



**Microbusiness Loan Program - 2024
Request for Grant Applications (RFGA)**

Eligibility:

Community Development Financial Institutions (CDFIs) or Nonprofit Organizations.
Multiple awards will be granted.

Open Date:

Applications may be started in eCivis on March 26, 2024.

Application Deadline:

All applications are due by 17:00 on May 8, 2024.

For Assistance:

If you have questions about this grant solicitation or are having difficulties with eCivis,
please contact:

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Overview

The Office of Economic Opportunity (OEO) is publishing this notice to announce the availability of funds for the **Microbusiness Loan Program** to provide funding to eligible lending organizations starting Fiscal Year (FY) 2024. The Microbusiness Loan Program is established in accordance with [Laws 2023, Chapter 136, Section 4](#) and [Laws 2023, Chapter 133, Section 28](#) and aims to support small business development throughout the state of Arizona, to bolster economic development and job creation and retention by providing low-interest loans to microbusinesses through eligible lenders.

Scope of Work: State of Arizona will award funds to eligible entities with lending experience, including Community Development Financial Institutions (CDFIs) and nonprofit organizations, to facilitate loans to microbusinesses within the state and generate economic development and jobs.

- Grantees/lenders will offer individual loans to eligible microbusiness borrowers with a principal amount of up to \$50,000 per loan.
- Grantees should provide financial education and training to loan recipients, either through the use of internal training services if available, or through referrals of microbusiness loan recipients to local partner organizations that provide professional financial education.

Per [Laws 2023, Chapter 136, Section 4](#), to receive funding from the program, an eligible entity must satisfy the following criteria:

1. Have expertise in microbusiness loan applications and evaluating microbusiness creditworthiness. **[evaluation criteria #1 and #2]**
2. Establish an administrative system to monitor the microbusiness loans provided. **[evaluation criteria #3]**
3. Evaluate whether a proposed microbusiness loan will generate economic development and jobs within this state. **[evaluation criteria #4]**
4. Refer all microbusiness loan recipients to a local organization or nonprofit organization that provides professional financial education. **[evaluation criteria #5]**

For each loan disbursed by an eligible entity using monies from the program, the following requirements apply:

1. The principal amount of an individual loan may not exceed \$50,000.
2. Program monies may not be used for more than twenty-five percent of the principal amount of the loan, but the Office of Economic Opportunity may set a higher cap by rule.
3. Any principal and interest amounts repaid on program monies shall be used only for additional microbusiness loans.
4. An eligible entity (Lender) that participates in the program shall certify with the Office of Economic Opportunity that a loan to a microbusiness complies with these requirements.
5. An eligible entity that participates in the program may charge application, commitment and loan guarantee fees as established by the eligible entity's management.

Fees charged by eligible entities pursuant to this subsection may not exceed the following:

- a. \$500 for loans with a principal amount at or below \$24,999.
- b. Two percent of the total loan principal for loans with a principal amount of \$25,000 or more.

Borrower Eligibility and Guidelines:

- Microbusiness eligibility: State registration in good standing, independent ownership and operation, and five or fewer employees.
- Microlending fund uses: Per [Laws 2023, Chapter 136, Section 4](#), a microbusiness loan provided by an eligible entity may be used for the following:
 1. Operation of the microbusiness, including creation and retention of jobs.
 2. Working capital.
 3. Acquisition or improvement of real property.
 4. Acquisition of machinery and equipment.
 5. Refinancing of debt obligations.

Community Partnership Collaboration:

Where appropriate, applicants are encouraged to work together to provide educational outreach and training, fill in gaps where one applicant can aid another, and *maximize the reach of the borrowers*.

Additional information requested by the applications:

Applicants are encouraged to provide a timeline and plan to show how they intend to reach underserved and rural communities. This includes seven counties in Arizona that do not currently have CDFIs, such as Cochise, Coconino, Graham, Greenlee, La Paz, Mohave and Yavapai.

OEO plans to market and advertise the microloan program to microbusinesses that are unable to access traditional funding sources and offer information on other similar programs using funding from this program and in coordination with grantees. Applicants should outline existing, proven, and proposed strategies along with a proposed marketing budget and timeline. Applicants can indicate if these marketing costs will be covered by the grant or non-grant funds. Marketing costs funded by grant funds are subject to limitations and subject to approval by OEO.

Grantees can use up to 25% of the state's micro-loan fund awarded in grantee's total microlending loan pool. Proof of such may be shown through the grantee's loan agreement with the borrowers or as specified by the grantee in their RFGA application. Grantees should specify their total dollar value of microlending funds available and other sources of funding currently available.

Funding Available

Funding is made available by [Laws 2023, Chapter 136, Section 4](#) and [Laws 2023, Chapter 133, Section 28](#). The amount of funding available is \$5,000,000, and the Office of Economic Opportunity reserves the right to issue multiple awards, not to exceed \$2,000,000 per eligible lending organization.

Grantees will be notified by June, 2024. Funds unexpended by the end of each grant period, without an approved written extension, must be returned to the Arizona Office of Economic Opportunity.

All awards are subject to legislative appropriations and funding availability and are awarded at the discretion of the State of Arizona's Office of Economic Opportunity.

Initial Grant Period

All funding for the Microbusiness Loan Program will be funded for an initial period starting at the date of award issuance and ending June 30, 2025, subject to annual grant extensions based on the needs of the program.

Funds unexpended by the closeout of each grant (without an approved written extension) will be de-obligated and eligible for future use by the State's OEO department, as allowable based on legislative or other requirements. There will be 45 days of an administrative period post end of each fiscal year to submit eligible and approved expenses.

Grantee Eligibility

Applicants must be a Community Development Financial Institution (CDFI) or other nonprofit organization, with at least two years of lending experience. "Community development financial institution" means an entity that is currently certified pursuant to 12 Code of Federal Regulations 29 section 1805.201.

- Grantees must demonstrate expertise in microbusiness loan applications and processing, knowledge of evaluating microbusiness creditworthiness, and assessment of whether a proposed microbusiness loan will generate economic development and jobs within this state.
- Grantees must have an administrative system in place for effective loan monitoring and reporting.
- Grantees must comply with Microlending rules and regulations.

Grantee Reporting Requirements:

- Quarterly reports for the first year, then annually, detailing microfunding information such as eligible recipients receiving funding, number and types of microbusiness loans, loan amounts, borrower and recipient locations, outstanding loan principals, loan losses, principal repayments, and interest and fees earned. Reports will be based on fiscal quarterly cycles, beginning June 30th, 2024.
- Information reported by Grantees will be at a frequency and level of detail necessary to meet all reporting requirements and deadlines imposed by OEO and legislative

appropriations, as applicable. If awarded, additional terms and conditions will be included in the grant agreement.

- Outreach and marketing activities and outcomes
- Lending success stories with details of the purpose of the loan and photographs of the funded project, activity, business, etc.

Application Guidelines:

Organization Overview: Each applicant should provide an overview of your organization, which may include the following:

- Organization Name and Type of Business or nonprofit. Please upload documentation to prove CDFI or nonprofit status
- UEI (Unique Entity Identifier)
- Organization website
- Description of organization services provided, including description of current microbusiness lending program.
- Current microbusiness lending program size, total micro-lending fund pool(s), other sources of funding, etc.
- **Project Narrative:** Provide a project narrative to include anticipated populations this program will serve, service areas or geographic areas, estimated number and principal amount of loans to be provided, partner agencies included in the project, and the rationale/need for the project funding. Include proposed marketing strategy along with a proposed marketing budget and timeline, indicating if marketing costs will be covered by the grant or non-grant funds.
Project narrative should include a description of all “Grantee Eligibility and Guidelines” referenced within this announcement, as well as information addressing the “Evaluation Criteria” and factors.
- **Budget:** A comprehensive budget should include all anticipated program costs against the grant funds, including total loan principals, application/commitment and loan guarantee fees established by the eligible entity's management, etc. Please specify anticipated interest rates and other fees as applicable. If awarded funding, you may be asked for justification on each program cost.
- **Timeline:** Include a project timeline with achievable milestones and outcomes. This should identify specific dates throughout the term of the program with anticipated accomplishments and impacts. Timelines may include items such as the marketing and advertising of the program, application review and processing times, loan issuance and monitoring, anticipated duration of loans, reporting, and evaluating economic outcomes.
- **Outcome-oriented goals:** Outcome-oriented goals are independent of a specific timeframe and typically outline what the organization is aiming to achieve at some point in the future. The objectives for outcome-oriented goals provide more context around when this goal should be completed and how to measure the success of the goal.
- **Objectives:** Include measurable, specific actions the project will take in order to meet the goals. This will include a strategy to meet the project goals.

- **Outcomes:** Identify how the project will measure success through implementation, performance, accountability, and reporting. This should include specific, measurable, attainable, relevant and time-based outputs.
- Provide insights into the demand for and supply of participation within your industry, partners and borrowers. Identify any trends that support the need for these project funds.

Evaluation Criteria

A review committee will evaluate applications and select those applications deemed susceptible for an award, in accordance with A.R.S § 41-2702, based upon the following criteria.

Each criteria will be evaluated on a scale of 1 to 3 with a 3 being exceeds criteria (or high evaluation) and a 1 being does not meet criteria (or low evaluation). The maximum points that an applicant may receive through this process is a score of 123 points.

Grant Evaluation Criteria					
		Weight	Points per Category	Individual Points	
1. Experience in offering loans (2 years min experience)		1	15		
	Total years lending experience			3	<i>*ineligible for grant if less than 2 years</i>
	Total years microlending experience			3	
	A currently developed microloan program Y/N			3	
	Current volume # of loans, by type			3	
	Current # personnel/staff with lending expertise			3	
2. Experience in evaluating small or microbusiness creditworthiness		1	12		
	Current underwriting process established			3	
	# of businesses evaluated in the past; # of successfully closed/completed loans (non-default)			3	
	% of applications vs. loans issued (loan approval vs. denial rates)			3	
	% loan default rate of prior loans			3	
3. Administrative system(s) in place to monitor the microbusiness loans provided		1	12		
	Ability to evaluate/track applicant eligibility			3	
	Ability to evaluate/track loan use of funds			3	
	Financial systems to track payments, repayments, default criteria, etc.			3	
	System in place to report on loan outcomes and			3	

	metrics				
4. Process to evaluate whether a proposed microbusiness loan will generate economic development and jobs within this state		1	9		
	Reporting and evaluating metrics of loan applicants			3	
	Pre-loan evaluation of business type/need, and financial outcomes anticipated			3	
	Ability to evaluate loan uses and anticipated outcomes, such as #jobs created, # businesses assisted, increased revenue by %, reduced debt by %, reduced business interest rates, improved facilities, etc.			3	
	<i>Per OEO microlending report, examples of metrics include job creation, debt reduction, credit score improvement, financial stability, economic impact assessment on individuals and businesses, and adherence to specific financial ratios.</i>				
5. Extent of offering financial education and training		1	9		
	Current training program offered in house (online, &/or in person), or is training offered through a partner institution/referral			3	
	Amount of time training is required			3	
	Training required prior to loan issuance?			3	
6. Total microfunding available from other fund sources (total fund/pool \$ amount and funding sources), demonstrating Lender can accommodate a maximum of 25% State of AZ program funds.		1	3	3	<i>*ineligible for grant if total microloan funding pool is less than 3-times the amount of grant funds requested.</i>
7. Experience or capacity loaning in rural communities		x2	24		
	Represents multiple counties			3	
	Reaches Tribal communities			3	
	No CDFI representation in county(s) served			3	
	% portfolio of loans that serve rural or underserved communities, including seven counties in Arizona that do not currently have CDFIs, such as Cochise, Coconino, Graham, Greenlee, La Paz, Mohave and Yavapai.			3	
8. Bilingual or multilingual options		1	12		
	# and % of bilingual staff			3	
	Advertisement materials in multi-languages/platforms			3	
	Training/education materials in multi-languages/platforms			3	
	Loan materials/documents in multi-languages			3	

9. Expected interest rate charged to applicants/borrowers		1	3	3	
10. Marketing and outreach plan		1	9		
	Current marketing/outreach available for prior loans and existing portfolio			3	
	New or intended marketing/outreach available for current grant			3	
	Will marketing plan/outreach efforts be tailored to primary microbusiness types or other geographical needs located in each county served			3	
11. Expected number of applicants served		1	3	3	
12. Expected term of loans					
	Prior/existing average loan durations	1	6	3	
	Economic outcomes and success levels depending on loan durations			3	
13. Ability to report requested results					
	Current or available reporting and monitoring systems in place	1	6	3	
	Type of metrics and level of information collected/available from active and completed loans			3	
	<i>Per OEO microlending report, examples of metrics include job creation, debt reduction, credit score improvement, financial stability, economic impact assessment on individuals and businesses, and adherence to specific financial ratios.</i>				
Total Points Available			123		

Financial Reports & Payment Requests

The Grantee will submit all invoices or receipts and requests for payment through a financial report in eCivis. Invoices or receipts must be from approved categories only and show date of service, expenses incurred, and line item detail. All expenditures, invoices and final financial reports must be completed by August, 2025 unless grant extensions or written approval is provided by the OEO. If awarded, specific dates and additional terms and conditions will be included in the grant agreement.

How to Submit Applications

All applications must be submitted through eCivis. Paper applications will not be accepted. User guides may be accessed at the link below:

<https://acrobat.adobe.com/link/review?uri=urn:aaid:scds:US:6df0fea2-46d6-3444-b806-31dedba3d7e8>