

**SENATE BILL NO. 2242**

Introduced by

Senators Holmberg, Grindberg, St. Aubyn

Representatives Mickelson, Poolman

1 A BILL for an Act to provide for a beginning entrepreneur loan guarantee program; and to  
2 provide an appropriation.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. Definitions.** As used in this chapter, unless the context otherwise  
5 requires:

- 6 1. "Beginning entrepreneur" means a resident of this state who:
- 7 a. Has graduated from high school.
- 8 b. Has had some training, by education or experience, in the type of  
9 revenue-producing enterprise which that person wishes to begin.
- 10 c. Has, including the net worth of that person's dependents and spouse, if any, a  
11 net worth of less than one hundred thousand dollars, not including the value  
12 of their equity in their principal residence, the value of one personal or family  
13 motor vehicle, and the value of their household goods, including furniture,  
14 appliances, musical instruments, clothing, and other personal belongings.
- 15 2. "Lender" means any lending institution that is regulated or funded under the laws  
16 of this state or the United States and which has provided financing to a beginning  
17 entrepreneur for the establishment of a qualified revenue-producing enterprise.
- 18 3. "Loan guarantee" means an agreement that in the event of default by a beginning  
19 entrepreneur under a note and mortgage or other loan or financing agreement, the  
20 Bank of North Dakota shall pay the lender the amount agreed upon up to one  
21 hundred percent of the amount of principal due the lender on a loan at the time the  
22 claim is approved from the loan guarantee fund.
- 23 4. "Qualified revenue-producing enterprise" means any real property, buildings,  
24 improvements on the property or to the buildings, any equipment located on the

1 property or in the buildings, and any personal property used or useful in connection  
2 with a revenue-producing enterprise engaged in any industry or business not  
3 prohibited by the Constitution of North Dakota or the laws of this state. The term  
4 does not include an enterprise for which a person is eligible under section  
5 6-09-15.5 or chapter 6-09.8.

6 **SECTION 2. Loan guarantee fund - Administration.** A beginning entrepreneur loan  
7 guarantee fund is created to be used by the Bank of North Dakota to administer a beginning  
8 entrepreneur loan guarantee program to be used in conjunction with other loan programs. The  
9 fund includes moneys appropriated by the legislative assembly for administration of the  
10 program and all earnings, less any administrative charges, from the investment of those  
11 moneys. The Bank may retain any administrative charges necessary for the administration of  
12 the program established by this chapter. The fund is not subject to section 54-44.1-11.

13 **SECTION 3. Application for guarantee - Term - Annual fee.** A lender may apply to  
14 the Bank of North Dakota for a loan guarantee for a loan of up to seventy-five thousand dollars.  
15 The Bank may approve a guarantee of a loan of up to five thousand dollars to a beginning  
16 entrepreneur for use by the beginning entrepreneur for accounting, legal, and business  
17 planning and other consulting or advisory services in planning for the establishment of a  
18 qualified revenue-producing enterprise. The Bank may approve a guarantee of a loan of up to  
19 twenty-five thousand dollars to a beginning entrepreneur without requiring the beginning  
20 entrepreneur to provide collateral for the loan. The term of a loan guarantee may not exceed  
21 five years. The Bank may charge a lender an annual fee during the term of a loan guarantee.

22 **SECTION 4. Termination.** The Bank of North Dakota may terminate a loan guarantee  
23 upon the sale, exchange, assignment, or transfer of the beginning entrepreneur's interest in the  
24 qualified revenue-producing enterprise. The Bank shall terminate a loan guarantee if the Bank  
25 determines that the loan guarantee was obtained by fraud or material misrepresentation of  
26 which the lender or seller has actual knowledge.

27 **SECTION 5. Rules.** The Bank of North Dakota shall adopt rules to implement this  
28 chapter. The rules may include a formula for determining the ratio of reserves in the loan  
29 guarantee fund to the amount of guaranteed loans, the maximum dollar amount of a guarantee,  
30 and the maximum allowable annual interest rate on a loan eligible for a guarantee.

1           **SECTION 6. APPROPRIATION.** There is hereby appropriated out of any moneys in  
2 the general fund in the state treasury, not otherwise appropriated, the sum of \$50,000, or so  
3 much of the sum as may be necessary, to the Bank of North Dakota for the purposes of  
4 administering the beginning entrepreneur loan guarantee program, for the biennium beginning  
5 July 1, 1999, and ending June 30, 2001.