

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.

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

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

- 5 1. "Beginning entrepreneur" means a resident of this state who:
- 6 a. Has graduated from high school or has received a general equivalency
7 certificate.
- 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
21 eighty-five percent of the amount of principal due the lender on a loan at the time
22 the 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 The Bank may not guarantee more than five hundred thousand dollars in loans under the
23 beginning entrepreneur loan guarantee program.

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

29 **SECTION 5. Rules.** Notwithstanding any provision of this chapter, the Bank of North
30 Dakota shall adopt rules to implement this chapter. The rules may include a formula for
31 determining the ratio of reserves in the loan guarantee fund to the amount of guaranteed loans,

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Legislative Assembly

- 1 the maximum dollar amount of a guarantee, and the maximum allowable annual interest rate on
- 2 a loan eligible for a guarantee.