

By: Shapleigh

S.B. No. 1602

A BILL TO BE ENTITLED

AN ACT

relating to creating a microloan guarantee program using funds appropriated to the Texas Enterprise Fund.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 481.078(c), Government Code, is amended to read as follows:

(c) Except as provided by Subsection (d) and subject to Section 481.0781, the fund may be used only for economic development, infrastructure development, community development, job training programs, and business incentives.

SECTION 2. Subchapter E, Chapter 481, Government Code, is amended by adding Section 481.0781 to read as follows:

Sec. 481.0781. TEXAS ENTERPRISE FUND MICROLOAN GUARANTEE PROGRAM. (a) In this section:

(1) "Financial institution" has the meaning assigned by Section 31.002, Finance Code.

(2) "Microloan" means a business loan of not more than \$10,000.

(3) "Microloan guarantee program" means the Texas Enterprise Fund microloan guarantee program established under this section.

(b) At least one percent of the funds appropriated by the legislature to the Texas Enterprise Fund must be used to administer and fund the microloan guarantee program established under this

1 section.

2 (c) In accordance with this section, the office shall  
3 establish and administer the Texas Enterprise Fund microloan  
4 guarantee program to assist in the creation and expansion of  
5 businesses and jobs in this state by guaranteeing microloans to  
6 eligible businesses by financial institutions that participate in  
7 the program.

8 (d) To be eligible to receive a loan guarantee under the  
9 microloan guarantee program, a business must:

10 (1) apply to the office on a form prescribed by the  
11 office;

12 (2) be unable to obtain a loan from a participating  
13 financial institution without a loan guarantee; and

14 (3) meet the eligibility requirements established by  
15 the office.

16 (e) An application for a microloan under this section must  
17 contain:

18 (1) a plan for the applicant's proposed use of  
19 microloan proceeds, including a description of how the microloan  
20 proceeds will be used to promote business or job growth; and

21 (2) a signed statement from a loan officer of the  
22 financial institution that states that a loan guarantee is required  
23 for approval of the loan application.

24 (f) The office may charge a reasonable fee for processing an  
25 application filed under this section.

26 (g) The office shall consider the following factors in  
27 determining whether to approve an application for a microloan

1 guarantee:

2 (1) the anticipated benefits from granting a microloan  
3 guarantee, including the potential to promote business or job  
4 growth;

5 (2) the applicant's qualifications;

6 (3) the feasibility of the applicant's plan; and

7 (4) other repayment sources available to the  
8 applicant.

9 (h) If a recipient of a loan guarantee defaults on a loan  
10 that is guaranteed under this section and the office is required to  
11 honor its guarantee, the office may bring suit against the  
12 defaulting party.

13 (i) The office shall adopt rules necessary to implement this  
14 section, including rules regarding the participation of financial  
15 institutions in the microloan guarantee program.

16 SECTION 3. This Act takes effect September 1, 2009.