



Sen. Dan Kotowski

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1 AMENDMENT TO SENATE BILL 3243

2 AMENDMENT NO. _____. Amend Senate Bill 3243 by replacing
3 everything after the enacting clause with the following:

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

1 received from an eligible non-profit organization or the
2 Director determines that the needs of a region or geographic
3 area are not adequately served by an existing, eligible
4 non-profit organization that has submitted an application.

5 "Intermediary" also includes an intermediary that has
6 completed the training program created and administered by the
7 Director under Section 60.

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

11 "Rural area" means any political subdivision or
12 unincorporated area (i) in a non-metropolitan county (as
13 defined by the Secretary of Agriculture) or its equivalent or
14 (ii) in a metropolitan county or its equivalent that has a
15 resident population of less than 20,000 if the Department of
16 Commerce and Economic Opportunity has determined such a
17 political subdivision or area to be rural.

18 "Small business concern" means a legal entity, including a
19 corporation, partnership, or sole proprietorship, that (i) is
20 formed for the purpose of making a profit; (ii) is
21 independently owned and operated; and (iii) has 5 employees or
22 fewer.

23 "Economically distressed area", as used in Section 30,
24 means a county or unit of local government in which a small
25 business concern is located and in which, according to the most
26 recent data available from the Bureau of the Census, Department

1 of Commerce, not less than 40% of residents have an annual
2 income that is at or below the poverty level.

3 Section 10. Purposes. The purposes of the Microloan Program
4 are:

5 (1) to assist female, low-income, veteran, and
6 minority entrepreneurs and business owners and other
7 individuals possessing the capability to operate
8 successful business concerns;

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

11 (3) to establish a microloan program to be administered
12 by the Department of Commerce and Economic Opportunity in
13 order to:

14 (A) make loans to eligible intermediaries to
15 enable those intermediaries to provide small-scale
16 loans, particularly loans in amounts averaging not
17 more than \$13,000, to small business concerns for
18 working capital or the acquisition of materials,
19 supplies, or equipment;

20 (B) make grants to eligible intermediaries that,
21 together with non-State matching funds, will enable
22 those intermediaries to provide intensive marketing,
23 management, and technical assistance to microloan
24 borrowers;

25 (C) make grants to eligible non-profit entities

1 that, together with non-State matching funds, will
2 enable those entities to provide intensive marketing,
3 management, and technical assistance to assist
4 low-income entrepreneurs and other low-income
5 individuals in obtaining private sector financing for
6 their businesses, with or without loan guarantees; and

7 (D) report to the Committee on State Government
8 Administration in the House of Representatives and the
9 State Government and Veterans Affairs Committee in the
10 Senate on the effectiveness of the microloan program.

11 Section 15. Microloan program established. A microloan
12 program is established in the Department of Commerce and
13 Economic Opportunity under which the Director of Commerce and
14 Economic Opportunity may:

15 (1) make direct loans to eligible intermediaries, as
16 provided under Section 25, for the purpose of making
17 short-term, fixed interest rate microloans to small
18 business concerns under Section 40;

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

24 (3) subject to the requirements of Section 35 make
25 grants to non-profit entities for the purpose of providing

1 marketing, management, and technical assistance to
2 low-income individuals seeking to start or enlarge their
3 own businesses, if that assistance includes working with
4 the grant recipient to secure loans in amounts not to
5 exceed \$35,000 from private sector lending institutions,
6 with or without a loan guarantee from the non-profit
7 entity; and

8 (4) create and administer a training program to train
9 intermediaries in the knowledge, skills, and understanding
10 of microlending necessary to operate successful microloan
11 programs.

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

16 Section 25. Loans to intermediaries.

17 (a) As part of its application for a loan, each
18 intermediary shall submit a description to the Director of the
19 type of businesses to be assisted; the size and range of loans
20 to be made; the geographic area to be served and its economic,
21 poverty, and unemployment characteristics; the status of small
22 business concerns in the area to be served and an analysis of
23 their credit and technical assistance needs; any marketing,
24 management, and technical assistance to be provided in

1 connection with a loan made under this Act; the local economic
2 credit markets, including the costs associated with obtaining
3 credit locally; the qualifications of the applicant to carry
4 out the purpose of this Act; and any plan to involve other
5 technical assistance providers or private sector lenders in
6 assisting selected business concerns. In selecting
7 intermediaries to participate in the program established under
8 this Act, the Director shall give priority to those applicants
9 that provide loans in amounts averaging not more than \$13,000.

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

14 (c) No loan shall be made to an intermediary under this Act
15 if the total amount outstanding and committed to that
16 intermediary (excluding outstanding grants) from the Business
17 Loan and Investment Fund would, as a result of that loan,
18 exceed \$750,000 in the first year of the intermediary's
19 participation in the program or \$3,500,000 in later years of
20 the intermediary's participation in the program.

21 (d) The Department shall, by regulation, require each
22 intermediary to establish a loan loss reserve fund, and to
23 maintain that reserve fund until all obligations owed to the
24 Department under this Act are repaid. Unless otherwise
25 authorized under this subsection (d), the Director shall
26 require the loan loss reserve fund of an intermediary to be

1 maintained at a level equal to 15% of the outstanding balance
2 of the notes receivable owed to the intermediary. After the
3 initial 5 years of an intermediary's participation in the
4 program, the Director shall, at the request of the
5 intermediary, conduct a review of the annual loss rate of the
6 intermediary. The Director may reduce the annual loan loss
7 reserve requirement of an intermediary to reflect the actual
8 average loan loss rate for the intermediary during the
9 preceding 5-year period, except that in no case shall the loan
10 loss reserve be reduced to less than 10% of the outstanding
11 balance of the notes receivable owed to the intermediary. The
12 Director may reduce the annual loan loss reserve requirement of
13 an intermediary only if the intermediary demonstrates to the
14 satisfaction of the Director that the average annual loss rate
15 for the intermediary during the preceding 5-year period is less
16 than 15%; and that no other factors exist that may impair the
17 ability of the intermediary to repay all obligations owed to
18 the Director under this Act.

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

26 (f) Loans made by the Department to an intermediary under

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

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

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

6 Section 30. Marketing, management, and technical
7 assistance grants to intermediaries.

8 (a) Except as otherwise provided in subsections (b) and (c)
9 of this Section 30, each intermediary that receives a loan
10 under paragraph (1) of Section 15 shall be eligible to receive
11 a grant to provide marketing, management, and technical
12 assistance to small business concerns that are borrowers under
13 this Act. Except as provided in subsection (c) of this Section
14 30, each intermediary meeting the requirements of subsection
15 (b) of this Section 30 may receive a grant of not more than 25%
16 of the total outstanding balance of loans made to it under this
17 Act.

18 (b) As a condition of any grant made under subsection (a)
19 of this Section 30, except for a grant made to an intermediary
20 that provides not less than 50% of its loans to small business
21 concerns located in or owned by one or more residents of an
22 economically distressed area, the Department shall require the
23 intermediary to contribute an amount equal to 25% of the amount
24 of the grant, obtained solely from non-State sources. In
25 addition to cash or other direct funding, the contribution may

1 include indirect costs or in-kind contributions paid for under
2 non-State programs.

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

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

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

18 (f) The eligibility for a grant described in subsections
19 (a) and (c) shall be determined separately for each loan-making
20 site or office of that intermediary.

21 (g) Each intermediary may expend an amount not to exceed
22 25% of the grant funds received under paragraph (2) of Section
23 15 to provide information and technical assistance to small
24 business concerns that are prospective borrowers under this
25 Act.

26 (h) An intermediary may expend not more than 25% of the

1 funds received under paragraph (2) of Section 15 to enter into
2 third party contracts for the provision of technical
3 assistance.

4 (i) The Department may accept any funds transferred to it
5 from the State, State agencies, and departments or agencies of
6 the federal government to make grants to participating
7 intermediaries and technical assistance providers under this
8 Section 30, for use in accordance with subsection (k) to
9 provide additional technical assistance and related services
10 to low-income individuals under subparagraph (C) of paragraph
11 (3) of Section 10 at the time the applicant initially applies
12 for assistance.

13 (j) In making grants under subsection (i), the Department
14 may select, from among participating intermediaries and
15 technical assistance providers described in subsection (i),
16 not more than 20 grantees in fiscal year 2013, not more than 25
17 grantees in fiscal year 2014, and not more than 30 grantees in
18 fiscal year 2015, each of whom may receive a grant under
19 subsection (i) in an amount not to exceed \$200,000 per year.

20 (k) Grants under subsection (i) are in addition to other
21 grants provided under this Act and shall not require the
22 contribution of matching amounts as a condition of eligibility;
23 and may be used by a grantee to pay or reimburse a portion of
24 child care and transportation costs of low-income individuals,
25 to the extent these costs are not otherwise paid by State block
26 grants under the Child Care Development Block Grant Act of 1990

1 (42 U.S.C. 9858 et seq.) or under part A of Title IV of the
2 Social Security Act (42 U.S.C. 601 et seq.); and for marketing,
3 management, and technical assistance to those individuals.

4 (1) Prior to accepting any transfer of funds under
5 subsection (i) from the State, a State agency, or a department
6 or agency of the federal government, the Department shall enter
7 into a Memorandum of Understanding with the State, State
8 agency, or department or agency of the federal government,
9 which shall specify the terms and conditions of the grants; and
10 provide for appropriate monitoring of expenditures by each
11 grantee and each recipient of assistance under subsection (i).

12 Section 35. Private sector borrowing technical assistance
13 grants.

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

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

24 Section 40. Loans to small business concerns from eligible

1 intermediaries.

2 (a) An eligible intermediary shall make short-term, fixed
3 rate loans to small business concerns from the funds made
4 available to it under paragraph (1) of Section 15 for working
5 capital and the acquisition of materials, supplies, furniture,
6 fixtures, and equipment.

7 (b) To the extent practicable, each intermediary that
8 operates a microloan program under this Act shall maintain a
9 microloan portfolio with an average loan size of not more than
10 \$13,000.

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

13 (d) In addition to other eligible small business concerns,
14 borrowers under any program under this Act may include
15 individuals who will use the loan proceeds to establish
16 for-profit or non-profit child care establishments or
17 businesses providing for-profit transportation services.

18 Section 45. Program funding for microloans.

19 (a) Under the program authorized by this Act, the
20 Department may fund, on a competitive basis, not more than 300
21 intermediaries.

22 (b) Subject to the availability of appropriations, of the
23 total amount of new loan funds made available for award under
24 this Act in each fiscal year, the Department shall make
25 available for award an amount equal to the sum appropriated by

1 the General Assembly for that purpose.

2 Section 50. Equitable distribution of intermediaries. In
3 approving intermediaries and providing funding to
4 intermediaries under this Act, the Department shall select and
5 provide funding to intermediaries as will ensure appropriate
6 availability of loans for small businesses in all industries
7 located throughout the State, particularly those located in
8 urban and in rural areas.

9 Section 55. Grants for management, marketing, technical
10 assistance, and related services.

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

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

23 Section 60. Training program. The Department shall

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

7 Section 65. Report to General Assembly. On November 1,
8 2014, the Department shall submit to the General Assembly a
9 report, including the Department's evaluation of the
10 effectiveness of the microloan program and the following:

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

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

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

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

19 (5) the repayment history of each intermediary;

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

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

1 Section 70. 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 75. The State Finance Act is amended by adding
9 Section 5.811 as follows:

10 (30 ILCS 105/5.811 new)

11 Sec. 5.811. The Business Loan and Investment Fund."