

**Office of the Small Business Advocate
Governor's Office of Business and Economic Development**

**Critical Information Webinar with California Department of Tax and Fee Administration (CDTFA) and Infrastructure and Economic Bank (IBank)
4/27/2020 | 2:00 PM to 3:00 PM**

Frequently Asked Questions
<https://covid19.ca.gov/business-and-employers/>

Small Business Disaster Relief Loan Guarantee Program

QUESTION: What is a loan guarantee?

ANSWER: A loan guarantee is a credit enhancement that helps mitigate the risk assumed by a lending institution when making a loan. With the Small Business Finance Center's Disaster Relief Loan Guarantee Program, IBank agrees to guarantee up to 95% of the loan, removing the barriers to capital that often exist for small business borrowers that may not otherwise be eligible for traditional lending. This program also can assist those who may not be eligible for a U.S. Small Business Administration (SBA) loan.

QUESTION: Who is eligible to apply?

ANSWER: Small business entities that have been affected by loss, damage or other economic injury due to the COVID-19 pandemic and meet the program's eligibility requirements.

QUESTION: What do you consider a small business?

ANSWER: The business must have between 1-750 employees and be established as an entity, including:

- Sole Proprietor – Individual using legal name as business name that files a Schedule C, Schedule F, or has a fictitious business name or DBA statement
 - If the loan appears to be in the name of an individual, evidence of Sole Proprietorship will be required and may include a Schedule C, Schedule F, Seller's Permit, and/or fictitious business name or DBA statement
- Limited Liability Company
- Cooperative
- Corporation
- Partnership
- S-Corporation
- Not-for-profit

The program will not accept an *individual* as the borrower. It is permissible for an individual to be a guarantor or co-borrower on the loan, but the primary borrower must

be a small business. It does not consider citizenship or immigration status for eligibility requirements, as long as the entity/individual meets the above criteria. Trucking owners/operators are eligible as long as they are registered as a legal business entity.

AND

- The business activity must be eligible under the program and in one of the industries listed in the [North American Industry Classification System \(NAICS\) codes list](#), and
- It must be located in a declared disaster area. A major disaster area declaration was made for the state of California on March 22, 2020 in regards to the COVID-19 pandemic.

QUESTION: What are excluded businesses?

ANSWER: Businesses that are not eligible include passive real estate businesses (rental income, etc.).

QUESTION: Can I apply for a loan guarantee only if I am ineligible for federal disaster fund financing, such as an SBA loan?

ANSWER: Yes, this program is designed for those who do not qualify for federal programs.

QUESTION: How much can I borrow?

ANSWER: The Small Business Finance Center's Disaster Relief Loan Guarantee Program allows a maximum loan of \$1.25 million and a maximum guarantee of \$1 million. To serve as many California small businesses as possible, the COVID-19 disaster program is focused on serving small businesses, especially those in low-wealth and immigrant communities with needs from \$500 to \$50,000.

QUESTION: What are the loan terms?

ANSWER: The length of the loan can be negotiated with your lender, but the guarantee is good for up to seven years. The interest rate and loan criteria will be determined by the lender and could depend on the credit strength of the business. The guarantee is designed to lower the interest rate in exchange for a higher guarantee to your lender.

QUESTION: How can I apply?

ANSWER: The Small Business Finance Center partners with Community Development Financial Institutions (CDFIs), Community Lending Institutions, and Financial Development Corporations (FDCs) to provide loan guarantees for small businesses. To apply:

- View the [list of FDCs and participating lenders](#) interested in this Small Business Disaster Relief Loan Guarantee Program.
- Contact the lender on the list nearest to your business to apply.

QUESTION: What is the timing for the funding of loans?

ANSWER: The program is in place and businesses can apply immediately. Once you provide a participating lender with complete information, you could be funded in a matter of days.

QUESTION: What can the money be used for?

ANSWER: The funds are meant to help small businesses through this challenging time. Loan proceeds can be used for business continuance or to cure “economic injury” as a result of COVID-19.

QUESTION: How will this program assist low-wealth and minority communities?

ANSWER: By working with the Community Development Financial Institutions (CDFIs) throughout the state of California, this disaster relief program can play an important role in generating economic growth and opportunity in some of our most distressed communities. CDFIs and mission-based lenders play a vital role across the state and have experience steering lending and investment to where it is needed and will matter the most, in particular in low-wealth and immigrant communities. CDFIs and our partner Financial Development Corporations (FDCs) that process the loan guarantees are embedded in communities across the state, speak several languages, and are invested in the community successfully managing its way through this pandemic.

QUESTION: Are faith-based businesses eligible for this loan guarantee program?

ANSWER: Faith-based businesses (non-profit or otherwise) that have business activity outside of worship are eligible as long as they are a legal business that has been affected by the COVID-19 pandemic.

For additional information on CDTFA’s interest free deferral on sales/use tax, please click [here](#).