

Introduced by

Senators Holmberg, Goetz, Grindberg, Nalewaja, Robinson, St. Aubyn

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

1 4. "Qualified revenue-producing enterprise" means any real property, buildings,
2 improvements on the property or to the buildings, any equipment located on the
3 property or in the buildings, and any personal property used or useful in connection
4 with a revenue-producing enterprise engaged in any industry or business not
5 prohibited by the Constitution of North Dakota or the laws of this state. The term
6 does not include an enterprise for which a person is eligible under section
7 69-09-15.5 or chapter 6-09.8.

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

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

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

30 **SECTION 5. Rules.** The Bank of North Dakota shall adopt rules to implement this
31 chapter. The rules may include a formula for determining the ratio of reserves in the loan

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

3 **SECTION 6. APPROPRIATION.** There is hereby appropriated out of any moneys in
4 the general fund in the state treasury, not otherwise appropriated, the sum of \$50,000, or so
5 much of the funds as may be necessary, to the Bank of North Dakota for the purposes of
6 administering the beginning entrepreneur loan guarantee program, for the biennium beginning
7 July 1, 1997, and ending June 30, 1999.