

## Red Tape Review Rule Report

### (Due: September 1, 2025)

|                         |              |                                              |                                                                        |                                                        |                                                                   |
|-------------------------|--------------|----------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------|
| <b>Department Name:</b> | IEDA         | <b>Date:</b>                                 | 4/22/24                                                                | <b>Total Rule Count:</b>                               | 5                                                                 |
| <b>IAC #:</b>           | 261          | <b>Chapter/<br/>SubChapter/<br/>Rule(s):</b> | Chapter 55                                                             | <b>Iowa Code<br/>Section<br/>Authorizing<br/>Rule:</b> | 15.108(1)<br>and (6) and<br>2013 Iowa<br>Acts, House<br>File 324. |
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**PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE**

**What is the intended benefit of the rule?**

The intended benefit of chapter 55 is to describe the policies and procedures applicable to the targeted small business financial assistance program. The program provides loans to targeted small businesses (TSBs) for expenditures including purchase of equipment and furnishings, inventory, purchase of and improvements to land and buildings and specific operating expenses.

**Is the benefit being achieved? Please provide evidence.**

Yes. IEDA is able to efficiently administer the program.

**What are the costs incurred by the public to comply with the rule?**

Entities interested in applying for financial assistance may require staff time to complete an application. Some applicants may choose to rely on an external service provider to complete these tasks. The amount of the costs will vary, depending on the compensation of staff or service providers involved.

**What are the costs to the agency or any other agency to implement/enforce the rule?**

IEDA staff time is required to review and approve applications, draft and execute program contracts, disburse funds, review reports, and communicate with program applicants and recipients.

**Do the costs justify the benefits achieved? Please explain.**

Yes. Only businesses that will potentially benefit from the program incur any costs. The costs to the state to administer the program are proportional to the business activities supported by financial assistance.

**Are there less restrictive alternatives to accomplish the benefit?** ☐ YES ☒ NO

**If YES, please list alternative(s) and provide analysis of less restrictive alternatives from other states, if applicable. If NO, please explain.**

The application and administrative requirements of the rules are no more than necessary to thoroughly evaluate loan applications and administer loans.

**Does this chapter/rule(s) contain language that is obsolete, outdated, inconsistent, redundant, or unnecessary language, including instances where rule language is duplicative of statutory language? [list chapter/rule number(s) that fall under any of the above categories]**

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Yes.

Rule 55.2 should be updated to remove statutory language and eliminate an unnecessary definition of “microloan service provider”.

Rule 55.3 should be updated to be more concise. A reference to 261—Chapter 172 should be replaced with a reference to Iowa Code section 15A.1(3). IEDA intends to rescind Chapter 172. References to a microloan service provider should be removed throughout the rule as the program is no longer administered through a service provider.

Rules 55.4 and 55.5 should be updated to remove references to a microloan service provider.

**RULES PROPOSED FOR REPEAL (list rule number[s]):**

None.

**RULES PROPOSED FOR RE-PROMULGATION (list rule number[s] or include rule text if available):**

CHAPTER 55  
TARGETED SMALL BUSINESS FINANCIAL ASSISTANCE PROGRAM

**261—55.1(15) Targeted small business financial assistance program.** The purpose of the targeted small business financial assistance program is to assist women, minorities, persons with disabilities and low-income individuals to establish or expand small business ventures in Iowa.

**261—55.2(15) Definitions.** As used in this chapter, unless the context otherwise requires:

“*Authority*” means the same as defined in Iowa Code section 15.102.

“*Place of abode*” means a place of stay, permanent or for some time, for which consideration is paid.

“*Program*” means the targeted small business financial assistance program established pursuant to this chapter.

“*Review committee*” means a committee established by the authority to review program applications pursuant to subrule 55.3(8).

“*Targeted small business*” or “*TSB*” means the same as defined in Iowa Code section 15.102.

**261—55.3(15) Application and approval.**

**55.3(1) Application procedures.** Application materials may be obtained from the authority.

**55.3(2) Maximum funding.** The maximum loan amount is \$50,000. The interest rate charged shall not exceed 5 percent

per annum or be less than 0 percent per annum. A targeted small business shall not receive a loan under the program that provides more than 90 percent of the funding for a project. All applicants must invest at least 10 percent of the total project budget in cash.

**55.3(3) *Term.*** The term of a loan shall not exceed five years.

**55.3(4) *Eligible uses of funds.*** Program funds shall be used for legitimate business expenses, including, but not limited to, purchase of equipment and furnishings, inventory, purchase of and improvements to land and buildings and specific operating expenses.

**55.3(5) *Ineligible uses of funds.*** Program funds shall not be used to refinance existing debt. For the purposes of this subrule, existing debt does not include interim financing for allowable program purposes intended as a bridge loan obtained after the date a program loan is approved. Program funds shall not be used to facilitate financing of a project which would consist solely of relocation of an existing business within Iowa.

**55.3(6) *Threshold criteria.*** Applicants for funds under the program must meet the following minimum criteria before their applications will be considered complete and eligible for evaluation:

*a.* The business must be eligible for certification as a targeted small business pursuant to 261—Chapter 52 at the time of application. The authority will educate applicants about the benefits of such certification and encourage applicants to seek certification.

*b.* An applicant must be a resident of Iowa for at least six months to be eligible to apply for assistance. Applicants may be asked to provide necessary documentation to prove legal residency. An applicant who has not established a permanent place of abode in Iowa or who has not abandoned a permanent place of abode in another state shall be presumed to not be a resident. A place of abode that is leased or rented shall be deemed permanent if leased or rented for a period of at least one year.

*c.* All applicants shall make a report regarding violations of law and address generation of solid or hazardous waste consistent with the requirements of Iowa Code section 15A.1(3).

**55.3(7) *Submittal.*** Applicants shall submit an application to the authority in the form and content prescribed by the authority.

**55.3(8) *Review.***

*a.* Applications are reviewed for completeness. If additional information is required, the authority will notify the applicant. If the requested information is not provided by the deadline indicated in the notice, the application may be considered incomplete or ineligible.

*b.* The authority will establish a committee of at least three individuals to review all applications.

**55.3(9) *Evaluation.*** Applications are evaluated according to the following criteria:

*a.* Applicant credit score and outstanding liabilities.

*b.* Source(s) of the applicant's income.

*c.* Debt service coverage ratio.

**55.3(10) *Negotiations.***

*a.* The authority reserves the right to negotiate the amount, term, interest rate, and other conditions of the loan prior or after to award.

*b.* The authority may decline to award funds to a business if there is a negative credit report (e.g., bankruptcy, foreclosure, tax liens, or unpaid or past due child support).

**55.3(11) *Award decision.*** If an application is approved by the review committee, the applicant business will receive an award letter which states the amount of award, conditions of the award, any required security agreements, and the amount of monthly loan repayments. If an application is denied by the review committee, the applicant will receive a denial letter stating the reasons for denial.

**55.3(12) *Reapplication.*** An applicant whose application is denied by the review committee cannot resubmit an application for the program for 90 days (3 months) from the date of the denial letter.

## **261—55.4(15) Monitoring.**

**55.4(1)** The authority will monitor the recipient's records to ensure compliance with the terms of the award. The authority may request information on the condition of the business at any time during the life of the loan to determine the status of the project.

**55.4(2)** The authority may require a program recipient to consult with designated small business service providers for assistance with various aspects of the management and operation of the business.

**55.4(3)** If the authority determines that a borrower is in default, the authority may seek recovery of the loan plus interest or other penalties, negotiate alternative payment schedules, initiate, suspend or discontinue collection efforts and

take other action as the authority deems necessary.

**261—55.5(15) Disbursement of funds.** An approved applicant shall acknowledge and agree to the terms proposed by the authority prior to disbursement of funds. Requests for disbursement and loan documents shall be in the form and content specified by the authority.

These rules are intended to implement Iowa Code section 15.108 and 2013 Iowa Acts, House File 324.

***\*For rules being re-promulgated with changes, you may attach a document with suggested changes.***

#### METRICS

|                                                                                     |     |
|-------------------------------------------------------------------------------------|-----|
| Total number of rules repealed:                                                     | 0   |
| Proposed word count reduction after repeal and/or re-promulgation                   | 175 |
| Proposed number of restrictive terms eliminated after repeal and/or re-promulgation | 1   |

**ARE THERE ANY STATUTORY CHANGES YOU WOULD RECOMMEND INCLUDING CODIFYING ANY RULES?**

No.