



FHLBank
Chicago

Community Small Business Advance FAQs

Business Eligibility:

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

Yes.

Can the business be a non-profit organization?

Yes, both for- and non-profit businesses are eligible.

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
 - The principal place of business **or** the location of job creation/retention is in a low- to moderate income census tract (defined as 100% of area median income or below). Verify using the FFIEC Geocoding Mapping System ([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 ([linked at the bottom of our site](#)).

Members will **certify** that both business eligibility criteria are met using the FFIEC Census Map and SBA size standards but will **not be required** to submit supporting documentation.

Project/Loan Eligibility:

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, **provided that** the loan activity supports the creation or retainage of jobs in a qualifying census tract (100% AMI or below). The business's principal place of business must still be in Illinois or Wisconsin.

The small business' need for additional locations should be 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 are 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.

What does job creation or retention entail?

Job creation is defined as a new position created and filled or an existing unfilled position that is filled based on the business's estimate for the two years following loan closing.

Jobs retained is defined as the number of existing positions at the time of loan closing.

Will FHLBank Chicago verify the loan eligibility?

Yes, FHLBank Chicago will use the promissory note to verify the eligibility of the underlying loan before a Community Small Business Advance may be executed.

In case of ineligibility identified at the time of application submission, the Bank will reject the application for the Community Small Business Advance. For ineligibility identified post-advance funding, the Bank may request prepayment of the advance subject to prepayment fees and interest charges (based on the Community Development Advance rate that would have been applicable to the advance draw from the ineligibility date through the date of prepayment).

Application/Funding Process:

How many loans can I fund using this program?

As long as there is interest subsidy available at the program level (\$15M total for 2025), you can fund as many qualifying loans as you please within your \$500K individual member-subsidy limit, applied at the holding company level. Subsidy is available on a first-come first-served basis.

What is the member holding company subsidy?

The amount of money that FHLBank Chicago forgoes to essentially buy down the advance to 0%. Each member has a \$500K interest rate subsidy limit. For two or more members under the same holding company, the \$500K interest rate subsidy limit applies at the holding company level.

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 the Community Small Business page on fhllbc.com](#)).

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— you would need to modify the underlying loan down to 4.5% to your customer and demonstrate the eligible interest rate within the promissory note provided to FHLBank Chicago.

Can I request multiple advances on one application?

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

If my underlying eligible loan reservation falls through, can I substitute it for another eligible loan?

No, the existing reservation will have to be cancelled, and a new application will need to be submitted with the new loan information. Any new applications are subject to program availability.

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 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?

Not necessarily. The loan term to the customer 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 be required to certify this upfront on the application.

You will not be assessed a prepayment penalty.

How do I reserve the interest rate subsidy?

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

Applications must be signed by a duly authorized officer and signatory of the Member. This should be someone with advance transact authority.

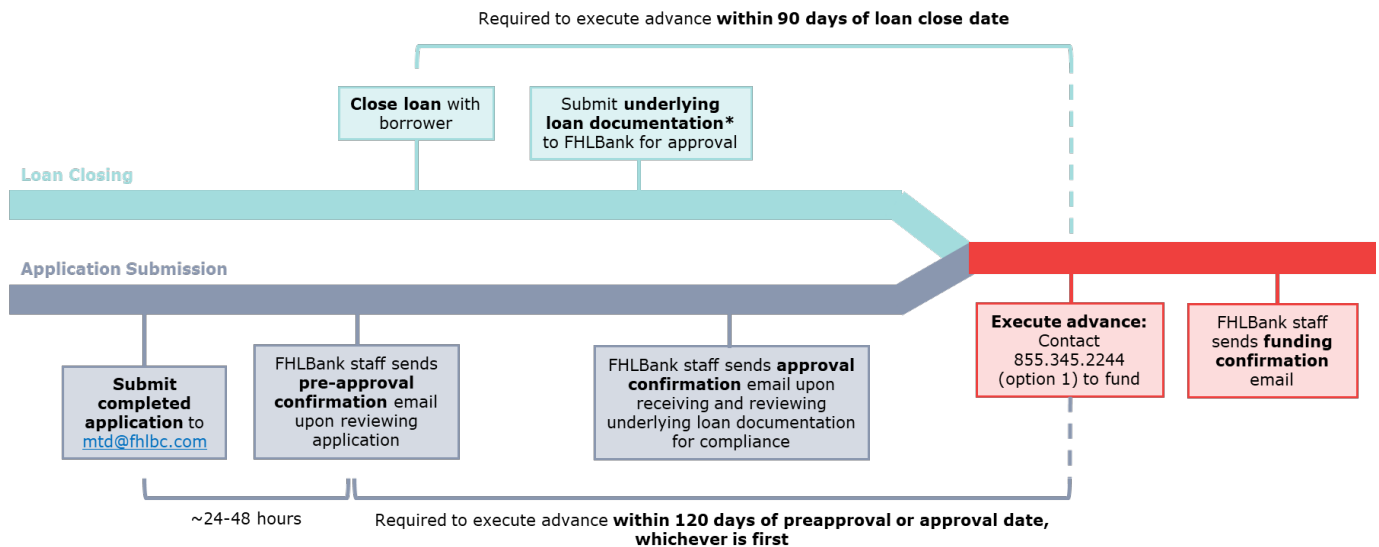
What do I do after the reservation is pre-approved?

Once FHLBank of Chicago notifies you that your reservation is **pre-approved**, you have 120 days from that date to execute the advance. Refer to your notification email for the stated expiration date applicable to your application.

You will receive periodic reminders as you approach your reservation expiration date.

To execute the advance:

- Close the underlying loan with your customer before the expiration date.
- Submit a copy of the executed note, and if deemed necessary by FHLBank Chicago, business incorporation documents and property tax information.
- After a compliance review, FHLBank Chicago will notify you of the subsidy approval.
- An advance must be executed within 90 days of the loan closing date and before the expiration date.
- Note: advance is subject to standard capital stock and collateral requirements.



*Includes promissory note and if deemed necessary by FHLBank Chicago, business incorporation documents and property tax information (to ensure compliance with 4.5% borrower loan rate, loan origination date, and other loan terms)

Reporting Responsibility:

What types of reporting are required?

No scheduled (e.g. annual) member reporting will be required following advance execution.

In the event that the underlying small business loan(s) has been pre-paid, participated, syndicated, charged-off, or re-structured, the member will be required to notify the Bank within 90 calendar days after such pre-payment, participation, syndication, charge-off, or re-structuring has occurred (included in member certification).

FHLBank Chicago reserves the right to ask for additional documentation or information related to CSBA eligibility as needed.

What certifications are required?

Members are required to certify compliance with underlying loan and business eligibility requirements, as well as loan status reporting requirements at the time of application submission.

Members should thoroughly review the certifications within the application before submitting to FHLBank Chicago. Only someone with advance transact authority at your institution should sign the certification due to the stated requirement for signature by a duly authorized officer and signatory of the member.

For questions on authorities, reach out to your Sales Director or the Member Transaction Desk at FHLBank Chicago.

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

Members are certifying to report these events to FHLBank Chicago within 90 calendar days of occurrence and agree to repay the associated advance with no prepayment fee or interest charges.

If the member does not report this change within the required timeline, FHLBank Chicago may request prepayment of the advance with prepayment fees and interest in an amount equal to the Community Development Advance rate that would have been applicable to the advance draw from the first date of overdue loan status reporting, through the date of prepayment.