

## Board Action: Implement Partial Legislative Changes Pursuant to HB22-1328 CLIMBER Modification Act

### Background:

House Bill 22-1328; The Modify Main Street Business Recovery Loan Program has many changes to the original legislation that would be beneficial to include in the current tranche of funding as well as affecting future tranche funding. In particular, there are certain rules that have changed in the CLIMBER legislation that should be included in the current tranche of funding which have significant impact to businesses being eligible to apply for a loan. These legislatively approved changes include:

1. Lowering the minimum amount of a loan to a small business from \$30,000 to \$10,000;
2. Lowering minimum employee requirement from five employees to one employee;
3. Lowering requirement that a business demonstrate positive cash flow for two consecutive years to one year;
4. Removing the eligibility period for demonstrating positive cash flow of “prior to February 29, 2020”;
5. Extending the loan origination period into 2024; and
6. Extending the maximum loan term from 5 years to up to 10 years

Changes one through five do not appear to have any influences on the current Master Funding Agreement (MFA) as they only pertain to business eligibility to apply. As such, these changes can be included in the current tranche of funding with approval from the Oversight Board and Contributory Network.

Further, because the credit enhancement programs utilize only state funds, all the changes listed above can be implemented into the CCR and CCS programs with only the approval of the Oversight Board.

### Board Action:

As determined by the Oversight Board, the staff proposes to modify a portion of the business qualification rules to be included in the current tranche of funding.

The qualification rule changes to be included in the current MFA tranche funding for the eligible borrower requirements for the Direct Loan Capital and Participation programs include:

1. Lowering the minimum amount of a loan to a small business from \$30,000 to \$10,000;
2. Lowering minimum employee requirement from five employees to one employee;
  - a. The business owner can be counted as an employee
3. Lowering requirement that a business demonstrate positive cash flow for two consecutive years to one year; and
4. Removing the eligibility period for demonstrating positive cash flow of “prior to February 29, 2020” to allow use of current financials.

Upon Board approval, the staff is authorized to release the appended updated rules for the CLIMBER Loan Program to the contributory institutions to process. This starts the required ten (10) day review for comment and approval period before officially releasing the update to the lending network.

Additionally, staff would like to also authorize the use of the full legislative changes impacting the credit enhancement programs to change the credit enhancement product guidelines.

#### Rationale:

The staff recognizes the importance having the potential of more businesses that could qualify for the CLIMBER Loan Program. Expanding the pool and number of businesses eligible for the Program is important to deploy all tranches of funding and deploying the funds. The lender's underwriter network will continue to qualify loans using best practices and their internal lending policies to maintain the quality of loans issued by the Program.

#### Policy Footnote:

Existing Board specific policies include:

- CLIMBER Product Design
- CLIMBER Participation Guidelines
- CLIMBER Credit Enhancement Guidelines
- CLIMBER Direct Lending Capital Guidelines