



FHLBank
Chicago

Community Small Business Advance FAQs

Business Eligibility:

Does the parent company or headquarters need to be located in Illinois or Wisconsin?

Yes

Can the business be a non-profit organization?

Yes

Can a start-up or new small business qualify?

Yes. To qualify a new business, we ask members to provide either projected income from a business plan or the individual owner's personal tax income information. The documentation required may vary depending on the unique circumstance.

How do I verify a business's eligibility?

The business must meet BOTH program eligibility criteria to qualify:

- **Geographic beneficiary:** The principal place of business is located in FHLBank Chicago's District (Illinois or Wisconsin), and in a low- to moderate-income census tract (defined as 100% of area median income or below). Verify using the FFIEC Geocoding Mapping System and **provide a screenshot of census tract demographic data** ([linked at the bottom of our site](#)).
- **Activity beneficiary:** The small business qualifies by either gross annual receipts or number of employees, based on the United States Small Business Administration (SBA) regulations, which utilize the North American Industry Classification System Codes. Verify using the SBA Size Standards table and **provide a screenshot of chosen NAICS code** ([linked at the bottom of our site](#)).

How do I verify gross annual receipts of the small business?

Collect and submit the small business' tax return for the current fiscal year, or a year-to-date profit/loss statement or income statement.

How do I verify number of employees of a small business?

Collect and submit recent reports from third-party payroll provider or quarterly reporting to state to confirm number of employees.

Project/Loan Eligibility:

Does the small business need to be located in Illinois or Wisconsin?

Yes

Can the loan be made to a holding company but the business occupying the location address be used to qualify as the small business?

Yes, this is permitted. There should be a relationship between the holding company and the occupying business. For example, the holding company was established by the small business owner to purchase a property where the qualifying small business occupies the same property.

Can the loan be made to a business funding a project within an eligible census tract, even though the business itself is not located in an eligible census tract?

Yes, this is permitted. The loan activity must support economic development through the creation or retainage of jobs in a qualifying census tract.

The small business' need for additional locations is apparent, such as restaurants, store fronts for farms, and expansion to reach new markets. Here is an example:

- A farmer's principal place of business is where farming operations is happening, and the loan finances the purchase/build-out of a store where the farmer's goods and products are sold, and new jobs are created to staff the store. The census tract where the shop is located is used to qualify.

Application/Funding Process:

How many loans can I fund using this program?

As long as there is interest subsidy available at the program level, you can fund as many qualifying loans as you please within your \$500K individual member-subsidy limit. Subsidy is available on a first-come first-served basis.

What is the individual member subsidy?

The amount of money that FHLBank Chicago forgoes to essentially buy down the advance to 0%. Each Member has a \$500K subsidy limit.

How is the subsidy calculated?

The subsidy is calculated based on the applicable Community Advance rate in effect on the day of application approval. Utilize the interest subsidy calculator ([linked at the bottom of our site](#)).

What is the maximum allowable interest rate on the underlying loan?

While you can give your customer an interest rate below 4.5%, the maximum allowable rate is 4.5%.

I funded a loan to an eligible business within the last 90 days with an interest rate above 4.5%, would it qualify for this program?

If all other eligibility parameters are met, an interest-rate modification is acceptable.

Can I request multiple advances on one application?

No, the application should be for a specific loan and only one advance.

Is there a minimum loan amount?

Yes, the loan to the small business must be at least \$100,000.

What is the minimum and maximum term for the advance?

The advance term must have at least a one-year term and is limited to a maximum of ten years.

Does the loan to my customer need to match the advance amount I get from FHLBank Chicago?

Yes

Does the loan term to my customer need to match the advance term I get from FHLBank Chicago?

Yes, generally.

The loan term may exceed the advance term, as long as the loan has a fixed rate of 4.5% for a term that matches the advance term.

Can I amortize the loan to my customer?

Yes, if the loan term is fixed at ten or fewer years with the current max rate of 4.5% you can amortize over a term of your choosing.

Can we match fund a line of credit loan?

Yes – as long as the applied for amount is available to the customer for the specified term per the application.

Does utilization of the Community Small Business Advance impact my access to other Community Advance programs?

No

Can we do a floating-rate advance?

No, the advance type is limited to a fixed rate, fixed term (A121) advance.

If my underlying customer prepays their loan, are we required to prepay our advance? Will we be assessed a prepayment penalty?

Yes, the advance must be repaid if your customer pays off their loan, in full, prior to the maturity date of the loan.

You will not be assessed a prepayment penalty.

How do I reserve the interest rate subsidy?

Submit a completed application. FHLBank of Chicago will approve the application, reserve the subsidy, and notify you of the reservation.

What do I do after the reservation is approved?

Close the underlying loan with your customer. Submit a copy of the executed note to FHLBank of Chicago. After a compliance review, FHLBank of Chicago will notify you of the subsidy approval. You will have 90 days from the loan closing date to take the advance. The advance is subject to standard capital stock and collateral requirements.

Reporting Responsibility:

What type of reporting is required?

You will be required to periodically certify that the underlying loan to the small business is still current, has not pre-paid, nor been syndicated or participated. FHLBank of Chicago will initiate the reporting and request the certification when applicable.

What if the underlying loan is prepaid, been syndicated or participated?

Report this to FHLBank of Chicago and then repay the associated advance.