

1 State of Arkansas
2 89th General Assembly
3 Regular Session, 2013
4

As Engrossed: H3/6/13

A Bill

HOUSE BILL 1229

5 By: Representatives Love, Gillam, Sabin, Leding, Lenderman, H. Wilkins, Word, Richey, Murdock
6

7 For An Act To Be Entitled

8 AN ACT TO PROVIDE ADDITIONAL ECONOMIC DEVELOPMENT
9 OPPORTUNITIES; TO CREATE THE ARKANSAS MICROENTERPRISE
10 DEVELOPMENT ACT; TO REGULATE LOANS AND GRANTS AWARDED
11 UNDER A MICROENTERPRISE DEVELOPMENT PROGRAM; TO
12 ESTABLISH THE MICROENTERPRISE LOAN AND INVESTMENT
13 FUND; TO REQUIRE REPORTS TO THE GENERAL ASSEMBLY; AND
14 FOR OTHER PURPOSES.
15

16 Subtitle

17 TO CREATE A MICROENTERPRISE DEVELOPMENT
18 PROGRAM; AND TO REGULATE LOANS AND GRANTS
19 AWARDED UNDER A MICROENTERPRISE
20 DEVELOPMENT PROGRAM.
21
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23

24 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
25

26 *SECTION 1. Arkansas Code Title 15, Chapter 5, is amended to add an*
27 *additional subchapter to read as follows:*

28 *Subchapter 18 – Arkansas Microenterprise Development Act*
29

30 *15-5-1801. Title.*

31 *This subchapter shall be known and may be cited as the “Arkansas*
32 *Microenterprise Development Act”.*
33

34 *15-5-1802. Legislative findings and purpose.*

35 *(a) The General Assembly finds that:*

36 *(1) Approximately eighty-eight percent (88%) of the business*



1 entities in this state are microenterprises;

2 (2) Microenterprises employ over two hundred eighty thousand
3 (280,000) people in Arkansas and make up nearly twenty-three percent (23%) of
4 total private nonfarm employment;

5 (3) The viability of microenterprise is crucial to Arkansas's
6 economy;

7 (4) Despite the central role of microenterprises in the state's
8 economic growth, many microenterprises are financially underserved and face
9 significant barriers in accessing suitable credit and lending facilities,
10 hindering their ability to further grow, invest, and expand; and

11 (5) Providing additional funding for microfinance institutions
12 will support the growth and development of microenterprises by providing
13 access to capital and valuable business training for entrepreneurs.

14 (b) The purpose of this subchapter is to establish a microenterprise
15 development program under which the Arkansas Development Finance Authority
16 will provide public fiscal resources to assist financial institutions in
17 overcoming the obstacles and constraints that exist in meeting the full range
18 of the financing needs of Arkansas microenterprises.

19
20 15-5-1803. Definitions.

21 As used in this subchapter:

22 (1) "Intermediary" means a private, nonprofit entity
23 significantly engaged in lending to microenterprises;

24 (2) "Microenterprise" means a business that has:

25 (A) Five (5) or fewer full-time employees;

26 (B) Less than five hundred thousand dollars (\$500,000) in
27 gross annual revenues; and

28 (C) Its principal operations located in Arkansas; and

29 (3) "Microloan" means a loan of no more than fifty thousand
30 dollars (\$50,000) from an intermediary to a microenterprise.

31
32 15-5-1804. Microenterprise Development Program.

33 (a) There is created within the Arkansas Development Finance Authority
34 the Microenterprise Development Program.

35 (b) As part of the program, the authority may make direct loans to
36 intermediaries for the purpose of:

1 (1) Enabling the intermediaries to provide microloans; or
2 (2) Providing assistance in marketing, management, or business
3 operations to microenterprises.

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5 15-5-1805. Applications for loans.

6 (a) To be eligible for a loan under the Microenterprise Development
7 Program, an intermediary shall submit an application to the Arkansas
8 Development Finance Authority.

9 (b) As part of the application required under subsection (a) of this
10 section, an intermediary shall submit the following information to the
11 authority:

12 (1) The intermediary's history of lending in the state,
13 including without limitation the number of loans made and the number of
14 delinquent loans;

15 (2) The number and type of microenterprises to which the
16 intermediary proposes to make microloans;

17 (3) The size, range, and terms of the microloans the
18 intermediary proposes to make;

19 (4) The other forms of credit available to the microenterprises
20 that may receive microloans from the intermediary;

21 (5) A description of the geographic area the intermediary
22 proposes to serve, including without limitation the economic, poverty, and
23 unemployment characteristics of the geographic area;

24 (6) The assistance in marketing, management, or business
25 operations the intermediary proposes to provide to microenterprises, if any;
26 and

27 (7) The intermediary's plan to involve other entities or private
28 lenders in assisting microenterprises, if any.

29
30 15-5-1806. Loans to intermediaries.

31 (a) In selecting intermediaries for loans and determining the amounts
32 to be provided to each intermediary, the Arkansas Development Finance
33 Authority shall consider the equitable distribution of funds available to
34 microenterprises across the state.

35 (b) A loan made by the authority to an intermediary under this
36 subchapter shall:

1 (1) Be for a term of ten (10) years; and

2 (2) Bear an interest rate not to exceed two (2) percentage
3 points below the rate determined by the Secretary of the United States
4 Department of the Treasury for obligations of the United States with a period
5 of maturity of five (5) years, adjusted to the nearest one-eighth of one
6 percent (0.125%).

7 (c)(1) The authority shall not require repayment of the interest or
8 principal of a loan made to an intermediary under this subchapter during the
9 first year of the loan.

10 (2)(A) The authority may defer repayment of a loan for a period
11 of time longer than permitted under subdivision (c)(1) of this section if the
12 authority determines that:

13 (i) The balance of the Microenterprise Loan and
14 Investment Fund is at least fifty percent (50%) of the total assets of the
15 fund, including the unpaid portion of all loans made from the fund; and

16 (ii) The intermediary will suffer significant
17 economic harm that may result in the intermediary defaulting on the loan if
18 the repayment of the loan is not deferred for a longer period.

19 (B) However, the authority shall not defer repayment of a
20 loan for a period of more than two (2) years.

21 (d) Except as otherwise provided in this subchapter, the authority
22 shall not charge a fee or require collateral other than an assignment of the
23 notes receivable of the microloans with respect to a loan made to an
24 intermediary under this subchapter.

25 (e) The authority shall make available for loans to intermediaries an
26 amount equal to the sum appropriated by the General Assembly for loans to
27 intermediaries under this subchapter.

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29 15-5-1807. Requirements for intermediaries.

30 If an intermediary obtains a loan from the Arkansas Development Finance
31 Authority under this subchapter, the intermediary shall:

32 (1) Use the loan solely for the purpose of making microloans;

33 (2) Match at least ten percent (10%) of the loan amount in cash
34 or cash equivalents from sources other than the state;

35 (3) Establish a loan loss reserve fund; and

36 (4)(A) Maintain the loan loss reserve fund until all obligations

1 owed to the authority under this subchapter are repaid.

2 (B) The loan loss reserve fund of an intermediary shall be
3 maintained at a level equal to at least fifteen percent (15%) of the
4 outstanding balance of the microloans owed to the intermediary.

5 (C) After three (3) years of an intermediary's
6 participation in the Microenterprise Development Program, the authority may
7 reduce the loan loss reserve fund requirement under subdivision (4)(B) of
8 this section to reflect the intermediary's actual average loan loss rate
9 during the three-year period.

10 (D) However, the loan loss reserve fund shall not be
11 reduced to less than ten percent (10%) of the outstanding balance of the
12 microloans owed to the intermediary.

13
14 15-5-1808. Grants to intermediaries.

15 (a) As part of the Microenterprise Development Program, the Arkansas
16 Development Finance Authority may provide a grant to an intermediary
17 receiving a loan from the authority under this subchapter.

18 (b) A grant to an intermediary under this section shall:

19 (1) Be used to provide assistance to microenterprises in
20 marketing, management, or business operations; and

21 (2) Not exceed twenty-five percent (25%) of the total
22 outstanding balance of loans made by the authority to the intermediary under
23 this subchapter.

24 (c) To be eligible for a grant under this section, an intermediary
25 shall match at least twenty-five percent (25%) of the amount of the loan from
26 the authority under this subchapter in cash or cash equivalents from sources
27 other than the state.

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29 15-5-1809. Microenterprise Loan and Investment Fund – Creation.

30 (a) The Arkansas Development Finance Authority shall establish a
31 special restricted fund to be known as the "Microenterprise Loan and
32 Investment Fund", which the authority shall administer and maintain for the
33 purposes stated in this subchapter and in accordance with the authority's
34 powers under § 15-5-207.

35 (b) All moneys deposited into the fund under this subchapter are cash
36 funds restricted in their use and shall:

1 (1) Not be deposited into the State Treasury or deemed to be a
2 part of the State Treasury for the purposes of any other statutory or
3 constitutional provision; and

4 (2) Be held by the authority and used solely for the purposes
5 stated under this subchapter.

6 (c) The fund shall consist of:

7 (1) Any revenue authorized by law;

8 (2) The receipts from the repayment of loans made by the
9 authority to intermediaries under this subchapter;

10 (3) Any grants, gifts, and other donations made by any source to
11 fund the Microenterprise Development Program; and

12 (4) Any interest or investment earnings on amounts held in the
13 fund.

14 (d) The fund shall be used by the authority to provide loans to
15 intermediaries under this subchapter.

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17 15-5-1810. Reports.

18 Beginning three (3) years after the effective date of this subchapter
19 and by October 1 of each year thereafter, the Arkansas Development Finance
20 Authority shall submit to the General Assembly a report that includes the
21 following information:

22 (1) The authority's evaluation of the effectiveness of the
23 Microenterprise Development Program;

24 (2) The numbers and locations of the intermediaries funded to
25 conduct microloan programs;

26 (3) The amounts of each loan made and grant awarded to
27 intermediaries;

28 (4) A description of the matching contributions of each
29 intermediary;

30 (5) The numbers and amounts of microloans made by the
31 intermediaries to microenterprises;

32 (6) The repayment history of each intermediary;

33 (7) The growth or attrition of the Microenterprise Loan and
34 Investment Fund; and

35 (8) Any recommendations for legislative changes that would
36 improve the program.

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15-5-1811. Rules.
(a) The Arkansas Development Finance Authority shall promulgate rules necessary to administer this subchapter.

(b) The authority may promulgate rules to establish criteria for intermediaries to qualify for loans made by the authority under this subchapter at a lower interest rate or to reduce the interest rate on an outstanding loan made by the authority under this subchapter.

/s/Love