

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

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HOUSE BILL 689

Short Title: Micro-Business Development Loan Program. (Public)

Sponsors: Representatives Alexander, Meyer, and Ross (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Commerce, if favorable, Finance, if favorable, Rules, Calendar, and Operations of
the House

April 11, 2019

A BILL TO BE ENTITLED

AN ACT TO CREATE THE MICRO-BUSINESS DEVELOPMENT LOAN PROGRAM.

The General Assembly of North Carolina enacts:

SECTION 1. Part 2H of Article 10 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-437.79. Micro-Business Development Loan Fund.

(a) Fund, Purpose. – The Micro-Business Development Loan Fund is created as a restricted reserve in the Department of Commerce. Funds in the fund do not revert but remain available to the Department for the purpose of providing low-interest loans to community development financial institutions to enable lending to qualifying micro-businesses that would otherwise be unavailable due to an inability to obtain credit through conventional loan programs.

(b) Definitions. – The following definitions apply in this section:

(1) Community development financial institution. – A bank or similar commercial entity that provides loans or other means of financing to business entities to help fund short-term expenditures or pay for capital equipment.

(2) Qualifying micro-business. – A business that is located and employs no more than five employees in this State and that is not a subsidiary or affiliate of any other business.

(c) Guidelines. – The Department of Commerce shall develop guidelines related to the administration of the Micro-Business Development Loan Fund and to (i) the selection of the community development financial institution or institutions that will receive low-interest loans from the Fund, (ii) any required criteria a qualifying micro-business must satisfy prior to a community development financial institution lending the business money, and (iii) any terms of agreements between the Department and a community development financial institution or between a community development financial institution and a qualifying micro-business in addition to those required by this section that will facilitate the purpose of the Fund while safeguarding the State's return on investment. The guidelines shall include the following provisions which shall apply to each low-interest loan from the Fund:

(1) The Department may only allow receipt of funds from the Fund by a community development financial institution that has established sufficient expertise (i) to analyze applications for loans from and the creditworthiness of a qualifying micro-business, (ii) to provide regular monitoring of loaned funds from the Fund, and (iii) in determining the economic feasibility of the proposed use of requested financing and likelihood of repayment.



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- 1 (2) The funds shall be prioritized (i) for projects that are reasonably anticipated
2 to result in the creation of new jobs, the retention of existing jobs, or other
3 beneficial economic development and (ii) to recipients that are
4 minority-owned qualifying micro-businesses, women-owned qualifying
5 micro-businesses, or other qualifying micro-businesses for which traditional
6 credit markets are unavailable.
- 7 (3) The means by which community development financial institutions will be
8 selected for eligibility for participation. The Department shall use competitive
9 statewide or local solicitations for participation in the program and shall limit
10 participation to commercial banks insured by the Federal Deposit Insurance
11 Corporation unless the use of such an institution is not practicable, in which
12 case, the Department may allow participation by small business lending
13 consortia, certified development companies, providers of United States
14 Department of Agriculture business and industrial guaranteed loans, United
15 States Small Business Administration loan providers, credit unions, or other
16 community banks.
- 17 (4) The funds shall be used by a qualifying micro-business for working capital,
18 the acquisition or improvement of real property or machinery and equipment,
19 or the refinancing of debt obligations.
- 20 (5) The principal amount of a loan to a qualifying micro-business may not consist
21 of more than twenty-five percent (25%) of funds originating from the Fund.
- 22 (6) A community development financial institution may not charge fees for loans
23 funded in part with funds from the Fund with a principal amount of five
24 thousand dollars (\$5,000) or less. For all other loans, the Department shall
25 establish fee schedules, including application, commitment, and loan
26 guarantee fees.
- 27 (d) Report. – The Department of Commerce shall publish a report on the use of funds
28 from the Micro-Business Development Loan Fund. The report shall contain information on the
29 commitment, disbursement, and use of funds loaned from the Fund to each community
30 development financial institution and the use of those funds by the community development
31 financial institution or institutions to qualifying micro-businesses. The report is due no later than
32 one month after the end of each fiscal year and shall be submitted to the Fiscal Research Division
33 of the General Assembly and the Joint Legislative Economic Development and Global
34 Engagement Oversight Committee."

35 **SECTION 2.** The Department of Commerce shall conduct a study to (i) determine
36 the minimum funding level required to implement the Micro-Business Development Loan Fund
37 successfully and (ii) identify factors to increase the number of community development financial
38 institutions in the State. The Department shall report the results of this study, along with any
39 legislative recommendations, to each committee or subcommittee of each chamber that is
40 responsible for appropriations regarding economic development no later than April 1 of each
41 year.

42 **SECTION 3.** This act is effective when it becomes law.