HB 1503 -- VETERANS SMALL BUSINESS LOANS

SPONSOR: Dohrman

This bill allows the Department of Economic Development to issue state guarantees to lenders for loans to veteran-owned small businesses. The lender and applicant have certain responsibilities relating to the application and fees required by the department. In order to be eligible for the program, an applicant must be an honorably discharged resident intending to locate his or her business in the state, complete an approved boots-to-business program, and have a business plan approved by the department.

Upon approval for the state-guaranteed loan, an applicant will be assigned a mentor for one year following the approval and must meet with the mentor at least once every 90 days.

The lender must agree to an interest rate on the loan that the department determines to be below the market rate generally available. If both the lender and the applicant agree, the rate on the loan may be converted to a fixed interest rate at any time during the term of the loan. All loans guaranteed by the state under this section must be subject to certain requirements, including that loans are not to exceed $500,000 per qualified veteran-owned small business or a term or 15 years; loans are subject to an annual review and renewal by the lender and the department; and loans may not be revoked by the department without a 90 day notice to all parties.

The bill requires the department to provided or renew a state guarantee to a lender under specific circumstances. If, for any reason, the General Assembly fails to make an appropriation sufficient to meet the obligations under a state guarantee, the provisions of this bill constitute an irrevocable and continuing appropriation of an amount necessary to secure guarantees as defaults occur and the irrevocable and continuing authority for the State Treasurer to make necessary transfers to the fund out of the General Revenue Fund.

In the event of a default by the borrower on a loan subject to a state guarantee, the lender is entitled to the state guarantee after 90 days of delinquency. It is the responsibility of the lender to proceed with collecting and disposing of collateral on the state guarantee within 14 months after the state guarantee is declared delinquent. If the lender does not dispose of the collateral within that period, the lender is liable to repay to the state interest on the state guarantee at a rate equal to the same rate that the lender charges on the state guarantee.

The bill creates a fund to be reimbursed for any amounts paid upon liquidation of the collateral. The department may borrow sums from the fund to provide for repayment as soon as may be practicable upon receipt of payments of principal and interest by a borrower on loans subject to a state guarantee under this section.

The provisions of this bill are subject to a sunset clause.