

# Fiscal Analysis Department

## Minnesota House of Representatives

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### ISSUE BRIEF

#### Small Business Emergency Loan Program – COVID-19 Response March 2020

*Per Governor Walz's Emergency Executive Order [20-15](#), which was shortly thereafter ratified by the legislature and signed into law as part of [Chapter 71](#), the Minnesota Department of Employment and Economic Development (DEED) has established the Small Business Emergency Loan (SBEL) Program to help small businesses affected by Executive Orders 20-04 and 20-08, which ordered the closures of bars, restaurants, and other places of public accommodation to slow the spread of COVID-19. The Governor and Legislature have committed \$30 million to support this program. Below is an overview of this new emergency loan program.*

#### **Terms and Conditions**

A total of \$30 million dollars has been allocated for the SBEL Program, using funds sourced from the Minnesota Investment Revolving Account and the Minnesota 21<sup>st</sup> Century Fund. Loans will be available until funds are exhausted, which DEED anticipates will occur no later than August 1.

Loans will:

- Range from \$2,500 to \$35,000 and will be based on the firm's economic and financial need.
- Be interest free.
- Be paid back monthly over five years, and the first payment will be deferred six months with the potential that up to 50 percent of the loan will be forgiven.
- Be provided to only Minnesota-based businesses.

Loans may not be used to pay or refinance past debt.

## **Eligibility**

In order to be eligible for a Small Business Emergency Loan, businesses must be able to demonstrate that they were directly and adversely affected by the conditions that precipitated the emergency declaration as noted in Executive Orders 20-04 and 20-08 (please see the Appendix for a list of businesses noted in these Executive Orders). Under these requirements, nonprofit organizations are not eligible. If only a part of a business' operations include an eligible industry, revenue from that part of the business must meet or exceed 51 percent of business revenues to be eligible. Since its creation, DEED's certified lenders have received numerous applications, and DEED is asking that businesses not apply unless they clearly fit one of the business types listed.

### **To qualify, the businesses must:**

- Be current on financial obligations as of March 1, 2020.
- Be an existing small business (whatever the form of their organization).
- Have been operating in Minnesota long enough to demonstrate financial viability.
- Be willing to provide collateral or personal guarantee for at least 20 percent of the loan.
- Be unable to qualify for a standard loan through a bank, credit union, or nonprofit lending organization.
- Pay-off the emergency loan if financing is received subsequent to loan approval.

### **Loans cannot be provided to businesses that:**

- Derive income from passive investments without operational ties to operating businesses.
- Primarily generate income from gambling activities
- Generate any income from adult-oriented activities.
- Have no current or historical financial statements.

## **How to Apply**

Applications should be made directly through a certified nonprofit lender (please see list of certified lenders [here](#)) that serves the county where the business is located. If a lender does not have capacity, the lender may ask DEED for assistance.

All applicants must supply historical and projected financial information for the business, as well as a personal financial statement for each owner who holds at least a 20 percent interest in the business. Lenders may ask for this financial information and other information required to process the loan, including permission to pull credit reports, after the initial application is submitted.

The fastest way to receive a response to applications and questions is to email a lender. Most lenders are currently being staffed remotely.

## **Post Approval**

If a loan is approved, businesses should expect to provide the following legal documents and other information prior to receiving loan funds:

- Loan Agreement
- Promissory Note
- Security Agreement
- Personal Guarantee(s)
- Industry-specific data regarding business operations prior to the emergency declaration

## **Quick Links**

DEED Creating Emergency Loan Program for Minnesota Small Businesses. March 23, 2020.

<https://mn.gov/deed/newscenter/press-releases/#/detail/appId/1/id/424384>

Small Business Emergency Loans – DEED Website. Last modified March 23, 2020.

<https://mn.gov/deed/business/financing-business/deed-programs/peacetime/>

List of Executive Orders from Governor Walz. Continuously Updating.

<https://mn.gov/governor/news/executiveorders.jsp#/list/appId/1/filterType//filterValue//page/1/sort/order/>

Chapter 71, 2020 Minnesota Laws, Regular Session. (The Small Business Emergency Loan Program is in Article 1, Section 11 and Article 2, Section 4).

<https://www.revisor.mn.gov/laws/2020/0/Session+Law/Chapter/71/>

*For more information, please contact Solveig Beckel, House Fiscal Analyst, at [solveig.beckel@house.mn](mailto:solveig.beckel@house.mn).*

## Appendix

### List of Businesses noted in Executive Orders 20-04 and 20-08

Restaurants, food courts, cafes, coffeehouses, and other places of public accommodation offering food or beverage for on-premises consumption, excluding institutional or in-house food cafeterias that serve residents, employees, and clients of businesses, child care facilities, hospitals, and long-term care facilities.

Bars, taverns, brew pubs, breweries, microbreweries, distilleries, wineries, tasting rooms, clubs, and other places of public accommodation offering alcoholic beverages for on-premises consumption.

Hookah bars, cigar bars, and vaping lounges offering their products for on premises consumption.

Theaters, cinemas, indoor and outdoor performance venues, and museums.

Gymnasiums, fitness centers, recreation centers, indoor sports facilities, indoor exercise facilities, exercise studios, and spas tanning establishments, body art establishments, tattoo parlors, piercing parlors, businesses offering massage therapy or similar body work, spas, salons, nail salons, cosmetology salons, esthetician salons, advanced practice esthetician salons, eyelash salons, and barber shops. This includes, but is not limited to, all salons and shops licensed by the Minnesota Board of Cosmetologist Examiners and the Minnesota Board of Barber Examiners.

Amusement parks, arcades, bingo halls, bowling alleys, indoor climbing facilities, skating rinks, trampoline parks, and other similar recreational or entertainment facilities.

Country clubs, golf clubs, boating or yacht clubs, sports or athletic clubs, and dining clubs.