

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 1227
Committee Substitute Favorable 6/24/89

Short Title: Self-employment Loan Program.

(Public)

Sponsors:

Referred to:

April 12, 1989

1 A BILL TO BE ENTITLED
2 AN ACT TO CREATE A SELF-EMPLOYMENT LOAN GUARANTEE PROGRAM
3 TO ASSIST LOW-INCOME PERSONS IN ESTABLISHING OR EXPANDING
4 SMALL BUSINESS VENTURES.

5 The General Assembly of North Carolina enacts:

6 Section 1. Article 7 of Chapter 143B of the General Statutes is amended by
7 adding a new Part to read:

8 **“PART 28.**
9 **“SELF-EMPLOYMENT LOAN PROGRAM.**

10 **“§ 143B-344.20. Purpose.**

11 The primary purpose of this Part is to promote the establishment and expansion of
12 small business ventures by providing guarantees for low-interest loans by lending
13 institutions to low-income persons.

14 **“§ 143B-344.21. Self-employment Loan Program.**

15 The Department shall develop and implement a Self-employment Loan Guarantee
16 Program to be conducted in coordination with the partnership programs of the State Job
17 Training Coordinating Council and any State programs designed to implement the
18 federal Job Training Partnership Act. The Department may contract with local
19 community action agencies or other local entities in administering the Program, and
20 shall work with the Department of Commerce and the Department of Human Resources
21 in developing the Program.

22 **“§ 143B-344.22. Self-employment Fund.**

1 (a) A loan guarantee fund, to be called the Self-employment Fund, is created.
2 Any moneys appropriated to, paid to, or earned by the Fund shall be deposited with the
3 State Treasurer. The Fund shall be administered by the Department.

4 (b) The Self-employment Fund shall be used to guarantee the payment of loans
5 made by lending institutions to low-income persons for establishing or expanding small
6 businesses, subject to the terms, conditions, limitations, collateral and security
7 provisions, and reserve requirements as shall be determined by the Department in
8 accordance with the provisions of this Part.

9 (c) The aggregate amount of loan obligations guaranteed under this Part shall not
10 constitute a debt, liability, or obligation of the State or any of its political subdivisions
11 or a pledge of the faith and credit of the State or any of its political subdivisions, but
12 shall be payable solely from the funds on deposit to the credit of the Self-employment
13 Fund.

14 **"§ 143B-344.23. Loan Guarantee Limitations; rules.**

15 Loan guarantees made pursuant to this Part shall be subject to the following
16 limitations:

17 (1) Unless otherwise determined by the Department, the guarantee of a
18 self-employment loan shall be in the amount of one hundred percent
19 (100%) of the unpaid principal and interest on each loan; provided,
20 however, that no single loan guarantee shall exceed the sum of ten
21 thousand dollars (\$10,000) and no person or family of low-income
22 shall be entitled to more than one loan guarantee.

23 (2) For the purposes of this Part, a 'low-income' person is one who meets
24 the poverty guidelines established by the Department.

25 (3) A loan shall be eligible for a guarantee under this Part only if the
26 annual interest rate thereon does not exceed five percent.

27 (4) The aggregate value of all self-employment loans guaranteed pursuant
28 to this Part and outstanding at any one time shall not exceed 15 times
29 the total value of funds (including appropriations, income,
30 investments, grants, gifts, and all other funds from any other source) in
31 the Self-employment Fund.

32 (5) The guarantee of a self-employment loan shall be made only upon the
33 determination by the Department that such a loan was at the time of
34 approval not otherwise available from private lenders upon reasonably
35 equivalent terms and conditions.

36 (6) The Department shall from time to time adopt, modify, or repeal rules
37 governing the guaranteeing of self-employment loans, including rules
38 as to any or all of the following:

39 a. Procedures for the submission and approval of requests to
40 guarantee self-employment loans, including advance
41 commitments by the Department to guarantee loans;

42 b. Limitations and restrictions on the types of self-employment
43 opportunities for which loans may be guaranteed and on the

1 types of expenditures that may be made and the types of assets
2 that may be purchased or leased with guaranteed loans;

3 c. Restrictions as to interest rates, subject to the maximum annual
4 rate of interest specified in this Part, on self-employment loans;

5 d. Schedules of any fees and charges necessary to provide for the
6 expenses of administering the Self-employment Fund;

7 e. Procedures regarding the servicing of self-employment loans
8 including procedures for honoring defaults and procedures to be
9 implemented to enforce the obligations of the borrowers to
10 repay guaranteed self-employment loans.

11 f. Any other matters related to the duties and the exercise of the
12 power of the Department with respect to the Self-employment
13 Loan Guarantee Program deemed necessary to effectuate the
14 purposes of this Part."

15 Sec. 2. The Department of Natural Resources and Community Development
16 shall begin implementation of the Program created in Section 1 of this act on July 1,
17 1990.

18 Sec. 3. There is appropriated from the General Fund to the Department of
19 Natural Resources and Community Development, Division of Economic Opportunity,
20 for fiscal year 1990-91 the sum of five hundred thousand dollars (\$500,000) to be
21 placed into the Self-employment Fund created by this act and to be used to guarantee
22 self-employment loans by private lending institutions to low-income persons in
23 accordance with the provisions of this act.

24 Sec. 4. The Department shall maintain records of all loans guaranteed
25 pursuant to this Part and shall report to the Joint Legislative Commission on
26 Governmental Operations and the Fiscal Research Division no later than January 15 of
27 each year on the number of loans guaranteed, the balance of the Self-employment Fund,
28 and the effectiveness of the loan guarantees in establishing and expanding small
29 business ventures for low-income persons.

30 Sec. 5. If the Division of Economic Opportunity is transferred to another
31 agency of State government, all functions, powers, and duties of the Department of
32 Natural Resources and Community Development with respect to the administration of
33 the Self-employment Loan Guarantee Program are likewise transferred to said agency.

34 Sec. 6. This act is effective upon ratification.