

1 AN ACT concerning microlending.

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 "Intermediary" also includes an intermediary that has  
22 completed the training program created and administered by the  
23 Director under Section 50.

1 "Microloan" means a short-term, fixed rate loan of not more  
2 than \$35,000, made by an intermediary to a small business  
3 concern.

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

11 "Small business concern" means a legal entity, including a  
12 corporation, partnership, or sole proprietorship, that: (i) is  
13 formed for the purpose of making a profit; (ii) is  
14 independently owned and operated; and (iii) has 5 employees or  
15 fewer.

16 Section 10. Purposes. The purposes of the Microloan Program  
17 are:

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

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

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

1 order to:

2 (A) make grants to eligible intermediaries to  
3 enable those intermediaries to provide small-scale  
4 loans to small business concerns for working capital or  
5 the acquisition of materials, supplies, or equipment;  
6 and

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

12 Section 15. Microloan program established. Subject to  
13 appropriation, a microloan program is established in the  
14 Department of Commerce and Economic Opportunity under which the  
15 Director of Commerce and Economic Opportunity may:

16 (1) make grants to eligible intermediaries, as  
17 provided under Section 25, for the purpose of making  
18 short-term, fixed interest rate microloans to small  
19 business concerns;

20 (2) in conjunction with these grants and subject to the  
21 requirements of Section 30, make grants to these  
22 intermediaries for the purpose of providing intensive  
23 marketing, management, and technical assistance to small  
24 business concerns that are borrowers under this Act; and

25 (3) issue grants to administer a training program to

1 train intermediaries in the knowledge, skills, and  
2 understanding of microlending necessary to operate  
3 successful microloan programs.

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

8 Section 25. Grants to intermediaries.

9 (a) As part of its application for a grant, each  
10 intermediary shall submit a description to the Director of the  
11 type of businesses to be assisted; the size and range of loans  
12 to be made; the geographic area to be served and its economic,  
13 poverty, and unemployment characteristics; the status of small  
14 business concerns in the area to be served and an analysis of  
15 their credit and technical assistance needs; any marketing,  
16 management, and technical assistance to be provided in  
17 connection with a loan made under this Act; the local economic  
18 credit markets, including the costs associated with obtaining  
19 credit locally; the qualifications of the applicant to carry  
20 out the purpose of this Act; and any plan to involve other  
21 technical assistance providers or private sector lenders in  
22 assisting selected business concerns.

23 (b) As a condition of any grant made to an intermediary  
24 under paragraph (2) of Section 15, the Department shall require

1 the intermediary to contribute not less than 15% of the grant  
2 amount in cash as a match from non-State sources.

3 (c) No grant shall be made to an intermediary under this  
4 Act if the total amount outstanding and committed to that  
5 intermediary (excluding outstanding grants) from the Business  
6 Microloan and Investment Fund would, as a result of that grant,  
7 exceed \$750,000 in the first year of the intermediary's  
8 participation in the program or \$3,500,000 in later years of  
9 the intermediary's participation in the program.

10 (d) An intermediary may make a loan under this Act of not  
11 more than \$35,000 to a small business concern only if the small  
12 business concern demonstrates that it is unable to obtain  
13 credit elsewhere at comparable interest rates and that it has  
14 good prospects for success. In no case shall an intermediary  
15 commit to any one borrower more than \$35,000.

16 Section 30. Marketing, management, and technical  
17 assistance grants to intermediaries. The Department may make  
18 grants to intermediaries that receive a grant under paragraph  
19 (1) of Section 15 to provide marketing, management, and  
20 technical assistance to small business concerns that are  
21 prospective borrowers or borrowers under this Act.

22 Section 35. Program funding for microloans. Under the  
23 program authorized by this Act, the Department may fund, on a  
24 competitive basis, not more than 300 intermediaries annually.

1           Section 40. Equitable distribution of intermediaries. In  
2 approving intermediaries and providing funding to  
3 intermediaries under this Act, the Department shall select and  
4 provide funding to intermediaries as will ensure appropriate  
5 availability of loans for small businesses in all industries  
6 located throughout the State, particularly those located in  
7 urban and in rural areas.

8           Section 45. Grants for management, marketing, technical  
9 assistance, and related services.

10           (a) The Department may procure technical assistance for  
11 intermediaries participating in the Microloan Program to  
12 ensure that those intermediaries have the knowledge, skills,  
13 and understanding of microlending practices necessary to  
14 operate successful microloan programs.

15           (b) The General Assembly may appropriate up to 7% of the  
16 balance in the Business Microloan and Investment Fund to the  
17 Department for the specific purpose of providing one or more  
18 technical assistance grants to experienced microlending  
19 organizations that have demonstrated experience in providing  
20 training support for microenterprise development and financing  
21 to achieve the purposes set forth in Section 10.

22           Section 50. Training program.       The Department may issue  
23 grants to administer a training program for intermediaries that

1 presently have minimal or no expertise or experience in  
2 microlending. The training program shall train the  
3 intermediaries in the knowledge, skills, and understanding of  
4 microlending practices necessary to operate successful  
5 microloan programs.

6 Section 55. Report to General Assembly. On November 1,  
7 2014, the Department shall submit to the General Assembly a  
8 report, including the Department's evaluation of the  
9 effectiveness of the microloan program and the following:

10 (1) the numbers and locations of the intermediaries  
11 funded to conduct microloan programs;

12 (2) the amounts of each grant to intermediaries;

13 (3) a description of the matching contributions of each  
14 intermediary;

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

17 (5) a summary of the repayment history of each  
18 intermediary;

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

22 (7) any recommendations for legislative changes that  
23 would improve program operations.

24 Section 60. Business Microloan and Investment Fund. The

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

7 Section 95. The State Finance Act is amended by adding  
8 Section 5.811 as follows:

9 (30 ILCS 105/5.811 new)

10 Sec. 5.811. The Business Microloan and Investment Fund.