



**LOUISIANA**  
Office of  
**COMMUNITY**  
**DEVELOPMENT**

## SMALL BUSINESS LOAN PROGRAM



**RESTORE**  
**LOUISIANA**

### **PROGRAM ADMINISTERED BY:**

Office of Community Development

Division of Administration

State of Louisiana

**October 2022**

# Program Guidelines

## Glossary of Terms

**Applicant Business:** A Small business that has a minimum of (1) full-time equivalent employee and no more than 50 full-time equivalent employees (FTEs = Full-Time Equivalents = 35 hours per week), a pre-storm gross revenue of \$25,000 and submits an application for the SBL program.

**Awarded Business:** Small business that meets all SBL program eligibility requirements, as defined herein, and is a recipient of SBL program funds.

**Benefit:** Amounts paid on behalf of employees by the employer. These are fringe benefits payments that include group insurance, social security, Medicare, retirement, unemployment compensation, worker's compensation, and other employee benefits.

**Community Development Financial Institution (CDFI):** A financial institution that provides credit and financial services to underserved markets and populations.

**CDFI Investment Area:** A geographic unit (or contiguous geographic units), such as a census tract, located within the United States, that meets a certain criteria.

**Community Development Block Grant-Disaster Recovery (CDBG-DR):** A HUD block grant program through which funds are awarded to the State to assist in recovery from presidentially declared disasters.

**Cooperative Endeavor Agreement (CEA):** The written contract between OCD and the Subrecipient.

**Direct Program Costs:** The amounts distributed to eligible businesses in the form of a loan.

**Duplication of Benefits:** Financial assistance received from another source that is provided for the same purpose as the CDBG-DR funds.

**Eligible Business:** For this program, we define a small business as a business that is active, registered and in good standing with the Louisiana Secretary of State with a minimum of (1) full-time equivalent employee and no more than 50 full-time equivalent employees (FTEs = Full-Time Equivalents = 35 hours per week), a pre-storm minimum gross revenue of \$25,000 and applies to the program and meet all eligibility requirements listed in the program policies and procedures.

**Employee:** a Louisiana resident or business owner hired as a full-time employee for wages or salary.

**Equipment:** Non-expendable personal property, which generally is considered to include tangible personal property having a useful life of more than one year and an acquisition cost of \$300 or more per unit.

**Essential Goods and Services:** Are those goods or services necessary for immediate and long-term housing and community recovery. Such goods and services may include but are not limited to grocery stores, pharmacies, healthcare providers, gas stations, residential construction-related companies, child care providers, locally-owned restaurants, and residential service providers.

**Louisiana Office of Community Development (OCD):** An office within the Louisiana Division of Administration, created to administer CDBG-DR Block Grant funds that are allocated by HUD to the State of Louisiana.

**Low to Moderate Income Job:** a job is considered to be made available to or held by a person of low or moderate income if the annual salary or wages paid are at or below 80 percent of an area's median household income for one person. As approved by a HUD waiver in FRN 6326-N-01, HUD considers a person income-qualified if the annual wages or salary of the job is at or under the HUD-established income limit for a one-person family. All income is based on the area median income limits set annually by HUD for each for each parish or metropolitan statistical area.

**Microenterprise Business:** A commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise.

**MID:** Most Impacted and Distressed areas determined by HUD or the State of Louisiana.

**National Flood Insurance Program:** Program managed by the Federal Emergency Management Administration that offers flood insurance to homeowners, renters and business owners if their community participates in the NFIP.

**Notice Of Funding Availability (NOFA):** Solicitation for proposals from qualified lenders to participate as Subrecipients in the SBL program.

**Program Delivery Costs:** Costs such as salaries, benefits, travel, supplies, professional/contractual services, equipment, or other operating costs that are associated with direct delivery of the program. Program delivery costs are generally linked to a project or are project-specific. They are costs directly related to implementing the eligible CDBG projects/activity. This includes the costs of carrying out the eligible CDBG activity and include subrecipients' costs, as well as third parties' (subgrantees and contractors). For example, the time spent by staff conducting application intake, applicant and jobs income verification, use of funds verification and underwriting would be considered to be costs of delivering the activity. Program delivery costs must be direct costs related to the program and cannot exceed 15% of the total budget.

**Respondent:** A lending organization that provides a proposal in response to the Notice of Funding Availability.

**Revolving Loan Fund:** A restricted account that each Subrecipient will place principal and interest payments collected from awarded businesses. The Subrecipient must disburse these funds according to Revolving Loan Fund policies detailed on page 8 of this manual.

**Sage CRM:** Customer relationship management system used to track loan applications submitted to Subrecipients for the SBL program.

**Salaries:** Compensation for time and effort by employees. May include wages for temporary or part-time labor hired on staff for this program.

**Socially and Economically Disadvantaged Individuals (SEDI):** Under federal law 13 CFR 124.103 and 13 CFR 124.104, are those who have been subjected to racial or ethnic prejudice or cultural bias within American society because of their identification as members of groups without regard to their individual qualities and whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged.

**Small Business Loan Program:** Loan program established to provide assistance to small businesses located in MIDs.

**Subgrantee:** A governmental agency or non-profit organization that the Subrecipient engages to assist in implementing this program.

**Subrecipient:** Public corporations, public trusts, political subdivisions, and non-profit organizations and Community Development Financial Institutions that OCD engages to implement the SBL program. Subrecipients may also be referred to as the lenders of the program.

**Tenant Business:** Business that occupies commercial property under a lease or tenancy agreement with the property owner.

**Travel:** Expenses, in compliance with state travel regulations (PPM-49), incurred while an individual is traveling in order to accomplish the goals and objectives of the Program. Eligible travel costs shall be reimbursed in accordance with PPM-49 in effect at the time the expense was incurred, if provided for in the budget. Examples include lodging, meals, mileage or airfare. Information on PPM-49 can be found at: <http://www.doa.la.gov/oa/ost/ppm-49-travel-guide/>

**U.S. Small Business Administration:** A federal agency that provides support and disaster loans to small businesses.

**U.S. Department of Housing and Urban Development:** Administering agency for the Community

## Small Business Loan Program

Development Block Grant-Disaster Recovery program funds that are available to the State from an appropriation by the United States Congress and are funding this program.

**Underserved Communities:** Refers to populations sharing a particular characteristic, as well as geographic communities that have been systematically denied a full opportunity to participate in aspects of economic, social, and civic life. Underserved communities that were economically distressed before the disaster include, but are not limited to, those areas that were designated as a Promise Zone, Opportunity Zone, a Neighborhood Revitalization Strategy Area, a tribal area, or those areas that meet at least one of the distress criteria established for the designation of an investment area of Community Development Financial Institution at 12 CFR 1805.201(b)(3)(ii)(D).

**Working Capital:** For this program, it is utility costs (gas, electric, water), non-owner employee salaries, and rent or mortgage costs.

## Program Description

The Office of Community Development (OCD) has worked with the Louisiana Department of Economic Development (LED) and other federal, state and local economic development partners to create the Small Business Loan Program (SBL) to provide assistance to small businesses located in areas adversely affected by Hurricanes Laura, Delta, Ida and the May Flood of 2021. OCD will provide program assistance to eligible businesses and/or non-profit organizations through participating non-profit lenders, credit unions and/or community development financial institutions (Subrecipients) who will implement and administer a lending program to assist impacted businesses and non-profits.

Although funding is subject to change, total funding available for the SBL is \$96 million for loans and costs to implement the program by selected Subrecipients. This program is funded through the Community Development Block Grant Disaster Recovery Program (CDBG-DR) from the U.S. Department of Housing and Urban Development as eligible under Section 105(a)(15) or 105(a) 17 of the Housing and Community Development Act of 1974 (HCDA).

The activities will meet the national objectives of benefitting persons of low to moderate income.

## Subrecipient Eligibility

Subrecipients must qualify as entities listed in the definition of Subrecipient. Non-profit organizations must be established under Section 501 of the Internal Revenue Code of 1986 (the "Code"), as amended; CDFI's must be certified by the U.S. Department of Treasury as a Community Development Financial Institution or a Community-Based Development Organization as defined by HUD. Insured and active credit unions are also eligible to participate, provided they can demonstrate their ability to comply and issue loans according to program policies and procedures.

Eligible Subrecipients will be those organizations that have expertise in lending and at the time of application are actively lending to small businesses in Louisiana. OCD will give preference to those organizations that have experience working with small businesses that have difficulty securing loans from traditional lending sources. Preference may also be given to those organizations that have the ability to serve multiple eligible parishes.

An organization must meet the following criteria for selection as a program Subrecipient and must comply with the terms of these Guidelines:

- It has a viable track record delivering loans to small businesses;
- It employs policies and practices consistent with the purpose and requirements of the program;
- It can demonstrate that it has the institutional capacity to implement and deliver the program effectively through the use of predominantly in-house staff and internal competencies;

- It is not the subject of an outstanding finding or directive issued by OCD in connection with any other loan or grant issued by OCD, unless corrective action acceptable to OCD has been implemented ;
- It is not established as a religious or political organization; and
- It has an established office in Louisiana.

OCD will review and designate Respondent Subrecipients for eligibility under HCDA Section 105(a) 15, as per the policy and procedure detailed in the “OCD Procedures for Designating a Subrecipient or Subgrantee to carry out eligible activities described under HCDA Section 105(a) 15.” Respondent Subrecipients may not be eligible under the program if OCD cannot designate them under HCDA 105(a) 15. However, should the state choose to engage the Subrecipient without designating them under HCDA 105(a)15, loans will meet the eligible activity of HCDA 105(a)17 and loan repayments generated by those awarded businesses shall be considered program income. Program income generated under this program may be required to return to the state or OCD may authorize Subrecipients to expend program income on other CDBG-DR eligible activities, subject to approval by OCD in its sole discretion.

### Program Documents/Manuals

OCD shall prepare a comprehensive program manual including program documentation guidelines, monitoring requirements and other documents necessary to the implementation of the program, which OCD will provide to each approved Subrecipient. Subrecipients will use the information and guidelines contained within the program manual to implement and administer the program. OCD will monitor its Subrecipients for compliance with the program guidelines detailed within the program manual, guidelines and documents. Should OCD update or amend the program policies and procedures, Subrecipients will receive the updated documents and technical assistance to ensure they understand the revised program policies and procedures.

### Program Outreach

Businesses will be able to obtain information about program timing and participation at OCD’s website ([restore.la.gov](http://restore.la.gov)). Subrecipients will undertake program outreach to encourage impacted businesses to apply to the program, as per the outreach plan submitted during the application process. Priorities of the plan include targeting:

- Businesses located in HUD MIDs
- Businesses that serve underserved communities and spur economic opportunities for underserved communities that were economically distressed before the disaster.
- Businesses that provide essential goods or services.

### Additional Requirement

OCD, in response to the need to identify disadvantaged communities required under federal regulations, is requiring that 70% of a parish/municipality allocation be spent in a U. S. Department of Transportation (USDOT) designated “Disadvantage Community (DAC).”

Consistent with OMB’s Interim Guidance for the Justice40 Initiative, USDOT’s interim definition of DACs includes (a) certain qualifying census tracts, (b) any Tribal land, or (c) any territory or possession of the United States. USDOT has provided a mapping tool to assist parishes/municipalities in identifying whether a project is located in a Disadvantaged Community, available at: [Transportation Disadvantaged Census Tracts \(arcgis.com\)](#).

A shapefile of the geospatial data is available at: [Transportation Disadvantaged Census Tracts shapefile \(version 2 .0, posted 5/10/22\)](#).

### Program Administration: OCD and Subrecipients

- OCD will advertise a Notice of Funding Availability for potential Subrecipients (Respondents) to apply to administer the SBL.
- A committee comprised of OCD staff and potentially other state agency and/or stakeholder agency staff will review, score and select Subrecipients from the pool of Respondents.
- Awarded Subrecipients will be responsible for program outreach, underwriting, applicant intake, selection, review, lending activities, loan collections processes and all other program implementation duties specified by OCD.
- Subrecipients will host one or more intake centers throughout their designated service areas to ensure business owners have convenient access to the program. OCD will provide the program guidelines, templates and checklists for providing program information to applicant businesses, for processing applications, issuing award or denial letters, loan documents, and all other official program correspondence or documentation.
- Subrecipients will make referrals for eligible businesses to receive technical assistance to ensure comprehensive attention to small business needs. If Subrecipients have the capacity to do TA, explain how and request additional funding for this task.
- Subrecipients will enter into loan agreements directly with awarded businesses. OCD will provide the program legal templates for all Subrecipients to use.
- OCD will monitor the Subrecipients’ approved and denied loans for adherence to compliance and performance requirements, as detailed within this document and all other program guidelines, appendices and/or memos.

- The Subrecipients shall comply with all application review and documentation measures contained within this document, which shall not be construed to be an exclusive listing.
- OCD will monitor program Subrecipients for compliance with the SBL program rules and guidelines.

### Funding Allocation to Subrecipients

OCD will provide assistance to Subrecipients for the actual costs needed to implement the SBL. OCD will determine the amount to award each of the Subrecipients based on an assessment of capacity and the anticipated demand from impacted businesses in the region(s) targeted by each of the Subrecipients. It is likely that each Subrecipient will be awarded a different amount by the SBL.

Furthermore, it is the aim of OCD to ensure as much program funding as possible is issued in the form of assistance to impacted small businesses.

Therefore, each Subrecipient will be required to submit an implementation budget to OCD for approval prior to incurring costs included in the budget. OCD will review each budget for reasonableness.

**Program Delivery Costs:** Program Delivery Costs are those costs associated with direct delivery of the Program. Program Delivery Costs are generally linked to a project or are project-specific. They are costs directly related to implementing the eligible CDBG-DR projects/activity. This includes the costs of carrying out the eligible activity and include Subrecipients' costs, as well as third parties' (subgrantees and contractors). For example, the time spent by staff conducting application intake, applicant and jobs income verification, use of funds verification, underwriting and loan closings would be considered to be costs of delivering the activity.

Program Delivery Costs cannot exceed 15% of the total budget.

### Program Reporting and Monitoring

#### Reporting

Subrecipients will establish program targets and benchmarks and will be required to report the following data on a quarterly basis to OCD. Subrecipients must submit the information electronically through the database and/or case management system specified by OCD. Data requested may include the following and other items:

- Number and dollar value of loans originated;
- Uses of funds for each of the loans originated (e.g. working capital, inventory, movable equipment);
- Number of loans under review, denied, approved and closed;

- Information on jobs created or retained by each of the businesses and tenant businesses directly and indirectly assisted including the total number of individuals in each job position, job titles and salaries, and Low to Moderate Income status. For microenterprises, Subrecipients are required to collect and report on the household income of the owner of the business. This information is required for each business and will be reported to OCD, with support documentation maintained in the Subrecipients' loan files;
- Loan portfolio aging reports.
- Documentation to support one of the following:
  - Low Mod Job Creation or Retention Activities
  - Low Mod Area Benefit
  - Low Mod Limited Clientele
  
- Loan portfolio aging reports may also be requested from subrecipients
- Cumulative number of loans and loan amount by parish and disaster.

Subrecipients may be required to provide updated information to OCD more frequently when requested by OCD. Should Subrecipients be unable to meet established benchmarks and program targets, they may submit a request to OCD that modifies their deliverables and indicators. Approval of such request is at the sole discretion of OCD.

### **Program Monitoring**

Subrecipients are responsible for implementing the program in a compliant manner, per the program policies and procedures and all applicable state and federal regulations. Subrecipients are required: to review applicant businesses for program eligibility; to calculate eligible award amounts; to collect and retain documentation pertaining to the final eligibility, uses of funds and award determination of an applicant business; and to collect loan repayments per the terms of the program loan agreements and internal collections policies.

OCD will monitor Subrecipients for compliance with all program guidelines, memos and procedures and all applicable state and federal regulations. OCD Project Managers and Compliance Analysts will make scheduled visits to the Subrecipients to ensure program compliance, implementation consistency and accuracy of information sent to OCD. Compliance Analysts may also visit awarded businesses to monitor eligibility, use of funds and compliance with the program.

Subrecipients will maintain comprehensive and accurate program records, including, but not necessarily limited to, the following:

- Subrecipient financial records (budget, general ledger, bank statements, cancelled checks,

supporting invoices, financial statements, procurement documentation, etc.).

- Programmatic records for each approved and denied business applicant. Documentation shall include, but is not limited to: business applications; approval and/or denial forms and letters; legal documents (promissory notes and loan documents); receipts and uses of funds documentation; jobs retention and creation documentation from approved businesses and their tenants, where applicable; income documentation for owners of microenterprises; compliance documentation for loan monitoring; loan aging reports; etc.
- Where applicable, monitoring reports of Subrecipients' monitoring of program contractors and/or subgrantees;
- Any other documents that the Subrecipient considers material to a potential audit;

Subrecipient agrees to the completion of an annual audit or financial report, the level of which is determined by the total funding awarded to the Subrecipient by all state and/or federal resources, as required by state and federal regulations. Subrecipient also agrees to provide copies of requisite audits or financial reports to the Louisiana Legislative Auditor (LLA) and OCD. Failure to do so may place the Subrecipient on the LLA's or OCD's non-compliance list, which may result in the inability to fund the Subrecipient.

Subrecipient agrees to maintain all books and records for five (5) years following the final closeout of the grant from HUD to OCD. Subrecipients are encouraged to convert all paper files to electronic files. However, if any litigation, claim, negotiation audit or other action involving the records has been started before the expiration of the five-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular five-year period, whichever is later.

In addition, the Subrecipient shall allow OCD, HUD, the LLA and any other state or federal agency seeking to monitor the Subrecipient access to all books, accounts, records, reports, files, and other electronic or paper documentation pertaining to the administration, receipt and use of federal funds and necessary to facilitate such reviews and audits.

### **Revolving Loan Fund and Loan Collections**

Subrecipients will be responsible for collecting loans per internal loan policies, along with CDBG-DR regulations. Subrecipients must make customary and reasonable efforts to collect on loans per internal loan policies. Eligible loan proceeds (principal and interest payments) collected by the Subrecipient may remain with the Subrecipient, provided they are placed in a separate Revolving Loan Fund, which may be monitored for eligible uses of funds and pre-established limitations by OCD. Revolving Loan Fund (RLF) limitations include:

- Annual limit of 15% of total collections may be spent on program delivery expenses related

to the management of on-going loan collections and generation of new loans from the Revolving Loan Fund;

- New loans made from the RLF must be provided to for-profit businesses, non-profits (based on the earned income portion of their operations), and religious non-profit organizations (based on the secular component of their operations) located in one of the SBL eligible parishes;
- OCD will monitor Subrecipients for compliance with the terms of RLF for a minimum of two years, unless there are findings or concerns of non-compliance or if the Subrecipient is placed on the LLA's non-compliance list for an extended period of time, as defined and determined by OCD. In such cases, OCD may extend the monitoring term or may trigger recapture. In the event of recapture, Subrecipients will be required to either repay all funds collected through the RLF to OCD or transfer all funds collected through the RLF and all outstanding loans and associated files to a Subrecipient or other entity designated by OCD.
- Subrecipients will be required to submit the following documents listed below. OCD will provide necessary forms to Subrecipients.
  - Program activity monthly reports
  - Monthly bank statements
    - Monthly Loan reports
    - Bank Statement and Loan Reconciliation

Subrecipients unable to collect on delinquent loans may refer and assign their rights as lenders for particular loans to the State for collections. In such cases, the Subrecipient or the State will place business owners in default and the State, through either OCD, the Attorney General's Office or the Louisiana Department of Revenue's Office of Debt Reduction will work with the business owners to develop a repayment plan. In such cases, principal and interest payments collected from business owners will return to the State and will remain with the State. This paragraph shall not exempt a Subrecipient from following its collection processes.

### **Subgrantees and Contractors**

If Subrecipients choose to use professional service providers, vendors or contractors in the administration of the program, they must first seek approval from OCD for their plan. If approved, Subrecipients are required to procure all professional service providers or contractors, as per 2 CFR 200.320.

Subrecipients may also enter into an agreement with a subgrantee, which is defined as a non-profit or quasi-public entity that will help the Subrecipient in the administration of the SBL and which the Subrecipient will reimburse for actual expenses, without any profit in the budget.

- In such cases, it is the Subrecipient's responsibility to monitor and ensure that all contractors and/or subgrantees are in full compliance with federal regulations, the Subrecipient

Agreement and Program rules, including the submission of all support documentation, required reports and OCD established guidelines and timeframes.

- Agreements between Subrecipients and their contractors and subgrantees must contain the Statement of Assurances as an appendix to the legal agreements.
- OCD will monitor Subrecipients for their monitoring of their contractors and subgrantees.
- Subrecipients are responsible for ensuring their contractors and subgrantees and eligible businesses comply with the Louisiana Government Code of Ethics. OCD will monitor Subrecipients for compliance with the Louisiana Ethics Code for state expenditures.

### CDBG-DR Requirements

- A. The SBL is funded as an eligible activity under CDBG-DR, per Section 105(a)(15) of the Housing and Community Development Act (HCDA). All requirements of the CDBG-DR program that relate to economic development activities are applicable to the SBL including:
1. Meeting a national objective. Subrecipients are required to collect information on each awarded business to demonstrate how they meet one of the following national objectives:
    - a) Benefit to Low and Moderate Income persons, job creation;
    - b) Benefit to Low and Moderate Income persons, job retention;
    - c) Benefit to Low and Moderate Income persons, area wide benefit; OR
    - d) Benefit to Low and Moderate Income persons, limited clientele (assistance to microenterprises whose owners are LMI)
  2. Guidelines for evaluating and selecting economic development projects, as per 24 CFR 570.209, and subject to the alternative requirements listed in the applicable disaster recovery waivers
  3. Other program requirements, as applicable -- 24 CFR 570.601 (Sub part K)
  4. Financial Records -- 24 CFR 570.502 and 2 CFR 200.302
  5. 24 CFR 570.604 and 24 CFR Part 58 Environmental Standards
- B. Subrecipients are required to report on all jobs created or retained through the program.

In order to determine whether the assistance to a business can be categorized as LMI job creation or retention or LMI Limited Clientele for national objective purposes (24 CFR 570.483 (b) (4)), Subrecipients must ensure:

- The businesses complete, execute and submit LMI Certification forms as part of the application and within one year of receiving the final loan payment from the Subrecipient;
- Perform a financial analysis of an eligible business to justify the use of LMI Job Retention as a national objective. Businesses may only qualify under LMI Job Retention if:
  - The company experienced a 20% decline in gross revenue since the named disaster(s) identified in application; AND
  - 51% or greater of their total jobs retained by the applicant business are held by LMI

persons. HUD will consider the person income qualified if the annual wages or salary of the job is at or under the HUD-established income limit for a one-person family. Businesses can show the LMI jobs benefit by documenting, for each person employed, the name of the business, type of job, and the annual wages or salary of the job.

- Collect income data on owners of microenterprises considered to be LMI

OCD will provide LMI Certification forms for each parish along with current income tables for 2022. Awarded businesses must complete the LMI Certification form for the parish in which their employees and/or owners reside. OCD will provide yearly updated LMI Certification forms to Subrecipients as area median income data defined by HUD becomes available. Subrecipients will review payroll registers, payroll forms or federal form 941 businesses are required to submit to verify job creation or retention LMI income data reported on LMI Certification forms is accurate.

To qualify under LMI Area Benefit, a business must provide services that benefit all residents in a particular service area, where at least 51 percent of the residents are LMI persons. To determine if a business is in an LMI area the following documentation will be required:

- Census tract and block group number(s) of the area the business serves
- A current survey of the residents in the service area showing the percentage of LMI persons that reside in the service area

The following resources can be utilized to obtain this information:

<https://www.hudexchange.info/programs/acs-low-mod-summary-data/acs-low-mod-summary-data-block-groups-places/>

### Applicant Business Eligibility Criteria

To be eligible for benefits under the SBL, an applicant business must meet all of the following criteria:

1. **Must** be either a for-profit businesses or a private non-profit organization with operations located in one of the parishes or more specifically the identified zip code within a parish impacted by Hurricanes Laura, Delta, Ida, or the May Floods of 2021:

#### HUD MIDs

Laura/Delta	Ida/May Flood of 2021
Acadia (70526,70578)	Ascension
Allen	Assumption
Beauregard	Calcasieu
Caddo	East Baton Rouge
Calcasieu	Iberville (70764, 70788)
Cameron	Jefferson
Jefferson Davis	Lafourche
Lafayette	Livingston
Natchitoches	Orleans
Ouachita	Plaquemines
Rapides	St. Bernard
St. Landry (70570)	St. Charles
St. Martin (70517)	St. Helena
Vermilion (70510)	St. James
Vernon (71446)	St. John the Baptist
	St. Mary
	St. Tammany
	Tangipahoa
	Terrebonne
	Washington
	West Baton Rouge (70767)

**State MIDs**

Laura/Delta	Ida/May Flood of 2021
Acadia	East Feliciana
Grant	Iberia
Iberia	Iberville
Jackson	Point Coupee
La Salle	St. Martin
Lincoln	West Baton Rouge
Morehouse	West Feliciana
Sabine	
St. Landry	
St. Martin	
Union	
Vermilion	
Vernon	
Winn	

2. Non-profit organizations will be evaluated for eligibility and ability to service debt based on the secular operations of their organizations.
3. Has eligible unmet needs after accounting for all insurance, federal, state, local and private proceeds considered to be a duplication of benefit.
4. Was operating at the time of the respective storm or flood event. The applicant business must have been open before:
  - a. August 29, 2020 for Hurricane Laura
  - b. October 4, 2020 for Hurricane Delta
  - c. May 17, 2021 for May Flood of 2021
  - d. September 5, 2021 for Hurricane Ida
5. Must either a) be currently operating or b) demonstrate the ability to reopen upon receiving assistance from the program.
6. Businesses that are closed at the time of application, but who will be able to reopen upon receiving assistance from the program must have a business plan and demonstrate they have the funding necessary to reopen. Closed businesses must commit to re-opening in an eligible parish; they are not required to re-open in the same location in which they were operating at the time of the 2020-2021 Severe Storms and Flooding events.
7. Has a minimum of one (1) full-time equivalent employee and no more than 50 full-time equivalent employees. (FTEs = Full-Time Equivalents = 35 hours per week)
8. Had a pre-storm minimum annual gross revenue of \$25,000.
9. Was directly impacted by either Hurricane Laura, Delta, Ida and/or the May Flood of 2021, as a documented physical or financial loss. The program will not fund construction-related expenses or

financial losses; the assessed physical damages and financial loss calculations are only a requirement for determining eligibility. See Award Calculation Methodology below for additional information on how an award is calculated.

- In order to qualify under physical loss, a business must demonstrate they had a minimum of \$10,000 in third-party verified physical damages or losses.
- In order to qualify under a financial loss, a business must demonstrate a 20% annual gross revenue decline in the time periods listed below.
  1. For Hurricanes Laura and Delta, the determination period is 3 months prior to the eligible disaster to 3 month after.
  2. For the May Flood of 2021 and Hurricane Ida, the determination period is 1 year prior to the eligible disaster.

### Eligibility Exceptions

Subrecipients may submit an applicant business to OCD for consideration on an exceptions basis in cases where an applicant business does not meet one of the eligibility requirements. OCD will determine in its sole discretion whether the Subrecipient has made the case that the need for an exceptions award is critical to the community's long-term recovery.

### Other Eligibility Criteria and Limitations

- Businesses qualify based on their pre-storm/flood location of doing business. If a closed business is looking to re-open in a new location, that location must be in an eligible parish.
- A business can be incorporated in another State as long as they are registered, active, and in good standing with the Louisiana Secretary of State and meet all of the other eligibility requirements of this program.
- Non-profits are eligible based on the earned-income portion of their operations.
- Religious non-profit organizations are eligible based on the secular component of their operations (e.g., a church that runs a daycare or restaurant that is open to the public, regardless of religious affiliation).
- Bars are eligible to receive awards; package liquor stores are not.
- Residential and/or commercial real estate businesses are not eligible.
- Common ownership of different businesses/companies: If two or more companies or businesses with common ownership have an owner with greater than 50% ownership in each, only one business may qualify for an award. Owners with a  $\geq 50\%$  share in two or more businesses may only qualify for one award each (a husband/wife team with 50%/50% ownership in two legally distinct companies may qualify for one business each).
- Owners who have received a loan and own a minority share in another business do not disqualify that business by their ownership.
- Privately owned recreational facilities that serve a predominantly higher-income clientele

- are not eligible.
- Assistance to privately owned sports teams is not eligible.
  - Businesses and/or business owners of sole-proprietorships/partnerships in bankruptcy are not eligible.
  - Businesses are not eligible if they are involved in gaming/gambling, marijuana (CDB/THC), or digital/crypto currencies with block chains.
  - Businesses are not eligible if they received federal assistance in the past and did not comply with the requirement to maintain flood insurance and your losses were a result of flooding.
  - Necessary policy changes that arise during the course of program implementation will be decided by OCD via the Policy Clarification/Change Form process.

## Application Phases

The program may decide to implement the program in one or multiple phases.

### Phase I

The first phase of funding is limited to businesses that meet the program eligibility requirements and those that fall in a HUD MID. At least 80% of program funds must go towards a HUD MID. In addition to businesses being in a HUD MID, they have to service a vulnerable population or provide an essential good or service. The SBL program will fund as many businesses in these priority categories as the budget allows.

HUD defines a vulnerable population as a group or community whose circumstances present barriers to obtaining or accessing resources. Priority may be given to Respondents that are located in a Community Development Financial Institution (CDFI) Investment Area, and/or can provide service to Socially & Economically Disadvantaged Individual (“SEDI”) owned business. SEDI is any of the following:

- business enterprises that certify that they are owned and controlled by individuals who have had their access to credit on reasonable terms diminished as compared to others in comparable economic circumstances, due to their (2) membership of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society; gender; (3) veteran status; (4) limited English proficiency; (5) physical handicap;(6) long-term residence in an environment isolated from the mainstream of American society; (7) membership of a federally or state-recognized Indian Tribe; (8) long-term residence in a rural community; (9) residence in a U.S. territory; (10) residence in a community undergoing economic transitions (including communities impacted by the shift towards a net-zero economy or deindustrialization); or (11) membership of another “underserved community” as defined in Executive Order 13985;

- business enterprises that certify that they are owned and controlled by individuals whose residences are in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii);
- business enterprises that certify that they will operate a location in a CDFI Investment Area, as defined in 12 C.F.R. § 1805.201(b)(3)(ii); or
- business enterprises that are located in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii).

Essential goods or services are those goods or services necessary for immediate and long-term housing and community recovery. Such goods and services may include but not limited to grocery stores, pharmacies, healthcare providers, gas stations, residential construction-related companies, childcare providers, locally-owned restaurants and residential service providers.

Prior to final eligibility determination of a particular business that does not fall within the program priorities, Subrecipients may submit recommendations and justifications for expanding the list of types of businesses included in this definition, subject to approval by OCD.

### **Future Phases**

Should additional funding be available after the Phase I eligibility review and award determination, OCD may decide to open the program for additional phases and may decide to expand the pool of eligible businesses. OCD will work with Subrecipients and an updated unmet needs assessment to determine the most effective and needed approach to opening the program in additional phases.

### **Eligible Uses of Funds**

1. Eligible use of proceeds includes:
  - a) Up to six months of documented working capital expenses, which are limited to:
    - Monthly rent or mortgage payments;
    - Monthly non-owner employee wages and benefits;
    - Monthly utilities (gas, water and/or electricity bills, phone, cable and/or internet bills); and/or
    - Inventory
  - b) Purchase of moveable equipment necessary for the recovery of an impacted business.
  - c) Furniture is allowed only if the furniture is vital to provide the business service and will be used directly by the patrons of the business, For example:
    - A restaurant's dining room tables and chairs
    - A healthcare provider's waiting room furniture and examination furniture
    - A child care provider's cribs, beds, and child-specific furniture
    - General office or utility furniture is not eligible
2. Ineligible uses of proceeds include, but may not be limited to:

- a) Acquisition of buildings
- b) Construction or construction-related activities (e.g. fixtures and/or the purchase of equipment that requires construction activities as part of installation of the equipment)
- c) Refinancing of loans
- d) Payment of any tax arrearages, governmental fines or penalties
- e) Purchase of real property
- f) Political or religious activities
- g) Buying out any stockholder or equity holder in a business
- h) Buying out or reimbursing any family member
- i) Investment in instruments or investments for the sole purpose of a return on investment
- j) Expenses for which private philanthropy, NFIP or private flood insurance, other insurance, state or federal benefits have been or will be paid or financial assistance that has been approved or provided by federal, state, or other sources considered to be duplicative of CDBG-DR funds. For additional information on Duplication of Benefits, see below.

## Award Structure and Loan Terms

### Award Structure

1. Subrecipients will issue awards to awarded businesses in the form of loan packages.
  - a) Loans will be partially forgivable, with 40% forgivable and 60% repayable, subject to the terms of the loan.
  - b) 60% of the loan will be amortized over the approved term of the awarded business' loan; the forgivable portion will not be repayable, unless the awarded business is placed in default or does not meet the loan forgiveness requirements.
2. Partial loan forgiveness is based on:
  - a) a business' ability to repay the loan as required by the loan agreement;
  - b) the default status of the loan;
  - c) verification that funds were expended on approved eligible uses. Forgiveness will be calculated only on the amount spent on eligible uses. Any differences in awarded amounts and actual expenditures for eligible uses will result in the recalculation of the forgivable portion of the award. Funds not expended in accordance with program guidelines will be returned to OCD;
  - d) the provision of all requisite support documentation for use of funds and the amounts, as requested by the Subrecipient or OCD; and
  - e) the submission of all requisite support documentation related to meeting the national objective of job creation, retention, microenterprise, and area-wide benefit.
3. Total awards will range from \$10,000 minimum to \$150,000 maximum, based on a calculation of unmet needs and eligible expenses, with exceptions allowing up to a maximum

award of \$250,000. Exceptions can be submitted for special circumstances. Exceptions will be issued on a case-by-case basis as approved by OCD. Further details on allowable exceptions will be detailed in the SBL Exceptions Policy.

### Loan Terms

1. Interest rate is 0%.
2. The loan is structured as 60% repayable and 40% forgivable.
3. 60% of the awarded loan will be amortized over seven (7) years, following a six-month period of no principal repayment.
4. For loan requests over \$150,000, OCD will consider allowing a longer term on the loan to ease the monthly payment obligation. The Subrecipient should submit an exception request to OCD with the desired term and justification for the request.
5. If an awarded business does not meet the requirements of forgiveness of 40% of the loan, then that remaining 40% portion will be due upon loan maturity unless Subrecipients or OCD allow for an extension of the loan agreement to allow businesses to repay the additional 40% over a maximum of 24 months.
6. Loans delinquent longer than 90 days will be placed in default and will carry a default interest rate of 8% from that point forward. This default rate cannot be modified. OCD reserves the right to make exceptions on a case by case basis.
7. Awarded businesses who use their funds for purposes not allowed by the program may be placed in default.
8. Personal guarantee required for all owners with 20% or greater ownership in the business.
9. Loans will become immediately due and payable should the business owner sell the business, sell or dilute majority ownership or sell assets purchased with CDBG funds.
10. Subrecipients may not charge closing fees to applicant businesses or OCD. OCD will reimburse Subrecipients for staff time and eligible expenses related to the implementation of the program.

### Award Calculation Methodology: Working Capital, Movable Equipment and Furniture

#### Working Capital

Due to the overwhelming need to strengthen small businesses and revitalize storm affected communities, working capital for this program is defined as utility costs (gas, electric and water), non-owner employee salaries, and rent or mortgage costs. For businesses requesting working capital assistance, Subrecipients will determine an estimated monthly working capital need as the monthly average of the 3 consecutive months prior to the storm of working capital costs.

Required documentation for working capital need includes 3 consecutive pre-storm months of:

Rent/Mortgage as evidenced by an executed Lease/Mortgage or proof of payment

Employee Wages as evidenced by certified payroll registers or employee reporting forms  
Electricity, Water and Gas Utilities as evidence by Utility Service Provider Bills  
Monthly inventory Bills

Steps for calculating eligible working capital uses of funds:

- The Subrecipient will review submitted documentation and the applicant's file to ensure all requests are "arm's length transactions." Transactions made by related parties or entities are not eligible for working capital assistance. The Subrecipient and OCD have authority to determine if a submitted transaction is determined to be an "arm's length transaction".
- The Subrecipient will then calculate the estimated average monthly working capital need, by totaling all the approved working capital expenses for all three months and then dividing that total by three (3).
- Using the average working capital expenses, the Subrecipient will multiply that number times six (6) to determine the business applicant's maximum eligible working capital assistance.
- The applicant may also submit for eligible movable equipment expenses. The amount approved for working capital and movable equipment expenses may not exceed the maximum award.

### **Movable Equipment and Furniture**

Applicant businesses may be eligible for assistance for unmet needs related to movable equipment, machinery and furniture. Costs associated with movable equipment include the documented repair or replacement of, or reimbursement for, machinery or equipment not dependent on construction, reconstruction, ground disturbance or structural modifications.

In order to determine the amount for which a business is eligible for movable equipment and furniture, businesses must provide documentation, invoices and/or receipts with adequate description to determine the nature of the equipment or furniture and the installation requirements associated with making the equipment or furniture usable.

If the requested equipment or furniture is replacement for equipment or furniture damaged or destroyed by Hurricanes Laura, Delta, Ida, and/or the May Flood of 2021, then the applicant business must provide verification of loss or damage (which may include pictures). If the requested equipment is necessary for the business to reopen and/or remain viable in the post-storm economy, the applicant business must provide justification for the new piece of equipment or furniture. Subrecipients must ensure all program costs are necessary and reasonable.

All eligible uses of funds will be reviewed for duplication of benefits before final award determination and execution of loan agreements.

**Final Award Determination**

Once the Subrecipient has determined the total working capital, movable equipment and for furniture expenses for which a business applicant may be eligible, the Subrecipient must provide details of the eligible expenses and the applicant business’ duplication of benefits information to OCD for Duplication of Benefits third-party verification. OCD will provide the verified DOB amounts to apply against the applicant business’ award so the Subrecipient can calculate the final award that an applicant business is eligible to receive.

*Award Calculation Methodology Sample:*

**Applicant Business Impacted by Hurricane Ida:**

Working Capital Award

<b>Eligible Working Capital Category</b>	<b>May 2021</b>	<b>June 2021</b>	<b>July 2021</b>	<b>Average Working Capital Expenses</b>	<b>Eligible WC Award: Six Months Average Monthly WC Expenses</b>
Rent	\$4000	\$4000	\$4000		
Gas, Electricity and Water Utilities	\$2500	\$3000	\$3500		
Non-Owner Employees	\$10,000	\$15,000	\$15,000		
<b>Total:</b>	<b>\$16,500</b>	<b>\$22,000</b>	<b>\$22,500</b>	<b>\$20,330</b>	<b>\$121,980</b>

Equipment and/or Furniture Award

Cost of Eligible Pieces of Damaged Equipment: \$20,000

Total Award Calculation

1. Subrecipient Calculates Eligible Amount of Working Capital	\$221,980
2. Subrecipient Calculates Eligible Amount of Equipment and Furniture	\$20,000
3. Subrecipient Calculates Applicant Business’ TOTAL Eligible Uses of Funds (total of Step 1 plus Step 2)	\$241,980
4. Subrecipient Identifies All Potentially Duplicative Assistance through the Program Application (SBA, NFIP, other business interruption insurance, etc.)	\$100,000
5. OCD Verifies All Duplicative Assistance Received or Approved for the Applicant Business and Determines only \$90,000 is considered to be Duplicative with the SBL award. OCD Provides this information to Subrecipients;	
6. Subrecipients Deduct Assistance Determined to be Duplicative from the Applicant	\$90,000

Business' Eligible SBL Uses of Funds	
7. Subrecipient Calculates Final Unmet Need (Step 3 minus Step 6)	\$151,980
8. Maximum Program Benefit	\$150,000
9. Maximum Loan Award Amount (lesser of Step 7 or 8)	\$150,000

### Documentation Required from Business Applicants

1. A completed application including but not limited to:
  - a) Company background and history
  - b) Ownership information
  - c) Proof of ownership structure
  - d) Personal and/or business competences and capabilities necessary to achieve project success and completion
  - e) Description of the types of eligible expenses the award will be used on
  - f) Detailed description of direct jobs that will be created during the first year of the loan agreement
  - g) Interim financial statements.
  - h) Financial statements are required if full tax returns are not available during application underwriting. The subrecipient must collect the tax returns once they become available to complete their file.
  - i) Insurance documents
2. A business and development plan may be determined as a required document, at the Subrecipient's discretion. A business that is closed at the time of application and intends to reopen using SBL funds must have a business and development plan and include a business pro-forma.
3. Signed federal business tax returns for the business including all schedules for the most three (3) recent years. If the business is a sole proprietorship, single member limited liability entity, a partnership or a limited liability company taxed as a partnership, owners must submit the three most recent years of personal tax returns
4. Signed federal personal tax returns for all principal owners (greater than 20% ownership) for most recent three (3) years
5. Copy of current US or state government-issued identification for all owners/principals.
6. Proof of business/ownership structure.
7. Proof of number of employees, to include the completion of a program LMI Certification form and the provision of pre-storm and current certified payrolls or other wage reports.
8. Proof of operating business address.
9. Any other relevant business documentation as requested by the Subrecipient.

### Duplication of Benefits

Generally, financial assistance received from another source that is provided for the same purpose as the CBDG-DR funds is considered a Duplication of Benefit (DOB). Per the federal register notice (FRN) 6326-N-01, a small business administration (SBA) loan that has been declined or cancelled is not considered a DOB. To prevent the creation of a duplication of benefits, program controls include, but are not limited to:

- Certification that business applicants have and will notify the Subrecipients and/or OCD of all potential DOBs as part of the information submitted in their applications and subsequent to receiving an award from the SBL;
- Verification of specific DOBs through various available sources.
- For cancelled or declined SBA loans, the Subrecipient must notify the SBA that the applicant business has agreed not to take any actions to reinstate the cancelled loan or draw down any additional undisbursed loan amounts and provide supporting documentation.
- Applicant businesses must disclose any financial assistance received due to COVID-19 Subrecipient and/or OCD.

The DOB verification process will be carried out in the following steps:

- Subrecipients will collect information on potentially duplicative funding sources from all applicant businesses during the application phase.
- Business applicants will be required to provide insurance provider contact information, policy coverage information and ID, claims information and amounts received and approved for all potentially duplicative sources.
- Business applicants will be required to authorize OCD to contact all potentially duplicative funding sources on their behalf to verify all funding sources received and/or approved.
- Using information collected from the applicant businesses and the authorization provided to OCD by the applicant businesses, OCD will perform a verification of benefits received and/or approved on all applicant businesses. OCD may work directly with applicant businesses to expedite this process.
- OCD will provide verified information to Subrecipients, who will use this information to calculate final eligible award amounts for applicant businesses.
- After an award is granted, if an approved borrower receives any proceeds not already verified during the duplication of benefits review process, the borrower is subject to a repayment of those duplicative funds, as defined in the borrower’s Subrogation Agreement executed at the time of loan closing.

Below is the process flow of the DOB process and a sample calculation:

1. Subrecipient Identifies Applicant Business’ Eligible SBL Uses of Funds	\$200,000
---	-----------

2. Subrecipient Identifies All Potentially Duplicative Assistance through the Program Application	\$35,000
3. OCD Verifies All Duplicative Assistance Received or Approved for the Applicant Business and Determines only \$30,000 is considered to be Duplicative with the SBL award. OCD Provides this information to Subrecipients;	
4. Subrecipients Deduct Assistance Determined to be Duplicative from the Applicant Business' Eligible SBL Uses of Funds	\$30,000
5. Subrecipient Calculates Final Unmet Need (Step 1 minus Step 4)	\$170,000
6. Maximum Program Benefit	\$150,000
7. Maximum Loan Award Amount (lesser of Step 5 or 6)	\$150,000

### Award Underwriting

1. **Basic Standard Underwriting** – all award applicants must fulfill the following minimum standard underwriting criteria:
  - a) Determination that meets General Eligibility and Other Criteria (above)
  - b) All owners with greater than 20% ownership must have a credit score of  $\geq 600$ . Exceptions to this requirement may be submitted to OCD on a case-by-case basis
  - c) Debt coverage ratio of 1.1x. If the business debt coverage ratio is below 1.1x, global debt coverage may be considered. Global debt coverage ratio is a ratio that combines both personal and business income and expenses. Exceptions to this requirement may be submitted to OCD on a case-by-case basis. If all owners have a credit score of 700 or above, the debt coverage ratio requirement is not applicable.
  - d) Non-Profits will not be subject to a credit check nor will their board members be required to provide personal guarantee. The subrecipient, at their discretion, may require their loan to be collateralized.
2. **Determination of Satisfaction of the Criteria of 24 CFR 570.209:**
  - a) That project costs are reasonable;
  - b) That all other sources of project financing are committed;
  - c) Documentation of need and that CDBG-DR funds are not substituted for non-Federal financial funding or support;
  - d) That the project is financially feasible;
  - e) That to the extent practicable, the return on the applicant's equity investment will not be unreasonably high; and
  - f) That to the extent practicable, CDBG-DR funds are disbursed on a pro-rata basis with other finances provided to the project.

A template/guide will be provided by OCD as to how underwriting should be conducted for these

and any other required CDBG-DR criteria.

### Application and Award Process Flow

1. Applicant business submits application to Subrecipient during the application period. Applicant businesses may request an appointment with a Subrecipient to request additional support or information about the SBL Program and to understand whether they may be eligible.
2. Subrecipient reviews application for eligibility.
3. Subrecipient contacts applicant business for additional information, if necessary.
4. Subrecipient enters all information into SAGE and/or OCD intelligigrants system.
5. Subrecipient underwrites loan, reviews and verifies all support documentation and determines total possible eligible award amounts.
  - a) If the applicant business is ineligible, the Subrecipient will notify the applicant business in writing of their ineligibility.
  - b) If the applicant business is otherwise eligible for the program, the Subrecipient will forward the applicant business' information to OCD for OCD to perform the duplication of benefits check and compliance with state taxes.
1. OCD performs duplication of benefits check.
2. Subrecipient calculates total loan award amount, using information from the duplication of benefits check.
  - a) If the duplication of benefits check results in a \$0 eligible award for the applicant business, the Subrecipient issues a letter to the applicant business that they are not approved for any assistance under the program.
  - b) If the applicant has an eligible unmet need, the Subrecipient issues award letter and schedules loan closing with eligible business.
3. Subrecipient closes on all loan agreements with awarded business.
4. Subrecipient submits request for payment for eligible expenses.
5. OCD processes request for payment and wires funds to Subrecipient.
6. Subrecipient issues payment to awarded business.

### Documents to be Signed and Maintained by All Awarded Businesses at Closing:

- Award Acceptance Agreement**
- Small Business Loan and Grant Agreement and Promissory Note**
- Subrogation Agreement** ensuring that any Awards made to any of the business owners after the closing such as Flood Insurance, SBA, etc. for unmet needs that were funded by the SBL award are subject to the duplication of benefits calculation and consequently may be owed to the program.
- Flood Insurance:** If businesses located with a 100-year floodplain are awarded assistance for mortgage assistance, inventory and/or equipment expenses, they are required to maintain

either building (mortgage assistance) or contents (inventory and/or equipment) flood insurance for the life of the loan. Failure to maintain and provide proof of flood insurance may result in a business' ineligibility from receiving any federal assistance in the event of future disasters.

- **Uses of Funds Documentation:** Working capital expenses are required to be provided based on a pre-storm assessment of working capital needs. The Subrecipient or OCD may monitor businesses for final uses of funds; awarded businesses are expected to maintain support documentation in the event of such a monitoring visit. Documentation to evidence use of funds for the approved repair, replacement, or purchase of moveable equipment or furniture must be submitted within 30 days after loan closing, per the requirements contained in the loan agreement. Any discrepancies concerning the evidencing of use of funds may be submitted to OCD for review on a case-by-case basis. Failure to expend funds on eligible uses in accordance with the loan agreement may result in a return of funds and/or loss of loan forgiveness.

### General Monitoring Plan – OCD

*Note: The audit and monitoring process detailed below generally describes currently anticipated monitoring processes, and shall not limit OCD, its auditors, the Louisiana Legislative Auditor, HUD or federal auditors in the scope of any audits any of them may deem prudent to perform. This process may change.*

#### Ongoing Technical Assistance

- OCD will conduct a pre-monitoring meeting with each subrecipient to review CDBG-DR, state, and federal rules and regulations applicable to the program and subrecipient
- Should a Subrecipient require technical assistance from OCD staff on the program guidelines or implementation and administration requirements, they may contact OCD for support
- OCD will hold scheduled weekly, bi-weekly, or monthly conference calls to answer questions and provide assistance to subrecipients.

#### Intake Process Review

- OCD may observe and provide technical assistance and/or monitoring results for the Subrecipient's application intake and processing procedures

#### Business Eligibility and Underwriting Reviews

- OCD will perform desk and/or on-site reviews of each Subrecipient on a schedule to be established by OCD.
- In the initial review, OCD will perform a minimum of 50% sample review of files complete in SAGE.
- OCD will review all files in the sample to determine whether businesses were denied or

- approved in a manner that is consistent with the program policies and procedures
- OCD will also review all business files in the sample for all requisite program documentation
  - If OCD determines the level of non-compliance is significant, the sample file size will be increased.

### **Closing Documents Review**

- OCD will perform desk and/or on-site reviews of each Subrecipient during loan closing period.
- In the initial review, OCD will perform a minimum 50% sample review of loans on which Subrecipients are ready to execute a closing.
- Documentation will be reviewed to verify that files contain all required closing documents and related information as per the program guidelines.

### **Subrecipient Program Compliance and Performance Review**

- OCD will perform desk and/or-site reviews of each Subrecipient on a schedule to be established by OCD.
- OCD will review Subrecipients for organizational policies and procedures, financial management (including required annual audit or financial report), program monitoring, and program management, including reporting and recordkeeping requirements
- Findings resulting from a monitoring visit may result in repayment of program funds from a Subrecipient to OCD.

### **Revolving Loan Fund and Loan Collections**

- OCD will monitor Subrecipients for compliance with the terms of the revolving loan fund (RLF) for a minimum of two years.
- OCD may extend the RLF monitoring term or recapture RLF funds collected if there are findings or concerns of non-compliance or if the Subrecipient is placed on the LLA's non-compliance list for an extended period of time, as defined and determined by OCD.
- Subrecipients will be required to submit the following documents to OCD for RLF monitoring: program activity monthly reports; monthly bank statements; monthly loan status and repayment reports; and bank statements and loan reconciliations.

### **Monitoring Findings**

OCD shall record and communicate all findings and concerns, and shall detail both compliance of application and use of funds. Issues of non-compliance shall be categorized either as a concern or as

a finding. Subrecipients found to have unresolved findings and concerns or which received funds in error may be required to repay program funds to the State or other measures including transfer of loan accounts and funds on hand, as per the terms outlined in the CEA.

OCD may take action against Subrecipients found to be negligent in their responsibilities, including but not limited to the requirement to return ineligible or unsupported program funds and/or termination of contract, as per the CEA with the Subrecipient.

Subrecipients found to be willfully fraudulent will be referred to appropriate authorities for prosecution.

**Business Verification Process: Anti-Fraud, Waste and Abuse**

**Multiple verification of business eligibility**

As part of their applications to the Small Business Loan Program, applicant businesses and non-profits are required to submit the information listed on the application checklist to a contracted Subrecipient in order for the Subrecipient to consider the applicant for program eligibility:

Category	Required Items
<input type="checkbox"/> Application	<ul style="list-style-type: none"> <li>▪ Small Business Loan Program application, completed and signed by all owner(s) with 20% or greater ownership in the applicant business.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ <i>Note: One owner or non-profit representative may sign with authorization of board resolution</i></li> </ul>
<input type="checkbox"/> Proof of Identity of Owner(s)	<ul style="list-style-type: none"> <li>▪ Government-issued photo ID (e.g., driver’s license, passport)</li> </ul>
<input type="checkbox"/> Proof Business was Established Prior to disaster	<ul style="list-style-type: none"> <li>▪ “Date of Incorporation” on corporate tax returns</li> <li>▪ Any federal business tax return 2019 or earlier for Laura/Delta applicant and tax return for 2020 or earlier for Ida/May Flood applicant.</li> <li>▪ Business/Occupational License</li> </ul> <p><i>Note: Articles of Organization, Articles of Incorporation, and Secretary of State website may be used as support documentation only</i></p>
<input type="checkbox"/> Proof of Ownership <i>Note: Applies to all owners with 20% or greater interest</i>	<ul style="list-style-type: none"> <li>▪ Business tax return (with appropriate schedules)</li> <li>▪ Personal Tax return (with appropriate schedules)</li> <li>▪ Stock certificates with proof of total number of shares</li> </ul>
<input type="checkbox"/> Proof of Address in Eligible Parish <i>Note: The business must have been physically located in an eligible flood-impacted Louisiana Parish before the</i>	<ul style="list-style-type: none"> <li>▪ Copy of utility bills</li> <li>▪ Lease Agreement</li> <li>▪ Tax returns</li> <li>▪ Business license</li> </ul>

<p><i>disaster and must be currently physically located in an eligible Louisiana parish (may be different parish)</i></p>	
<p><input type="checkbox"/> LMI Form, completed</p>	<ul style="list-style-type: none"> <li>▪ Hard copy LMI Form</li> </ul>
<p><input type="checkbox"/> Proof of Pre-storm/flood Employees <math>\leq</math> 50 FTEs</p> <p><i>Note: FTE = 35 hours/week</i></p>	<ul style="list-style-type: none"> <li>▪ Federal Form 941</li> <li>▪ LA unemployment tax form</li> <li>▪ Payroll forms (e.g., Paycheck)</li> <li>▪ Internal payroll register, signed</li> </ul>
<p><input type="checkbox"/> Proof Annual Gross Revenue <math>\geq</math> \$25,000</p> <p><i>Note: Tax returns must be complete and signed</i></p>	<ul style="list-style-type: none"> <li>▪ Federal tax form 1120 (corporations)</li> <li>▪ Federal tax form 1040 Schedule C (sole proprietorships)</li> <li>▪ Schedule F (farmers)</li> <li>▪ Federal tax form 1065 (partnerships)</li> <li>▪ Federal tax form 990 (tax-exempt organizations)</li> </ul> <p><i>Note: These forms may be from 2019 through 2021; gross revenues for businesses that opened during 2019 [Laura/Delta] or 2020 [Ida/May Flood] will be annualized to determine whether the pro-rated amount of gross revenue would have been greater than \$25,000 for the year</i></p>
<p><input type="checkbox"/> Proof of Financial Loss (20% Gross Revenue Decline)</p>	<ul style="list-style-type: none"> <li>▪ Complete 2019, 2020 and 2021 (if needed) tax returns, signed; OR</li> <li>▪ Profit/loss statement</li> </ul> <p><i>Note: Due to COVID-19 tax returns may not be a suitable form of proof of financial loss.</i></p>
<p><input type="checkbox"/> \$10,000 physical damage or asset loss</p>	<ul style="list-style-type: none"> <li>▪ Insurance loss report or claims, SBA Verified Loss Report and/or receipts for replacement</li> <li>▪ Casualty loss reported on 2020-2021 tax returns</li> </ul> <p><i>Note: Photos may be used as supporting evidence only</i></p>
<p><input type="checkbox"/> Proof Business is currently Open</p>	<ul style="list-style-type: none"> <li>▪ Any business tax return from 2020/2021 reflecting revenue earned</li> <li>▪ Sales receipts</li> <li>▪ Sales tax returns</li> <li>▪ Subrecipient site visit</li> </ul> <p><i>Note: Secretary of State website may be used as support documentation</i></p>
<p><input type="checkbox"/> Proof Business has the ability to reopen</p>	<ul style="list-style-type: none"> <li>▪ Business Plan</li> <li>▪ Pro-forma</li> <li>▪ Proof of funding availability for all sources needed to reopen</li> <li>▪ Lease agreement for new site</li> </ul>

**Consolidated entry of loan applications into a universal electronic database**

Entry of all applications into SAGE CRM (for businesses) will allow for screening/elimination of duplicate applications, as all awardees will be cross referenced by business name, owner name and

Social Security Number and/or Federal Employee Identification Number (EIN). Only one loan is allowed for each majority owner or distinct business. Consolidation of all data into a single database also allows for generation of tabular and graphic reports, which facilitate data review.

***Review of awardees against Secretary of State lists***

The Secretary of State website may be used to provide an additional verification of the incorporation information supplied in applications.

***Review of awardees against Federal Debarment***

Subrecipients will verify all business owners, business entities and non-profit organizations are eligible to receive federal funds and are not debarred from receiving federal assistance prior to executing a loan agreement with an awarded business. Information on whether a business owner, entity or non-profit is debarred from receiving federal assistance can be found at: <https://www.sam.gov/portal/SAM/>