



Disaster Recovery Microloan Program

Program Guidelines for Fiscal Year 2025
Lead Division: Business and Community Development
<input type="checkbox"/> New <input checked="" type="checkbox"/> Revised 7/1/2024
<input type="checkbox"/> Grant <input checked="" type="checkbox"/> Loan <input type="checkbox"/> Tax Credit <input type="checkbox"/> Technical Assistance

Introduction

Background Information: The Disaster Recovery Microloan (DRM) program will provide grants to pre-approved regional entities with the capacity to deploy rapid response microloans to businesses affected by disasters, either natural or manmade. The microloans are to assist the business with necessary restoration and operating expenses until more long-term recovery funding can be secured. Providing immediate recovery funding in this manner is a best practice in community economic disaster recovery and leads to improved odds of a business reopening and remaining open long-term. WEDC will contract with regional entities to distribute and administer these loans in their respective geographic areas of the state, as applicable.

Program's Purpose: The purpose of the program is to provide short-term, gap financing assistance to businesses affected by disaster events in the state of Wisconsin.

Eligibility Requirements

The DRM program is administered through grants made by WEDC to pre-approved regional entities. The incentives in this program are grants to pre-approved regional entities based on need related to the disaster event to provide microloans to affected businesses. These pre-approved regional entities then facilitate the administration of the micro-loan program to eligible businesses.

Eligible Applicants: Applicants applying to pre-approved regional entities for micro-loans must meet the following criteria:

- The business is located in or directly adjacent to a region where the authorized regional entity has received an allocation.
- The business has suffered measurable physical damage because of the disaster event.
- The business attests to their intent to resume business operations in the community as quickly as possible.
- The business must not be one of the following:
 - Payday loan and/or title company.
 - Telemarketer other than inbound call centers.
 - Pawn shop.
 - Liquor store.
 - Adult entertainment venue.
 - Home-based business.
 - Farm.



Within 90 days following a natural or man-made disaster event, which may or may not include a corresponding State of Emergency or Disaster Declaration, the pre-approved regional entity will request allocation of funding to make microloans in its respective region. WEDC will expedite review and approval of the request.

Eligible Use of Funds: Costs are only eligible after WEDC approval. DRM funds to eligible businesses may be used for the following, but are not limited to:

- Procurement of cleanup and restoration services.
- Operating expenses such as payroll.
- Temporary space.
- Repair and reconstruction.
- Disposal of and Procurement of perishable/non-perishable inventories.
- Replacement of critical equipment/appliances.

Matching: There are no matching requirements for these funds.

Available Incentives

FY25: The program is unfunded until a disaster occurs. The budget will then be based on the disaster's impacts. The program budget will be determined based upon a disaster event, the number of businesses in need of financial assistance, and the availability of funds.

Award Sizes: The award size to the affected regional entity will be determined based on the disaster event. Awards made by the regional entity(ies) to eligible businesses will meet the following terms:

- Amount: Up to \$25,000.
- Term: Up to 36 months with no early repayment penalty.
- Deferral: Minimum of six months.
- Interest Rate: The interest rates for loans will be 0%.
- Collateral and guarantees should be considered.
- Local funding sources should be exhausted.

Loan repayments may be retained by the regional entity for other economic development uses, such as economic development programming, matching funds to partner programs, small business education programs, revolving loan funds, etc. The regional entity has the authority to make forgivable loans, so long as the provision for such is stipulated in the loan agreement. As part of the grant award the regional entity may receive up to \$5,000 for the cost to prepare a schedule of expenditures in accordance with § 238.03(3)(a).

Activities and Expected Outcomes

Nine regional organizations approved to administer the program covering all 72 counties.

Impact: Ability to provide gap financing to businesses impacted by a disaster.

Metrics:

- Leverage – Total.

- Pass-through Businesses Assisted (financial).
- Pass-through Leverage Total.
- Pass-through Job Creation.
- Pass-through Job Retention.

Application Guideline

Timeline: Within 90 days following a natural or man-made disaster event, which may or may not include a corresponding State of Emergency or Disaster Declaration, the pre-approved regional entity will request allocation of funding to make microloans in its respective region. WEDC will expedite review and approval of the request.

Review Considerations: An official declared disaster will open the DRM program. If a natural or man-made event is not declared a disaster WEDC would need to evaluate regional requests on a case-by-case basis. This may include but is not limited to property damage and lack of local recovery funds.

How to Apply: Pre-approved regional entities should complete an application through an Account Manager. The completed application will be assigned to an underwriter for expedited review and approval.

Award Process: This program award for pre-approved regional entities is an exception to WEDC's standard awards approval thresholds outlined in WEDC's Awards Administration Policy.

In order to expedite the process in the event of a disaster, upon Board approval of this program guideline, and if the program is funded during the year, the award may be approved by WEDC's CEO and does not require further approval by either the Awards Administration Committee or the Board, regardless of the cumulative awards to the approved entity as long as the award for this program does not exceed the Board approved budget.

Performance Reporting: Recipients of DRM grants will be required to periodically submit a performance report documenting the businesses assisted, including business location and demographics, as well as any other contract deliverable.

WEDC annually selects awards on a sample basis for an audit. All backup to the performance report and financial records are required to be maintained by the Recipient for a period of at least three (3) years after the last performance report is due.

WEDC may impose additional reporting requirements to evaluate project performance and to ensure compliance with contract deliverables.

Revision History

Program Inception – Fiscal Year 19

- 9/18/18: Increase maximum loan amount; authorize regional entities to make forgivable loans; provide funding up to \$5,000 to regional entities for cost to prepare schedule of expenditures.
- 7/1/2019: Clarify available funding; clarify performance reporting requirements.
- 8/13/2019: Revised available funding to reflect Board approval of \$1 million in DRM funds to assist disaster recovery from the extreme severe weather July 18-20, 2019.



- 7/1/2020: Clarified conditions when regional organization may retain loan repayments.
- 7/1/2023: Exempts pre-approved regional entities standard awards administration policy.
- 7/1/2024: Increase length of post-disaster application window; loan amount; loan term; and updated eligible uses of the funds.