

Coronavirus (COVID-19) Response

Small Business Loan Program Update

Status

On March 24th, the Golden LEAF Foundation, in partnership with the Rural Center, launched the NC COVID-19 Rapid Recovery Loan Program (<https://ncrapidrecovery.org/>).

As of April 12th:

- 3,397 applications submitted
- \$121,500,703 requested (\$35,767 average requested)
- 116 loans approved
- \$4,144,241 in funding approved
- 1,412 reported jobs retained
- Applications received from 98 counties

Participating lenders are: [Mountain BizWorks](#), [Thread Capital](#), [Carolina Small Business Development Fund](#), [Business Expansion Funding Corporation \(BEFCOR\)](#), and [Natural Capital Investment Fund](#). These well-established nonprofit lenders have committed a total of 25.5 FTEs to support making loans through this program. Additional lending partners have been identified and will begin making loans soon. With this current and projected capacity, the program expects to be able to make at least 124 loans (approx. \$5m) per week.

Background

Federal and state guidance in response to the Coronavirus (COVID-19) has forced the shutdown of many small businesses and dramatically reduced revenue for many others. These businesses face the possibility of closing permanently if they cannot access capital to continue to pay expenses until operations are restored or to support restart of the business.

The federal government has made loans available through the Small Business Administration (SBA) in all 100 North Carolina counties. Following Hurricane Florence, average processing time for an SBA loan application was 11 days ([source](#)). According to the SBA, staff readiness and lower than expected demand likely contributed to this responsiveness. For the current crisis, changes in how the SBA will deploy staff to provide assistance as well as the statewide and national scale will likely increase this timeline. The timeline also does not account for the time required for a business to complete the application.

For some small businesses, several weeks is too long to wait for capital. Others will find at the end of the process that they will not be able to qualify for either an SBA or traditional commercial loan. Following Hurricane Matthew, 33 percent of SBA loan applications were approved ([source](#)). Following Hurricane

Florence, only 7 percent of SBA loan applications were approved ([source](#)).

Golden LEAF first implemented a bridge loan strategy following Hurricane Matthew based on lessons learned from other states with similar programs (Florida, in particular). This strategy was again deployed following Hurricane Florence and Hurricane Dorian. Bridge loans were then refinanced into long-term loans through the SBA or available state programs, or repaid once a business received insurance proceeds or generated revenue following restart.

Goals and Outcomes

This program relies on a partnership model developed with key goals in mind:

- Ensure available loan programs complement SBA and other federally funded recovery programs.
- Leverage the capacity, skills, and reach of established nonprofit lenders while maintaining a system for controls, fraud prevention, and compliance.
- Manage the funding flows based on demand, not on predetermined allocations that might need to be adjusted or amended.
- Collaborate with Technical Assistance providers and community partners as a unified team.

Program Overview

The Rural Center is working with other well-established nonprofit lenders across North Carolina to implement a unified loan program with consistent terms. This program uses a common application to prevent duplication and ensure consistent information is collected. This collaborative application process will also deploy funds to an originating lender based on demand and allow applications to be redirected should the originating lender be at capacity. Each lender will be responsible for servicing the loans it originates.

Only businesses suffering documented losses as a result of the Coronavirus (COVID-19) are eligible for this program. Each lender underwrites its loans, and the Rural Center reviews each loan for fraud prevention and compliance.

Funds flow from Golden LEAF to the Rural Center. The Rural Center uses funds to reimburse originating lenders for the loans. Total administrative expenses for each loan in this program will not exceed 5 percent. The originating lenders will receive 2 percent of each loan closed and an additional 1 percent upon repayment of the loan to support administrative expenses. Interest accrued on term loans will be retained by the lender. No administrative fees will be charged to borrowers. The Rural Center will receive 2 percent of each loan closed to support its administrative expenses.

Upon repayment, funds are returned to the Rural Center, and once there is no further demand, the funds will be returned to Golden LEAF, less administrative expenses and any losses resulting from defaults. Repaid funds may be revolved prior to returning to Golden LEAF if demand remains.

Loan Details

- Loan sizes capped at approximately two months of current revenue, up to \$50,000.
- Six months of no interest and no payments, followed by 48 months of accrued interest plus principal and interest payments at 5.5% interest.
- Interest will begin to accrue on any unpaid balance at the beginning of the seventh month.
- There are no prepayment penalties.

- Defaulted loans are subject to collections.

Requirements

- Any individual with greater than 20% ownership in the applying business must personally guarantee the loan.
- Proceeds from the loan may only be used for costs associated with maintaining or restarting a business located in North Carolina, including payroll, mortgage, rent, utilities, and other operating expenses.
- The use of loan funds to pay off debts already incurred for qualifying business maintenance or restart purposes may be authorized on a case-by-case basis.
- Borrowers are required to assign the proceeds of assistance programs, including SBA loans, to the repayment of their Rapid Recovery Loan, to the extent that the repayment does not disqualify or impair the federal assistance available to the business.
- The loan is secured through borrower guarantees and a Uniform Commercial Code financing statement.

Eligibility

- Applicants must be a North Carolina small business affected by COVID-19 (businesses located in all 100 NC counties are eligible).
- Applicants must have at least one (1) employee who could be the self-employed owner. There is no limit on how many employees a business can have.
- Start-up businesses that began operations before March 23, 2020 are eligible.

Distribution of Applications by County
data as of April 12

