December 31 For interest receipts from Oct 1- Dec 31	January 1
March 31 st For interest receipts from Jan 1 – March 31	April 1
June 30 For interest receipts from April 1 – June 30	July 1 st
September 30 For interest receipts from July 1 – September 30	October 1 st

- The business will submit to the administrative entity, receipts of interest supplement for each quarter.
- The business with a line of credit, will submit to the administrative entity, documentation that expenditures related to the draw meet qualifications of disaster recovery loan.
- An eligible business must apply to the administrative entity by June 30, 2010.

Duplication of Benefits

- Business has completed and submitted the required Consent and Release Form, Subrogation Agreement, and Duplication of Benefits Affidavit.

Distribution of Funds and Program Termination

IDED will disburse funds in the form of a grant to administrative entities. The grant shall be used to provide financial assistance to eligible business in the form of a grant for supplemental reimbursement of interest on disaster loans related to the 2008 natural disaster(s)

Application will be processed by an administrative entity. Funds will be distributed quarterly, upon request to the department from an administrative entity.

- Funds for this program shall be available through August 31, 2012.
- Application period may be terminated if funds are not sufficient.

Program Administration and reporting

- Each administrative entity will provide oversight and contract administration to ensure that program's recipients are meeting contract requirements.

- Each administrative entity will collect data and report to IDED in the form and content required by law.