

GENERAL ASSEMBLY OF NORTH CAROLINA
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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH10402-MC-123A

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

Sponsors: Representatives Alexander, Meyer, and Ross (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO CREATE THE MICRO-BUSINESS DEVELOPMENT LOAN PROGRAM.
3 The General Assembly of North Carolina enacts:

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

6 **"§ 143B-437.79. Micro-Business Development Loan Fund.**

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

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

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

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

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

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

35 (2) The funds shall be prioritized (i) for projects that are reasonably anticipated
36 to result in the creation of new jobs, the retention of existing jobs, or other



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1 beneficial economic development and (ii) to recipients that are
2 minority-owned qualifying micro-businesses, women-owned qualifying
3 micro-businesses, or other qualifying micro-businesses for which traditional
4 credit markets are unavailable.

5 (3) The means by which community development financial institutions will be
6 selected for eligibility for participation. The Department shall use competitive
7 statewide or local solicitations for participation in the program and shall limit
8 participation to commercial banks insured by the Federal Deposit Insurance
9 Corporation unless the use of such an institution is not practicable, in which
10 case, the Department may allow participation by small business lending
11 consortia, certified development companies, providers of United States
12 Department of Agriculture business and industrial guaranteed loans, United
13 States Small Business Administration loan providers, credit unions, or other
14 community banks.

15 (4) The funds shall be used by a qualifying micro-business for working capital,
16 the acquisition or improvement of real property or machinery and equipment,
17 or the refinancing of debt obligations.

18 (5) The principal amount of a loan to a qualifying micro-business may not consist
19 of more than twenty-five percent (25%) of funds originating from the Fund.

20 (6) A community development financial institution may not charge fees for loans
21 funded in part with funds from the Fund with a principal amount of five
22 thousand dollars (\$5,000) or less. For all other loans, the Department shall
23 establish fee schedules, including application, commitment, and loan
24 guarantee fees.

25 (d) Report. – The Department of Commerce shall publish a report on the use of funds
26 from the Micro-Business Development Loan Fund. The report shall contain information on the
27 commitment, disbursement, and use of funds loaned from the Fund to each community
28 development financial institution and the use of those funds by the community development
29 financial institution or institutions to qualifying micro-businesses. The report is due no later than
30 one month after the end of each fiscal year and shall be submitted to the Fiscal Research Division
31 of the General Assembly and the Joint Legislative Economic Development and Global
32 Engagement Oversight Committee."

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

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