

TEXAS MICRO-BUSINESS DISASTER RECOVERY (MBDR) LOAN PROGRAM

Frequently Asked Questions (FAQs)

1) What is the Texas Micro-Business Disaster Recovery (MBDR) Loan Program?

The Texas Micro-Business Disaster Recovery (MBDR) Loan Program is a revolving loan program that seeks to expand access to capital for qualifying micro-businesses following a declared disaster. The Texas MBDR Loan Program is administered by the Economic Development Bank through the Texas Economic Development & Tourism Office within the Office of the Governor (Office).

2) What qualifies as a “declared disaster?”

The Governor, through executive action or proclamation, may declare a state of disaster for a designated area.

The presiding officer of a governing body of a political subdivision (e.g. a county judge or mayor) may declare a local state of disaster for a designated area.

The president of the United States may declare a state of disaster for a designated area.

3) How much funding is available?

The Texas MBDR Loan Program was appropriated \$5,000,000 for the FY2024-25 biennium.

Available funds may be disbursed no later than August 31, 2025.

4) Who is eligible to apply?

Community Development Financial Institutions (CDFIs) that have received a CDFI Certification from the U.S. Department of Treasury and are authorized to conduct business in the state of Texas are eligible to apply for a zero percent interest loan from the Office for the purpose of making interest-bearing loans from the CDFI to qualifying micro-businesses following a declared disaster.

5) Can micro-business owners directly apply for a loan?

No. While the Texas MBDR Loan Program is designed for the benefit of the micro-businesses, the Office can only make zero percent loans directly to CDFIs. We encourage micro-business owners affected by a declared disaster to contact CDFI(s) serving their areas.

6) How do CDFIs apply?

CDFIs can apply to participate in the Texas MBDR Loan Program by completing a participation agreement, which can be obtained by emailing MBDR@gov.texas.gov.

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7) What are qualifying micro-businesses?

Micro-business means a corporation, partnership, sole-proprietorship, or other legal entity that:

- a) is domiciled in this state and has at least 95 percent of its employees located in this state;
- b) is formed to make a profit; and
- c) employs not more than 20 employees.

The micro-business must also meet the following requirements:

- a) is in good standing under the laws of this state; and
- b) did not owe delinquent taxes to a taxing unit of this state *before* the date of the initial issuance of the disaster declaration.

Exceptions: A micro-business is disqualified if it:

- has total revenue that exceeds the amount for which no franchise tax is due under Texas Tax Code, Section 171.002(d)(2);
- is a franchise;
- is a national chain with operations in this state;
- is a lobbying firm; or
- is a private equity firm or backed by a private equity firm.

8) Are there ineligible uses of a micro-business disaster recovery loan?

The Texas MBDR Loan Program does not limit or otherwise restrict the use of funds received by a qualifying micro-business.

9) Is there a minimum or maximum interest rate and/or length of repayment for the micro-business disaster recovery loan?

CDFIs must perform appropriate due diligence and rely on their existing underwriting guidelines to evaluate and establish the terms of micro-business disaster recovery loans.

10) Is there a minimum or maximum loan amount CDFIs can apply for?

Notwithstanding the availability of funding, there is no minimum or maximum amount the CDFI can borrow under the Texas MBDR Loan Program. The Office will process Loan Applications from CDFIs on a first-come, first-serve basis from the date and time the Loan Application is fully completed.

11) What is the repayment term for the loan borrowed by the CDFIs?

CDFIs are required to repay the zero-percent interest loan from the Office over seven years on a quarterly basis based on the following schedule: Years 1 – 4 = 10% of the loan amount per year, and Years 5 – 7 = 20% of the loan amount per year.

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12) What are the reporting requirements for the CDFI?

CDFIs who receive a zero-percent interest loan must report the following to the Office on a quarterly basis:

- a) the names of micro-businesses that have received a disaster recovery loan;
- b) the current balance of all outstanding disaster recovery loans;
- c) the default rate on existing disaster recovery loans;
- d) unaudited financial statements; and
- e) any other information related to the micro-business disaster recovery loans requested by the Office.

CDFIs must also provide audited financial statements on an annual basis.

13) Why does the Texas MBDR Loan Program require CDFIs to sign a Participation Agreement prior to the Loan Application?

By acknowledging and accepting the terms contained within the Participation Agreement, including the Standard Loan Agreement Terms applicable to any future zero-percent interest loans to CDFIs, it accelerates the process following a declared disaster for the submission of the Loan Application by the CDFI and review by the Office.