

Board Action: Position of Non-Unanimous Responses from Contributory Institutions

Background:

With changes in the legislation in HB22-1328, the Oversight Board unanimously approved the implementation of certain rules in the current tranche of funding. The motion then went to the contributory institutions for their review in accordance with the MFA. Contributing institutions had the required ten-day period to provide comments regarding the recommendations of the Oversight Board. Four of the five banks returned in favor of that motion with one not fully opposing but also not fully supporting all the changes. That contributing institution provided the following comment regarding the rule change to lower the requirement that a business demonstrate positive cash flow for two consecutive years to one year:

“We would prefer to see this requirement remain as is. The first two changes are likely to increase the risk profile of future borrowers but are understandable for the sake of deploying more funds. We would ideally like to see some of the additional risk offset by sticking to the existing two-year profitability requirement.”

Staff recommends that a majority vote process will be used in situations where a unanimous vote is not returned by contributing institutions but at least 60% of contributing institutions are supportive of the changes proposed. In these cases, staff will implement the proposed updates but will still notify the Oversight Board of the feedback provided. In cases where less than 60% of contributing institutions are supportive the decision for how to move forward will be left to the Oversight Board.

In this case, this would result in implementing all the proposed program updates.

Board Action:

With approval of this request, the Oversight Board authorizes that the staff will use the majority of responses when votes from contributing institutions do not return unanimously. An explanation will be provided to the contributor(s) not voting in favor of the idea or change being proposed.

Rationale:

The majority vote process is used in most instances for approving all processes currently in CLIMBER Board actions. This is the best methodology to use in order to keep consistent with other processes and program details