

Developing the Program Design

Prior to receipt of the CDBG Agreement, the Grantee must create and adopt a Microenterprise Program Design setting forth the policies and guidelines that the Grantee will use to implement the program. The Program Design must be approved by DHCD and adopted by the local governing body. The Program Design must be scanned in its entirety and as a single document and uploaded into “Reports and Communication” in CAMS.

The Program Design must be tailored to the needs of the project, and therefore DHCD does not provide a model Program Design. However there are number of items to be considered and several DHCD requirements that must be followed. DHCD’s program design requirements are provided immediately below.

Purpose and Objective

Provide a description outlining the broad objective of the microenterprise program as funded. The program must include, at a minimum, training, technical assistance, loans, and follow-up assistance.

Project Area Boundaries

The Program Design must contain a map showing the project area boundaries in which loans will be made available. These project boundaries must coincide with the project area boundaries of the CDBG funded project. With prior DHCD approval, grantees may expand the availability of CDBG loan funds outside of this designated project area. It is still expected that grantees will first market to businesses in the project area and/or those participating in the façade program or another aspect of the project. Note that going beyond the designated project area may require completing a Re-evaluation of the Environmental Assessment or completing a new Environmental Review Record. A copy of the project area map should be attached to the Program Design.

Benefit Requirements

The following benefit requirements must be incorporated into the Program Design:

- At least 51% of the individuals who receive the training and capital must be LMI; or
- At least 51% of the individuals who receive the training and capital must commit to creating jobs that can be legitimately held by LMI persons; and

- The jobs created for or retained by LMI persons must require no more than a high school degree and no special skills or training as a requirement for employment. Training may, of course, be provided by the industry after employees are hired.

Staffing and Oversight

The Program Design must include information related to who will oversee and staff the project to ensure its timely, effective and fair implementation. This must include *at least* the following:

- Who clients contact for information on the program;
- Who makes recommendations to the Loan Review Committee regarding loans;
- Who conducts training sessions; and
- Who oversees the program.

Financing Available

Microenterprise loans are loans that are typically targeted to businesses with 5 or fewer employees; average loan amounts are \$8,000-\$10,000 and never exceed \$50,000.

Delineate sources and the minimum and maximum amounts of funds available for the program and any restrictions that must be applied to these funds i.e., available dates and required interest rates.

A brief discussion of how these funds will be applied to loans (in proportion to one another, at some percentage of each loan, as loan loss reserve, etc.) must be included. This should include a description of how funds will be available from the different sources e. g., line of credit, immediately available, and/or available upon approval. Further, the methods for securing collateral must be included. Real property or equipment purchased with CDBG funds must be collateralized, but the borrower may not use his or her primary residence as collateral.

The Grantee must advertise the availability of assistance.

Program Eligibility

The program must be designed to ensure that at least 51% of all individuals who benefit from the use of CDBG funds will be LMI. In addition, the Program Design must include a description of any required contributions and leverage by program participants. The Grantee may stipulate other requirements, as necessary, but they must be included as part of the Program Design.

Program Outreach and Promotion

The Program Design must discuss how it will attract clients and tap into the market for those seeking micro-enterprise loans in the localities being served by the program. This

must include a clear indication of partners and referral agencies and other networks that the program will work with in identifying and serving clients.

Training

An in-depth training program must be provided that meets participants at their levels. The types of training provided might include economic literacy and financial management, credit repair, bookkeeping, marketing, financing, insurance, personnel management and business plan development. The Program Design must provide detailed description of all training programs that will be offered or required. This description should include names of courses, topics, and certifications to be awarded. Products generated by the participants as a result of the training must be identified. The description must also include who will be providing the training and where it will be offered.

Technical Assistance

A description of the types of technical assistance that will be used by the program to work closely with clients is required. This description must include when technical assistance will be given.

Monitoring and Follow-up Assistance

A detailed discussion of the kinds of assistance that will be given to those who have been awarded loans is required. This assistance must include routine contacts by the program manager with the loan recipient to review the implementation of the business plan, use of the funds, marketing efforts, and all other aspects of business management. Follow-up assistance must also include contacts with business mentoring groups that are involved in the program.

Loan Approval

The process by which loans are approved must be thoroughly detailed and must include *at least* the following:

- Applications. A description of the application process, including that all business owners who apply for micro-enterprise funds must provide a Dun & Bradstreet or DUNS number;
- Recommendations. A description of who has the responsibility to make recommendations for loan approvals to the Loan Review Committee and the criteria that will be used in making these recommendations;
- Loan Review Committee. A description of the composition and the explicit duties of the Loan Review Committee. There must be at least two (2) local bankers on the Committee;
- Denials. A description of how denials of loan requests will be handled;

- Defaults. A description of how the Committee will handle defaults; and
- Remedies: A description of the corrective actions the Committee will take if benefits are not being achieved.

Underwriting Guidelines

All requirements related to underwriting must be explained. These requirements must include:

- Eligibility which must be based on income and location (business location must be in jurisdiction that is being funded) and can include other stipulations such as an approved business plan, completion of a course in small business management, good credit, and/or age;
- Requirements of borrowers to be considered and ultimately approved for a loan. This must include *at least* the following:
 - All borrowers must establish a separate business checking account;
 - Program elements, which may include the following:
 - All borrowers must use a cash or accrual-based accounting system;
 - Receipts of all purchases with the loan funds must be kept by the borrower; and
 - All borrowers must either be LMI (documented) or commit to hiring documented LMI employees.
- Program elements that will be considered or required such as trainings, certifications, restrictions on use of funds, prioritization of applicants, service fees, closing fees, collateral, determination of appropriateness, and legal agreements.
- Payments, collections and delinquents payments must all be addressed. To whom and by what date will payments be made? In the event of late payments, what are the consequences and what actions will the program take to assist the client in making future payments on time.

Program Income

Program income includes loan repayments (principal and interest), late fees, interest earned on revolving loan funds pending disposition, and the recapture of collateral. It must be either returned to DHCD or expended according to a DHCD-approved Program Income Plan.

Conflict of Interest

DHCD observes a very strict conflict of interest position. No work can be done on the property of any person, or his/her immediate family, who has or had decision-making power in the CDBG program from the time the application was planned, developed and submitted to DHCD to the grant's execution and implementation without DHCD's prior written approval regardless of any prior approval of a Program Design. This includes any elected and appointed officials, employees of the Grantee, and Loan Review Committee members, in accordance with Virginia and federal conflict of interest requirements. See Chapter 4: Grant Management for details on how to request a waiver.

Complaints and Appeals Procedure

The Program Administration and Assistance Office of the Virginia Department of Housing and Community Development (DHCD) expects all of its Grantees to have a written complaint and appeals process. In the event that a Grantee does not have a written procedure, the procedure identified below becomes the process to be used. This process must be exhausted before DHCD will become formally involved in any sort of resolution.

1. Informal resolution is attempted by the Grant Manager. If informal resolution is not possible, the complaint must be put in writing and forwarded to the Grant Manager. [However, contractor complaints, disputes or appeals may involve use of local building code review committees, as outlined in the Invitation to Bid.] If the complainant requires assistance in putting his or her complaint in writing, the Grant Manager must make assistance available. The same is true for any appeals.
2. The Grant Manager is required to investigate the complaint and respond to it, in writing, in a timely manner. The response must include an explanation of the reason(s) for the decision reached, information on how the decision can be appealed, and how many days from receipt of notice the complainant has to appeal the decision.
3. Appeals of the Grant Manager's decision should be addressed, in writing, to the Loan Review Committee.
4. Appeals of that Loan Review Committee's decision should be appealed, in writing, to the Chief Administrative Official.
5. Appeals of the Chief Administrative Official's decision should be addressed, in writing, to the local governing body.
6. All written appeals *must* be addressed within 15 days of receipt and resolved within 30 days of the appeal and retained for review. All appeals are to be responded to in writing. The response must include an explanation of the reason(s) for the decision reached, information on the next step in the appeals process and how many days from receipt of notice the complainant has to appeal any decision.
7. Final appeals may be addressed, in writing, to DHCD. The appeal should include a copy of all correspondence that has taken place to this point. The appeal should identify the

problem and the desired solution. DHCD will review the complaint and respond, in writing, in a timely manner. All involved parties will be copied.

Recordkeeping

The Program Design must describe the process that will be used to track the number of loans made to small businesses. Businesses assisted must be tracked by property owner's name, business' name, property address and number of defaults. The number of jobs created or retained must be tracked by proposed and actual, full time and part time, Economic Development Administration (EDA) jobs category and employer-sponsored health care benefits.

Persons hired must be tracked by race and ethnicity as categorized by HUD, as well as income status and number unemployed prior to taking a job created.

Training or technical assistance provided must be tracked by the number of proposed and actual hours of training and the number of proposed and actual attendees.

The Program Design must also note that minutes must be kept of all decisions made at the Loan Review Committee's meetings.

See Chapter 3: Benefits for details on how long these records must be retained by the Grantee.

See Appendices 21 and 71 for recordkeeping collection samples.

Revising the Program Design

Because the Program Design is an official contract document, all revisions must be reviewed and approved by DHCD and amended by formal action by the local governing body. The revised Program Design must be uploaded into "Reports and Communication" in CAMS.