

**FLORIDA SMALL BUSINESS EMERGENCY “BRIDGE LOAN”**  
**PROGRAM**  
**PAST AND PRESENT**

**History of Activation**

Florida’s “bridge loan” program was first activated in the aftermath of Hurricane Andrew in 1992 by then-Governor Lawton Chiles. It has been reactivated subsequently for the Winter Storm of 1993, the Northwest Florida Floods of 1994, Hurricane Opal in 1995, Hurricane Georges in 1998, the four 2004 hurricanes that struck Florida, Hurricane Dennis (2004), and Hurricane Wilma (in 2005).

Governor Crist activated the Gulf Oil Spill Bridge Loan Program on June 7, 2010, making available \$5 million for loans to eligible small businesses.

**Program Authority**

There is no statute or executive order needed for activation of the state’s bridge loan program. After the Governor issues, via executive order, a declaration of a state of emergency as a result of a major catastrophe, the option to activate the bridge loan program is triggered, pursuant to s. 252.37, F.S. The Governor submits to the Legislature a budget amendment listing the amount and source of state funds, and a brief description of why the emergency funding is necessary, how it will be used, and when it is likely to be repaid. Approval of the budget amendment by the Legislative Budget Commission is not required.

In the case of the Gulf Oil Spill Bridge Loan Program, the source of the \$5 million for loans is surplus General Revenue within the State Treasury. Repayment will be made “over time,” according to the budget amendment request. The bridge loan is in response to the Governor’s Executive Order 10-101, which declared a state of emergency in many Florida coastal communities because of the April 20, 2010, explosion of a BP oil well in the Gulf of Mexico that released millions of gallons of crude oil into the Gulf of Mexico.

**Program Purpose**

When a disaster strikes, there is commonly a dearth of immediate cash flow available to business owners to quickly repair the physical damage to their workplace facilities.

The state’s emergency bridge loan program is designed to provide a source of immediate cash flow to businesses impacted by a major catastrophe, enabling them to quickly begin repairs, replace inventory, and afford other necessary business-related capital expenditures. The short-term loans are intended to “bridge the gap” between the time a major catastrophe hits, and when a business owner has secured other resources – such as insurance-claim payouts, federal Small Business Administration (SBA) disaster loans or

other long-term financing, or sufficient profits from revived business activities – to resume relatively normal operations.

Eligible applicants are small businesses having 100 or fewer employees, that have been in business for at least 1 year prior to the catastrophe, and which suffered significant physical damage to their business structures. Individual employees of a damaged business are not eligible for bridge loans.

An eligibility requirement specific to the Gulf Oil Spill Bridge Loan Program is that the applicant business must present documentation that it has either: received compensation from BP; has submitted a claim to either BP or the SBA and has received a claim or intake number; or has business-interruption insurance. Also, copies of the same documentation required by BP or SBA related to earnings statements, proof of losses, and other information must be submitted with the state bridge-loan package.

Historically, bridge loans could not be used to compensate a business owner for economic damages – such as a loss in sales revenue because of the emergency event – but that is not the case with the Gulf Oil Spill Bridge Loan Program. In fact, the bridge loan administrator anticipates that the vast majority of the new loans will be made to assist business owners suffering economic damages because the oil spill has adversely impacted their revenues.

## **Loan Terms**

The loans are unsecured loans provided to owners of small businesses. The maximum loan amount is \$25,000, and the minimum is \$1,000. The term of a state bridge loan is typically 90 or 180 days, but the Gulf Oil Spill Bridge Loans must be repaid within 1 year.

The loans hold a zero-percent interest rate during the term. If a state bridge loan is not repaid in the agreed upon term, interest of 12 percent per annum begins to accrue from day 366, in the case of the Gulf Oil Spill Bridge Loans. If the loan is delinquent for more than 180 days after the term ends, the interest rate rises to 18 percent. However, borrowers who are legitimately encountering difficulty repaying may negotiate a longer repayment schedule with a lower interest rate.

## **Loan Administration**

Over the years, the various local, regional, and statewide entities have administered the bridge loan programs, under contract with the Governor's Office of Tourism, Trade, and Economic Development (OTTED). Loan administrators in the past have included the First Florida Capital Finance Corporation (FFCFC), which assists in administering federal SBA loans; economic development organizations; certified development organizations; and the South Florida Regional Planning Council. The implementation of a successful bridge loan program is dependent on a working relationship among local economic development organizations, community-based organizations, and local banks.

Typically, bridge loan applications are distributed by the local economic development organization and by local bankers. Completed applications are then accepted by participating local bankers who review them for accuracy and who pull credit reports on both the owners and the business. In the case of the Gulf Oil Spill Bridge Loan Program, Florida's Small Business Development Center (SBDC) Network, which has offices in many of the 20 affected counties and has deployed two RV "mobile units," is the lead entity for providing the loan applications.

The completed applications are forwarded to a loan committee generally comprised of bankers, representatives of community organizations, the area SBDC, and a representative of the Governor's Office of Tourism, Trade, and Economic Development (OTTED) or Enterprise Florida, Inc.

The FFCFC is the administrator for the Gulf Oil Spill Bridge Loan Program, and the loan committees within each community are comprised of: two local bankers, a resident of the local community, and a representative of the SBDC. OTTED is overseeing the program.

Historically, about 50 percent of applications have been approved. The major reasons for denial are bad credit, lack of physical damage, insufficient apparent resources for repayment, or insufficient need. According to the FFCFC, credit standards will be relaxed for the Gulf Oil Spill Bridge Loans, in recognition of the types of businesses that have been impacted by the BP oil spill.

## **Loan Distribution**

To ensure rapidity of loan distribution, and pursuant to the contract with OTTED, the state issues a lump-sum check to the program administrator in an amount considered sufficient to cover anticipated lending requests. This lump-sum check is provided to the program administrator in advance of the loan committee review meetings, enabling the administrator to quickly make loan funds available to business owners, once the review committees have approved loans and closing documents are finalized. Upon approval, the program administrator prepares the check and the loan-closing package. The local banker that initially accepted the loan application is normally responsible for handling the closing, and the executed document package is returned to the local program administrator.

Under the Gulf Oil Spill Bridge Loan Program, the SBDC will send the approved loan application to the FFCFC for underwriting. The FFCFC will return the finalized loan package (with a check in the loan amount) to the SBDC, which will then execute the loan with the borrower. FFCFC will flag each loan check to determine when it has cleared, and will send periodic reminders to borrowers about the repayment dates.

The normal turnaround time for the emergency bridge loan program – from application submission to closing and receipt of funds – is 3 to 4 days. However, there have been exceptional cases where loans were closed within a 24-hour period.

The first day to submit applications for the Gulf Oil Spill Bridge Loan Program was June 14, and applications continue to be submitted.

### **Loan Collection**

The program administrator also is responsible for collecting the loans. When repaid, the funds are returned to the State Treasury. In the past five instances where the bridge loan was implemented, the loss rate has been roughly 10 percent, which is approximately the same loss rate as reported by the SBA Disaster Loan Program. However, all expectations and attempts are made to minimize loss rate.

Generally, the SBA does not allow for its SBA disaster loans to be used to repay existing debt, but it has explicitly made an exception for the Florida bridge loans. In fact, one of the closing documents signed by Florida bridge loan borrowers is an "Assignment of Proceeds," meaning the SBA may cut a check payable directly to the state bridge loan account. However, it is also likely the BP and SBA monies may be forwarded directly to the recipient businesses.

### **Status of Current Loan Program**

The current iteration of the loan program has access to \$5 million in non-recurring state general revenue. As of July 15, 2010, loans totaling \$1,030,000 have been awarded to 42 small businesses of the 49 that have applied.

A detailed explanation of the loan program and links to loan application forms are available at <http://www.floridaoilhelp.com/>

# floridaoilhelp.com

Deepwater Horizon Oil Spill Small Business Emergency Bridge Loan Program



## Loan Program Administrator's Activity Report

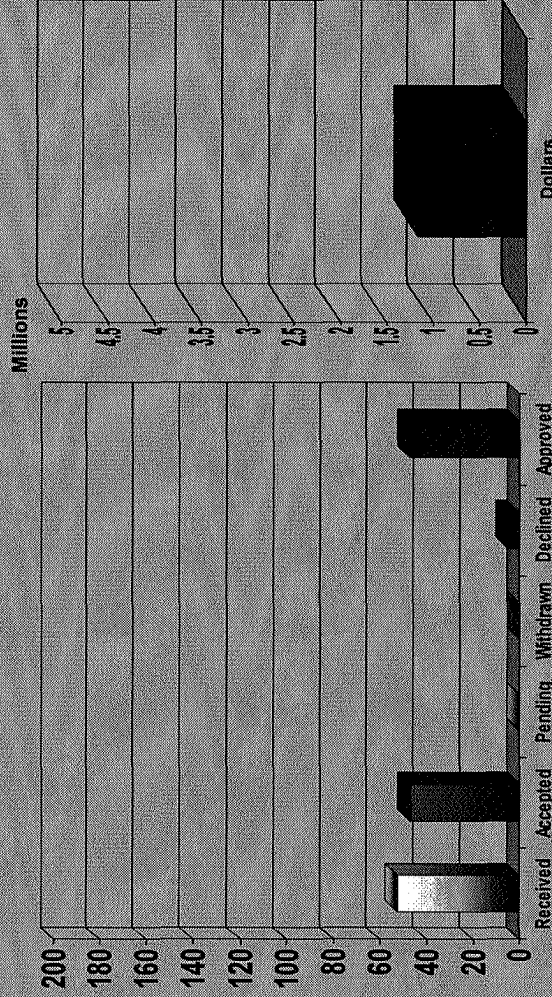
Week Of: July 16, 2010

### Weekly Loan Totals:

9 new applications received  
9 accepted for processing  
0 pending  
0 withdrawn  
0 declined  
9 approved  
\$205,000

### Cumulative Loan Totals:

52 new applications received  
47 accepted for processing  
0 pending  
0 withdrawn  
5 declined  
47 approved  
\$1,155,000



Loan Cumulative Totals At a Glance