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Details:

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2009-10

(session year)

Senate

(Assembly, Senate or Joint)

Committee on ... Small Business, Emergency Preparedness, Technical Colleges, and Consumer Protection (SC-SBEPTCCP)

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Senate

Record of Committee Proceedings

Committee on Small Business, Emergency Preparedness, Technical Colleges, and Consumer Protection

Assembly Bill 532

Relating to: directing the Department of Commerce to award grants to community development corporations to establish capital access programs, providing an exemption from emergency rule procedures, requiring the exercise of rule-making authority, and making an appropriation.

By Representatives Barca, Jorgensen, Fields, Seidel, Staskunas, Hraychuck, Zigmunt, Soletski, Sinicki, Young, Roys, Clark, Vruwink, Turner, Steinbrink, Garthwaite, Hixson, Smith and Hilgenberg; cosponsored by Senators Holperin, Wirch and Taylor.

February 02, 2010 Referred to Committee on Small Business, Emergency Preparedness, Technical Colleges, and Consumer Protection.

February 24, 2010 **PUBLIC HEARING HELD**

Present: (4) Senators Wirch, Holperin, Hopper and Lazich.
Absent: (1) Senator Plale.

Appearances For

- Peter Barca, Kenosha — Rep.
- Andy Jorgensen — Rep.
- Patrick Walsh, Milwaukee — Milwaukee Economic Development Corporation

Appearances Against

- None.

Appearances for Information Only

- None.

Registrations For

- Jim Holperin — Senator, 12th Senate District
- Robert Jones, Madison — Wisconsin Community Action Program Association
- Jeremy Shepherd — Wisconsin Bankers Association
- Daryll Lund, Madison — Community Bankers of Wisconsin

Registrations Against

- None.

Registrations for Information Only

- None.

March 9, 2010

EXECUTIVE SESSION HELD

Present: (5) Senators Wirch, Plale, Holperin, Hopper and Lazich.

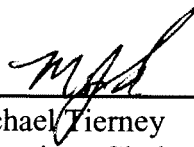
Absent: (0) None.

Moved by Senator Holperin, seconded by Senator Hopper that **Assembly Bill 532** be recommended for concurrence.

Ayes: (5) Senators Wirch, Plale, Holperin, Hopper and Lazich.

Noes: (0) None.

CONCURRENCE RECOMMENDED, Ayes 5, Noes 0



Michael Tierney
Committee Clerk

2pm room 201 SE

Agenda for 2-24-2010

I would like to call the Senate Committee on Small Business, Emergency Preparedness, Technical Colleges and Consumer Protection public hearing to order.

Senator Hopper is going to phone in today because his daughter is ill.

The Clerk will call the roll.

The bill on the agenda for today is **Assembly Bill 532**. The bill, as amended, passed the Assembly on a 96-0 vote.

I would like to call on the authors of the bill.

It seems clear that helping small and medium sized businesses and non-profits have greater access to capital will be beneficial to our communities.

Do we have any general ideas, at this point, on the impact this legislation could have on job creation and retention? What kind of multiplier effect these dollars might have?

If this bill passes and becomes law, how do small business owners take advantage of it? What steps should a small business owner take?





February 24, 2010

Wisconsin Capital Access Program – Assembly Bill 532
Senate Committee on Small Business, Emergency Preparedness, Technical Colleges and
Consumer Protection
Representative Peter Barca

Chairman Wirsch and members of the Senate Committee on Small Business, Emergency Preparedness, Technical Colleges and Consumer Protection, thank you for holding a public hearing on Assembly Bill 532, which would expand access to credit for small businesses by creating a state-wide Wisconsin Capital Access Program (WCAP) to provide banks with additional incentive to issue commercial loans which would not otherwise meet conventional underwriting standards.

Following the national economic downturn that occurred over a year ago, credit markets have drastically tightened and that has made it more difficult for small businesses to receive the funding they need to open and operate. This program attempts to motivate banks to lend to small businesses and ultimately produce a win-win for both businesses and banks.

The Wisconsin Capital Access Program encourages financial institutions to offer loans to small and medium-sized businesses that are slightly riskier than those that would be traditionally approved under conventional underwriting by establishing a loan loss reserve fund. The lender and the borrower pay a small percentage of the loan amount as an up-front insurance premium which is matched by the state and deposited into the reserve fund for the lender to use as additional collateral on the loan.

Currently, 26 states and two major cities have Capital Access Programs to encourage small business lending in a cost-effective manner. This proposal expands on a highly successful Capital Access Program which has been in operation in Milwaukee since 1992.

Under the program, the banks negotiate the loan terms directly with the borrower and use their own forms, standards, and procedures. This is not an incentive to make careless or risky loans, but the program can help get credit flowing again to businesses in need by providing supplemental reserve protection against potential loan defaults.

An additional benefit is that the program has a rather low cost for a large reward. The state must match only a small percentage of what are comparatively small commercial loans, however with the state's temporary investment in the loan loss reserve fund, loans can be granted that can spur economic development, create jobs, and prove profitable for banks. Reserve funds on loans that have been repaid are returned to the program to be reused in future loans.

Thank you for your time today and I hope that I can count on your support when Assembly Bill 532 comes for a vote before this committee.



Capital Access Program Basics

1. Off balance sheet Loan Loss Reserve for participating lenders.
2. Businesses must be located in four county Metro Milwaukee area: Milwaukee, Ozaukee, Waukesha, or Washington counties.
3. Began in 1992 with \$650,000 (total funding to date \$1,400,000):

City of Milwaukee	\$300,000
Wisconsin Dept. of Commerce	\$250,000
MEDC	\$100,000
	\$650,000

4. 935 Loans enrolled through 12/31/2009
5. Average Loan Size: \$55,946
6. Leverages \$37.36 for every \$1 in funding (\$52,309,754/\$1,400,000).
7. Average cost of program for every job retained and/or created is \$176.39 (\$1,400,000 / {2,553 PT + 5,384 FT}).
8. Loans to businesses owned by target population:
 - a. Minority: 40%
 - b. Female: 39%
9. Currently there are 19 enrolled lenders (27 signed agreements, reduced through mergers/acquisitions. 12 have participated in program by enrolling at least 1 loan.

Typical payback period - bank decision 1-2 year typical.

Leverage \$3,000,000 in loans. Very nice money flow a bank typically would. 350,000/year take next year to get banks enrolled. 100 small or not mature enough to fit in w/ SBA program. 26 other states.

15 years ago was pilot program by Senator Schickling.

Associated Bank	First Business Bank - Milwaukee	Harris Bank	InvestorsBank	JP Morgan Chase
Layton State Bank	Legacy Bank <i>Heavy user of program -</i>	M&I Bank	Miller Schroeder	Mitchell Bank
North Milwaukee State Bank	North Shore Bank	Park Bank (Milwaukee)	Securant Bank & Trust	TCF National Bank
Tri City National Bank	US Bank	Waukesha State Bank	Wells Fargo Bank	

US Department of Treasury - did create significant # of jobs.



CAPITAL ACCESS PROGRAM

Loan Filing Form – Exhibit 3

1. NAME OF LENDER: _____
2. BORROWER ACCOUNT /LOAN #: _____ DATE OF LOAN: _____
3. NAME OF BORROWER: _____ TAX ID # _____
4. ADDRESS OF BORROWER (NO PO BOX): _____ CITY _____ ZIP _____
5. BUSINESS CODE (NAICS OR SIC #): _____ TELEPHONE # _____
6. COVERED LOAN AMOUNT \$: _____ EMAIL _____
7. LOAN TYPE: TERM LOAN # OF MONTHS _____ OTHER/LINE OF CREDIT
8. ADDITIONAL AMOUNT (IF ANY) OF NON CAP DEBT BY LENDER TO BORROWER:
EXISTING: _____ NEW FUNDS: _____
9. BUSINESS OWNERSHIP: % OWNED BY MINORITIES _____ % OWNED BY WOMEN _____
10. CURRENT JOBS: FULL-TIME _____ PART-TIME _____
11. JOBS CREATED: FULL-TIME _____ PART-TIME _____
12. BORROWER'S CURRENT # MINORITY EMPLOYEES: _____ # FEMALE EMPLOYEES: _____
OF EMPLOYEES LIVE IN THE CITY OF MILWAUKEE _____
13. CURRENT ANNUAL SALES \$: _____ START-UP BUSINESS: YES/NO YEARS INEXISTING
14. TOTAL AMOUNT OF BORROWER PLUS LENDER DEPOSITS INTO RESERVE FUND: \$ _____
15. % OF LOAN AMOUNT (MINIMUM OF 3%) _____

FILL OUT LINES 15-17 ONLY IF REFINANCING AN EXISTING CAPITAL ACCESS PROGRAM LOAN

16. PREVIOUS COVERED LOAN AMOUNT ENROLLED \$ _____
17. LOAN BALANCE IMMEDIATELY PRIOR TO REFINANCING \$ _____
18. NEW TOTAL COVERED LOAN AMOUNT \$ _____

(NOTE: Line 18 minus line 16 should equal line 6 above)

IN FILING THIS LOAN FOR ENROLLMENT, THE LENDER MAKES THE REPRESENTATIONS AND WARRANTIES SPECIFIED FOR THE LENDER IN SECTION 2.2 OF THE CAP AGREEMENT.

LENDER AUTHORIZED SIGNATURE _____
PRINT NAME AND TITLE _____ DATE _____
EMAIL ADDRESS _____ PHONE _____

FOR MEDC USE ONLY

CAP # _____ Access # _____

Total % borrower/lender payment _____ Date of form and evidence of borrower/lender payment received _____

Early loan: Yes No Total CAP payment \$ _____ CAP payment check # _____

Date copy of loan filing form, as completed by MEDC, and CAP payment sent to bank _____

Signed _____ Dated _____

CENSUS TRACT: _____ CDBG: YES/NO RC: YES/NO NMTC: YES/NO NMTC HD: YES/NO HUB ZONE: YES/NO



CAPITAL ACCESS PROGRAM
Claim Form – Exhibit 4

- 1. NAME OF LENDER: _____
- 2. NAME OF BORROWER: _____
- 3. ADDRESS OF BORROWER: _____ CITY _____ ZIP _____
- 4. BORROWER ACCOUNT /LOAN #: _____ DATE OF LOAN: _____
- 5. BALANCE OF ENROLLED LOAN (IMMEDIATELY PRIOR TO CHARGEOFF) \$ _____
- 6. AMOUNT OF CLAIM:
 - A. PRINCIPAL \$ _____
 - B. ACCRUED INTEREST \$ _____
 - C. DOCUMENTED OUT OF POCKET EXPENSES \$ _____
 - TOTAL AMOUNT OF CLAIM (SUM OF A+B+C) \$ _____

I hereby certify that the above claim is accurate and justified in accordance with the Lender Participation Agreement for the Capital Access Program between MEDC and the above named Lender.

LENDER AUTHORIZED SIGNATURE _____

PRINT NAME AND TITLE _____ DATE _____

EMAIL ADDRESS _____ PHONE _____

NOTE: A COPY OF THE LENDER'S CHARGE-OFF MEMORANDUM MUST BE ATTACHED TO THIS FORM.