

**Fifty-sixth Legislative Assembly, State of North Dakota, begun in the
Capitol in the City of Bismarck, on Tuesday, the fifth day of January,
one thousand nine hundred and ninety-nine**

SENATE BILL NO. 2242
(Senators Holmberg, Grindberg, St. Aubyn)
(Representatives Mickelson, Poolman)

AN ACT to provide for a beginning entrepreneur loan guarantee program.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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

1. "Beginning entrepreneur" means a resident of this state who:
 - a. Has graduated from high school or has received a general equivalency certificate.
 - b. Has had some training, by education or experience, in the type of revenue-producing enterprise which that person wishes to begin.
 - c. Has, including the net worth of that person's dependents and spouse, if any, a net worth of less than one hundred thousand dollars, not including the value of their equity in their principal residence, the value of one personal or family motor vehicle, and the value of their household goods, including furniture, appliances, musical instruments, clothing, and other personal belongings.
2. "Lender" means any lending institution that is regulated or funded under the laws of this state or the United States and which has provided financing to a beginning entrepreneur for the establishment of a qualified revenue-producing enterprise.
3. "Loan guarantee" means an agreement that in the event of default by a beginning entrepreneur under a note and mortgage or other loan or financing agreement, the Bank of North Dakota shall pay the lender the amount agreed upon up to eighty-five percent of the amount of principal due the lender on a loan at the time the claim is approved from the loan guarantee fund.
4. "Qualified revenue-producing enterprise" means any real property, buildings, improvements on the property or to the buildings, any equipment located on the property or in the buildings, and any personal property used or useful in connection with a revenue-producing enterprise engaged in any industry or business not prohibited by the Constitution of North Dakota or the laws of this state. The term does not include an enterprise for which a person is eligible under section 6-09-15.5 or chapter 6-09.8.

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

SECTION 3. Application for guarantee - Term - Annual fee. A lender may apply to the Bank of North Dakota for a loan guarantee for a loan of up to seventy-five thousand dollars. The Bank may approve a guarantee of a loan of up to five thousand dollars to a beginning entrepreneur for use by the beginning entrepreneur for accounting, legal, and business planning and other consulting or advisory services in planning for the establishment of a qualified revenue-producing enterprise. The Bank may approve a guarantee of a loan of up to twenty-five thousand dollars to a beginning entrepreneur without

requiring the beginning entrepreneur to provide collateral for the loan. The term of a loan guarantee may not exceed five years. The Bank may charge a lender an annual fee during the term of a loan guarantee. The Bank may not guarantee more than five hundred thousand dollars in loans under the beginning entrepreneur loan guarantee program.

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

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

President of the Senate

Speaker of the House

Secretary of the Senate

Chief Clerk of the House

This certifies that the within bill originated in the Senate of the Fifty-sixth Legislative Assembly of North Dakota and is known on the records of that body as Senate Bill No. 2242.

Senate Vote: Yeas 46 Nays 0 Absent 3

House Vote: Yeas 88 Nays 7 Absent 3

Secretary of the Senate

Received by the Governor at _____ M. on _____, 1999.

Approved at _____ M. on _____, 1999.

Governor

Filed in this office this _____ day of _____, 1999,

at _____ o'clock _____ M.

Secretary of State