

Economic Disaster Loans

- The Challenge Loan statute has a provision that allows a business or group of businesses to apply to the WBC for Economic Disaster declaration. If the request is approved individual businesses may then apply for direct loans in the amount of their actual dollar loss. There have been three approved “Economic Disaster” declarations, one was driven by the AgriBio Tech bankruptcy that led to the “Seed Grower Emergency Loans” in the Big Horn Basin, one was due to the illegal conversion of grower proceeds by a bean warehouseman in Goshen County and the third was due to changing economic conditions in the conversion of sugar beets to sugar.

- An “Economic Disaster” designation is the first step; next affected business owners can apply for a Challenge Loan to spread their loss over several years to maintain their operation.

§ 9-12-301(a)(v) “Economic Disaster” means an event occurring in Wyoming that has an economic impact with total loss revenues to impacted businesses in a 12 calendar month period of at least \$4,000,000 or an economic impact with total lost revenues to impacted businesses in 4 or less counties in a 12 calendar month period of at least \$1,000,000. The business council may use good faith estimates of lost revenues to businesses in determining whether an event qualifies as an economic disaster. Calculation of lost revenues shall only include actual losses incurred and shall not include any future losses;

§ 9-12-304(c). Criteria for loans.

(c) Any business or group of businesses may apply to the council for designation of an area of this state as an area in which an economic disaster as defined in W.S. 9-12-301 (a) (v) has occurred. The council shall prescribe the form and contents of such applications. The council shall review each application and make a determination as soon as practicable as to whether an economic disaster area designation shall be made. The council may make loans to any business located within the designated economic disaster area that has lost revenue as a result of the economic disaster.

Economic Disaster Loans - Steps in the process

1. Identify the economic cause of the loss of revenue
2. Is the eligible for any of the Federal Disaster declarations
 - a. USDA / SBA?
 - b. If so – pursue Federal declaration
 - c. If not – Challenge Loan becomes a possible funding source
3. Determine the scope of the loss
 - a. \$ amount of loss per unit of commodity
 - i. Use five-year average going back in time to determine baseline
 - ii. From that baseline average, what was the commodity value in the disaster year
 - b. Businesses affected in what number of counties, how many total businesses
 - c. Total decline in value of the commodity due to the disaster
 - i. Must be greater than \$4 million if in more than four counties
 - ii. Must be greater than \$1 million if in four or less counties
4. If loss is assumed to qualify for the Challenge Loan program and not any Federal program
 - a. Written request to the Wyoming Business Council requesting Economic Disaster declaration
 - i. Include all documentation from research supporting 1, 2 and 3 above
5. WBC board will take action on the Economic Disaster declaration application at the soonest possible WBC public board meeting
6. If WBC approves an Economic Disaster declaration
 - a. Each business may apply for a loan in the amount of their individual documented loss (application is provided)
 - i. Each business must prove credit worthiness (not all loan requests are guaranteed to be approved)
 - ii. All applicants will be notified in writing if their application is determined credit worthy and next steps
7. Applications determined credit worthy will be presented to the WBC board for approval at the next available public meeting
8. Businesses whose loans are approved will have the following terms and conditions
 - a. Loan not to exceed the amount of determined loss (max loan amount = \$ 500,000.00)
 - b. \$100 loan origination fee
 - c. Interest rate 4.0% fixed for the term
 - d. Term not to exceed ten years
 - e. Annual payments with the first payment due on the first day of January following the date of the note and annually on January 1st thereafter
 - f. Collateral – 1st lien on the commodity and year of loss (on a case by case basis other collateral may be required)
 - g. Guarantees may be required in some cases and will be required on all businesses that are a corporation or LLC