

1 AN ACT concerning State government.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the  
5 Microloan Program Act.

6 Section 5. Definitions. For purposes of this Act:

7 "Department" means the Department of Commerce and Economic  
8 Opportunity.

9 "Director" means the Director of Commerce and Economic  
10 Opportunity.

11 "Intermediary" means (i) a private, non-profit entity;  
12 (ii) a private, non-profit community development corporation;  
13 (iii) a consortium of private, non-profit organizations or  
14 non-profit community development corporations; or (iv) a  
15 quasi-governmental economic development entity (such as a  
16 planning and development district) if no application is  
17 received from an eligible non-profit organization or the  
18 Director determines that the needs of a region or geographic  
19 area are not adequately served by an existing, eligible  
20 non-profit organization that has submitted an application.

21 "Microloan" means a short-term, fixed rate loan of not more  
22 than \$35,000, made by an intermediary to a startup, newly  
23 established, or growing small business concern.

1 "Rural area" means any political subdivision or  
2 unincorporated area (i) in a non-metropolitan county (as  
3 defined by the Secretary of Agriculture) or its equivalent or  
4 (ii) in a metropolitan county or its equivalent that has a  
5 resident population of less than 20,000 if the Department of  
6 Commerce and Economic Opportunity has determined such a  
7 political subdivision or area to be rural.

8 "Economically distressed area", as used in Section 30,  
9 means a county or unit of local government in which a small  
10 business concern is located and in which, according to the most  
11 recent data available from the Bureau of the Census, Department  
12 of Commerce, not less than 40% of residents have an annual  
13 income that is at or below the poverty level.

14 Section 10. Purposes. The purposes of the Microloan Program  
15 are:

16 (1) to assist female, low-income, veteran, and  
17 minority entrepreneurs and business owners and other  
18 individuals possessing the capability to operate  
19 successful business concerns;

20 (2) to assist small business concerns in those areas  
21 suffering from a lack of credit due to economic downturns;

22 (3) to establish a microloan program to be administered  
23 by the Department of Commerce and Economic Opportunity in  
24 order to:

25 (A) make loans to eligible intermediaries to

1 enable those intermediaries to provide small-scale  
2 loans, particularly loans in amounts averaging not  
3 more than \$13,000, to startup, newly established, or  
4 growing small business concerns for working capital or  
5 the acquisition of materials, supplies, or equipment;

6 (B) make grants to eligible intermediaries that,  
7 together with non-State matching funds, will enable  
8 those intermediaries to provide intensive marketing,  
9 management, and technical assistance to microloan  
10 borrowers;

11 (C) make grants to eligible non-profit entities  
12 that, together with non-State matching funds, will  
13 enable those entities to provide intensive marketing,  
14 management, and technical assistance to assist  
15 low-income entrepreneurs and other low-income  
16 individuals in obtaining private sector financing for  
17 their businesses, with or without loan guarantees; and

18 (D) report to the Committee on State Government  
19 Administration in the House of Representatives and the  
20 State Government and Veterans Affairs Committee in the  
21 Senate on the effectiveness of the microloan program.

22 Section 15. Microloan program established. A microloan  
23 program is established in the Department of Commerce and  
24 Economic Opportunity under which the Director of Commerce and  
25 Economic Opportunity may:

1           (1) make direct loans to eligible intermediaries, as  
2 provided under Section 25, for the purpose of making  
3 short-term, fixed interest rate microloans to startup,  
4 newly established, and growing small business concerns  
5 under Section 40;

6           (2) in conjunction with these loans and subject to the  
7 requirements of Section 30, make grants to these  
8 intermediaries for the purpose of providing intensive  
9 marketing, management, and technical assistance to small  
10 business concerns that are borrowers under this Act; and

11           (3) subject to the requirements of Section 35 make  
12 grants to non-profit entities for the purpose of providing  
13 marketing, management, and technical assistance to  
14 low-income individuals seeking to start or enlarge their  
15 own businesses, if that assistance includes working with  
16 the grant recipient to secure loans in amounts not to  
17 exceed \$35,000 from private sector lending institutions,  
18 with or without a loan guarantee from the non-profit  
19 entity.

20           Section 20. Eligibility for participation. An intermediary  
21 shall be eligible to receive loans and grants under paragraphs  
22 (1) and (2) of Section 15 if it meets the definition of  
23 intermediary in Section 5.

24           Section 25. Loans to intermediaries.

1           (a) As part of its application for a loan, each  
2 intermediary shall submit a description to the Director of the  
3 type of businesses to be assisted; the size and range of loans  
4 to be made; the geographic area to be served and its economic,  
5 poverty, and unemployment characteristics; the status of small  
6 business concerns in the area to be served and an analysis of  
7 their credit and technical assistance needs; any marketing,  
8 management, and technical assistance to be provided in  
9 connection with a loan made under this Act; the local economic  
10 credit markets, including the costs associated with obtaining  
11 credit locally; the qualifications of the applicant to carry  
12 out the purpose of this Act; and any plan to involve other  
13 technical assistance providers or private sector lenders in  
14 assisting selected business concerns. In selecting  
15 intermediaries to participate in the program established under  
16 this Act, the Director shall give priority to those applicants  
17 that provide loans in amounts averaging not more than \$13,000.

18           (b) As a condition of any loan made to an intermediary  
19 under paragraph (2) of Section 15, the Department shall require  
20 the intermediary to contribute not less than 15% of the loan  
21 amount in cash from non-State sources.

22           (c) No loan shall be made to an intermediary under this Act  
23 if the total amount outstanding and committed to that  
24 intermediary (excluding outstanding grants) from the Business  
25 Loan and Investment Fund would, as a result of that loan,  
26 exceed \$750,000 in the first year of the intermediary's

1 participation in the program or \$3,500,000 in later years of  
2 the intermediary's participation in the program.

3 (d) The Department shall, by regulation, require each  
4 intermediary to establish a loan loss reserve fund, and to  
5 maintain that reserve fund until all obligations owed to the  
6 Department under this Act are repaid. Unless otherwise  
7 authorized under this subsection (d), the Director shall  
8 require the loan loss reserve fund of an intermediary to be  
9 maintained at a level equal to 15% of the outstanding balance  
10 of the notes receivable owed to the intermediary. After the  
11 initial 5 years of an intermediary's participation in the  
12 program, the Director shall, at the request of the  
13 intermediary, conduct a review of the annual loss rate of the  
14 intermediary. The Director may reduce the annual loan loss  
15 reserve requirement of an intermediary to reflect the actual  
16 average loan loss rate for the intermediary during the  
17 preceding 5-year period, except that in no case shall the loan  
18 loss reserve be reduced to less than 10% of the outstanding  
19 balance of the notes receivable owed to the intermediary. The  
20 Director may reduce the annual loan loss reserve requirement of  
21 an intermediary only if the intermediary demonstrates to the  
22 satisfaction of the Director that the average annual loss rate  
23 for the intermediary during the preceding 5-year period is less  
24 than 15%; and that no other factors exist that may impair the  
25 ability of the intermediary to repay all obligations owed to  
26 the Director under this Act.

1 (e) An intermediary may make a loan under this Act of more  
2 than \$20,000 to a small business concern only if the small  
3 business concern demonstrates that it is unable to obtain  
4 credit elsewhere at comparable interest rates and that it has  
5 good prospects for success. In no case shall an intermediary  
6 make a loan under this Act of more than \$35,000, or have  
7 outstanding or committed to any one borrower more than \$35,000.

8 (f) Loans made by the Department to an intermediary under  
9 this Act shall be for a term of 10 years. Except as otherwise  
10 provided in this subsection (f), loans made by the Department  
11 to an intermediary under this Act shall bear an interest rate  
12 equal to 1.25 percentage points below the rate determined by  
13 the Secretary of the Treasury for obligations of the United  
14 States with a period of maturity of 5 years, adjusted to the  
15 nearest one-eighth of 1%. Loans made by the Department to an  
16 intermediary that makes loans to small business concerns and  
17 entrepreneurs averaging not more than \$7,500, shall bear an  
18 interest rate that is 2 percentage points below the rate  
19 determined by the Secretary of the Treasury for obligations of  
20 the United States with a period of maturity of 5 years,  
21 adjusted to the nearest one-eighth of 1%. The applicable rate  
22 of interest under this subsection (f) shall be applied  
23 retroactively for the first year of an intermediary's  
24 participation in the program, based upon the actual lending  
25 practices of the intermediary as determined by the Department  
26 before the end of that year and be based in the second and

1 subsequent years of an intermediary's participation in the  
2 program, upon the actual lending practices of the intermediary  
3 during the term of the intermediary's participation in the  
4 program. The interest rates prescribed in this subsection (f)  
5 shall apply to all loans made to intermediaries under this Act.

6 (g) The Department shall not require repayment of interest  
7 or principal of a loan made to an intermediary under this Act  
8 during the first year of the loan.

9 (h) Except as provided in subsections (b) and (d) of this  
10 Section 25, the Department shall not charge any fees or require  
11 collateral other than an assignment of the notes receivable of  
12 the microloans with respect to any loan made to an intermediary  
13 under this Act.

14 Section 30. Marketing, management, and technical  
15 assistance grants to intermediaries.

16 (a) Except as otherwise provided in subsections (b) and (c)  
17 of this Section 30, each intermediary that receives a loan  
18 under paragraph (1) of Section 15 shall be eligible to receive  
19 a grant to provide marketing, management, and technical  
20 assistance to small business concerns that are borrowers under  
21 this Act. Except as provided in subsection (c) of this Section  
22 30, each intermediary meeting the requirements of subsection  
23 (b) of this Section 30 may receive a grant of not more than 25%  
24 of the total outstanding balance of loans made to it under this  
25 Act.



1           (b) As a condition of any grant made under subsection (a)  
2 of this Section 30, except for a grant made to an intermediary  
3 that provides not less than 50% of its loans to small business  
4 concerns located in or owned by one or more residents of an  
5 economically distressed area, the Department shall require the  
6 intermediary to contribute an amount equal to 25% of the amount  
7 of the grant, obtained solely from non-State sources. In  
8 addition to cash or other direct funding, the contribution may  
9 include indirect costs or in-kind contributions paid for under  
10 non-State programs.

11           (c) In addition to grants made under subsection (a), each  
12 intermediary shall be eligible to receive a grant equal to 5%  
13 of the total outstanding balance of loans made to the  
14 intermediary under this Act if (i) the intermediary provides  
15 not less than 25% of its loans to small business concerns  
16 located in or owned by one or more residents of an economically  
17 distressed area or (ii) the intermediary has a portfolio of  
18 loans made under this Act that averages not more than \$13,000  
19 during the period of the intermediary's participation in the  
20 program.

21           (d) A grant awarded under subsection (c) may be used to  
22 provide marketing, management, and technical assistance to  
23 small business concerns that are borrowers under this Act.

24           (e) The contribution requirements in subsection (b) of this  
25 Section 30 do not apply to grants made under subsection (c).

26           (f) The eligibility for a grant described in subsections

1 (a) and (c) shall be determined separately for each loan-making  
2 site or office of that intermediary.

3 (g) Each intermediary may expend an amount not to exceed  
4 25% of the grant funds received under paragraph (2) of Section  
5 15 to provide information and technical assistance to small  
6 business concerns that are prospective borrowers under this  
7 Act.

8 (h) An intermediary may expend not more than 25% of the  
9 funds received under paragraph (2) of Section 15 to enter into  
10 third party contracts for the provision of technical  
11 assistance.

12 (i) The Department may accept any funds transferred to it  
13 from the State, State agencies, and departments or agencies of  
14 the Federal Government to make grants to participating  
15 intermediaries and technical assistance providers under this  
16 Section 30, for use in accordance with subsection (k) to  
17 provide additional technical assistance and related services  
18 to low-income individuals under subparagraph (C) of paragraph  
19 (3) of Section 10 at the time the applicant initially applies  
20 for assistance.

21 (j) In making grants under subsection (i), the Department  
22 may select, from among participating intermediaries and  
23 technical assistance providers described in subsection (i),  
24 not more than 20 grantees in fiscal year 2011, not more than 25  
25 grantees in fiscal year 2012, and not more than 30 grantees in  
26 fiscal year 2013, each of whom may receive a grant under

1 subsection (i) in an amount not to exceed \$200,000 per year.

2 (k) Grants under subsection (i) are in addition to other  
3 grants provided under this Act and shall not require the  
4 contribution of matching amounts as a condition of eligibility;  
5 and may be used by a grantee to pay or reimburse a portion of  
6 child care and transportation costs of low-income individuals,  
7 to the extent these costs are not otherwise paid by State block  
8 grants under the Child Care Development Block Grant Act of 1990  
9 (42 U.S.C. 9858 et seq.) or under part A of Title IV of the  
10 Social Security Act (42 U.S.C. 601 et seq.); and for marketing,  
11 management, and technical assistance to those individuals.

12 (l) Prior to accepting any transfer of funds under  
13 subsection (i) from the State, a State agency, or a department  
14 or agency of the federal government, the Department shall enter  
15 into a Memorandum of Understanding with the State, State  
16 agency, or department or agency of the federal government,  
17 which shall specify the terms and conditions of the grants; and  
18 provide for appropriate monitoring of expenditures by each  
19 grantee and each recipient of assistance under subsection (i).

20 Section 35. Private sector borrowing technical assistance  
21 grants.

22 (a) The Department may make not more than 55 grants  
23 annually, each in an amount not to exceed \$200,000 for the  
24 purposes specified in subparagraph (C) of paragraph (3) of  
25 Section 10.

1           (b) As a condition of the grant, the Department shall  
2 require the grant recipient to provide matching funds equal to  
3 20% of the amount of the grant, obtained solely from non-State  
4 sources. In addition to cash or other direct funding, the  
5 matching funds may include indirect costs or in-kind  
6 contributions paid for under non-State programs.

7           Section 40. Loans to small business concerns from eligible  
8 intermediaries.

9           (a) An eligible intermediary shall make short-term, fixed  
10 rate loans to startup, newly established, and growing small  
11 business concerns from the funds made available to it under  
12 paragraph (1) of Section 15 for working capital and the  
13 acquisition of materials, supplies, furniture, fixtures, and  
14 equipment.

15           (b) To the extent practicable, each intermediary that  
16 operates a microloan program under this Act shall maintain a  
17 microloan portfolio with an average loan size of not more than  
18 \$13,000.

19           (c) The Department shall not review individual microloans  
20 made by intermediaries prior to approval.

21           (d) In addition to other eligible small businesses  
22 concerns, borrowers under any program under this Act may  
23 include individuals who will use the loan proceeds to establish  
24 for-profit or non-profit child care establishments or  
25 businesses providing for-profit transportation services.

1 Section 45. Program funding for microloans.

2 (a) Under the program authorized by this Act, the  
3 Department may fund, on a competitive basis, not more than 300  
4 intermediaries.

5 (b) Subject to the availability of appropriations, of the  
6 total amount of new loan funds made available for award under  
7 this Act in each fiscal year, the Department shall make  
8 available for award an amount equal to the sum appropriated by  
9 the General Assembly for that purpose.

10 Section 50. Equitable distribution of intermediaries. In  
11 approving intermediaries and providing funding to  
12 intermediaries under this Act, the Department shall select and  
13 provide funding to intermediaries as will ensure appropriate  
14 availability of loans for small businesses in all industries  
15 located throughout the State, particularly those located in  
16 urban and in rural areas.

17 Section 55. Grants for management, marketing, technical  
18 assistance, and related services.

19 (a) The Department may procure technical assistance for  
20 intermediaries participating in the Microloan Program to  
21 ensure that those intermediaries have the knowledge, skills,  
22 and understanding of microlending practices necessary to  
23 operate successful microloan programs.

1           (b) The General Assembly may appropriate up to 7% of the  
2 balance in the Business Loan and Investment Fund to the  
3 Department for the specific purpose of providing one or more  
4 technical assistance grants to experienced microlending  
5 organizations that have demonstrated experience in providing  
6 training support for microenterprise development and financing  
7 to achieve the purposes set forth in Section 10.

8           Section 60. Report to General Assembly. On November 1,  
9 2012, the Department shall submit to the General Assembly a  
10 report, including the Department's evaluation of the  
11 effectiveness of the microloan program and the following:

12           (1) the numbers and locations of the intermediaries  
13 funded to conduct microloan programs;

14           (2) the amounts of each loan and each grant to  
15 intermediaries;

16           (3) a description of the matching contributions of each  
17 intermediary;

18           (4) the numbers and amounts of microloans made by the  
19 intermediaries to small business concern borrowers;

20           (5) the repayment history of each intermediary;

21           (6) a description of the loan portfolio of each  
22 intermediary including the extent to which it provides  
23 microloans to small business concerns in rural areas; and

24           (7) any recommendations for legislative changes that  
25 would improve program operations.

1           Section 65. Business Loan and Investment Fund. The Business  
2           Loan and Investment Fund is created as a special fund in the  
3           State treasury to accept appropriations, grants, gifts, and  
4           other donations made to fund the Microloan Program created by  
5           this Act. Moneys in the Fund may, subject to appropriation, be  
6           used by the Department to carry out the requirements of this  
7           Act.

8           Section 70. The State Finance Act is amended by adding  
9           Section 5.755 as follows:

10           (30 ILCS 105/5.755 new)

11           Sec. 5.755. The Business Loan and Investment Fund.