

SENATE BILL REPORT

SB 6085

As Reported by Senate Committee On:
Economic Development, Trade & Innovation, February 23, 2009

Title: An act relating to small business loans.

Brief Description: Creating the Washington small business loan reserve program.

Sponsors: Senators Kastama, Zarelli and Shin.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 2/23/09 [DP].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Majority Report: Do pass.

Signed by Senators Kastama, Chair; Shin, Vice Chair; Zarelli, Ranking Minority Member; Delvin, Eide, Kilmer and McCaslin.

Staff: Jack Brummel (786-7428)

Background: Many small businesses cannot obtain loans in times of tight capital markets. Yet small businesses have been shown to be the primary generator of new jobs and innovations. A number of states have capital access or loan loss reserve programs designed to give financial institutions an uncomplicated method of making loans to small businesses that do not qualify for conventional financing.

Summary of Bill: The Small Business Loan Reserve Program creates a loan reserve fund administered by the Director of Financial Institutions (DFI) and an Executive Director. Under the program, financial institutions and credit unions may make loans to businesses that would not otherwise qualify for a loan. A lender negotiates a premium charge which the lender and the borrower contribute to the loan reserve fund. The state makes a matching payment to the loan reserve fund.

Both the premium charge and the matching payment are registered in the lender's name and may be used to cover future losses from any loans registered in the program by that bank. Payments made to cover losses on loans made under the program are limited to the amount in the fund attributable to the bank suffering the loss.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Executive Director is to solicit funds for the program from federal, private and other sources. If funding for the program is not obtained from either federal or private sources by June 30, 2011, the act is null and void.

Reports on the program are to be made to the Governor and the Legislature.

Appropriation: None.

Fiscal Note: Requested on February 20, 2009.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Solving the capital needs of small businesses is going to take some unique approaches and partnerships. The infrastructure being established in this bill would allow for good sound loans. There is a lot of opportunity here.

OTHER: There is capital available in the communities but small businesses often haven't had the help they need with putting together a good business plan. DFI has a primary role as a regulator and one should be cautious in diverting them from their primary focus.

Persons Testifying: PRO: Ron Newbry, Washington Manufacturing Services.

OTHER: Denny Eliason, Washington Bankers Association.