



HOUSE BILL 1043: 2020 COVID-19 Recovery Act, Sec. 4.2: Small Business Loan Assistance

2019-2020 General Assembly

Committee:		Date:	November 4, 2020
Introduced by:		Prepared by:	Dan Ettefagh Staff Attorney
Analysis of:	Sec. 4.2 of S.L. 2020-4		

OVERVIEW: Section 4.2 of S.L. 2020-4 allocates \$125 million to the Golden Leaf Foundation (GLF) for grants to entities for the purpose of providing emergency bridge loan funding for small businesses adversely affected by the COVID-19 epidemic. The section, in large part, mimics the existing bridge loan program GLF provides with non-State funds. The funds appropriated for this section of the act come from the Coronavirus Relief Fund, into which federal COVID-19 assistance has been transferred.

This section became effective May 4, 2020.

The program was amended by Section 1.6 of S.L. 2020-97 by changing loan terms and loan prioritization and making technical changes. This section became effective September 4, 2020.

BILL ANALYSIS: Subsection (a) of Section 4.2 of the act makes funds available to GLF for grants to entities for the purpose of providing emergency loans for businesses suffering economic loss resulting from the COVID-19 epidemic, prioritized to business establishments of 100 or fewer employees (measured at the time of the declaration of the State of Emergency). The program has the following notable elements:

- For the first six months after loan closing, the loans have no payments due and an interest rate of up to 4%. Thereafter, repayment would commence, and the interest rate would increase to not less than 5.5% for the rest of the loan term, which is capped at a total of 66 months and capped in amount at \$50,000 per recipient.
- GLF is directed to work with multiple entities to ensure all qualifying businesses are aware of the program and can use up to \$2 million to provide technical assistance to businesses working to apply for a loan from the program or for other federal assistance.
- Recipients have to certify loaned funds were used on behalf of a business in North Carolina and are required to repay the loan, to the extent federal funds represent a duplication of benefits, upon receipt of federal funds, provided that doing so does not negatively impair federal funding benefits (such as federal fund repayment forgiveness) or eligibility.
- Repaid loan amounts remain eligible for new loans to qualifying businesses until six months following the date the state of emergency ends.
- Pursuant to subsection (c) of Section 4.2 of the act and based on GLF having already used approximately \$15 million in non-State funds in an existing emergency/bridge loan program, there is a \$15 million required match for the \$125 million appropriation. No new matching funds from GLF other than what has already been provided is required.

Kory Goldsmith
Director

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- Subsection (c) of Section 4.2 of the act requires that the amount appropriated in the act for bridge loans be returned to the Coronavirus Relief Reserve minus (i) the amount used to provide assistance to a business to apply for a loan from the program or other federal assistance, (ii) the cost of administering all loans made under the program, capped at 5% and (iii) any amounts lost as a result of, e.g., default that represent the State's share of funding. Interest on the loans, as in past disaster relief loan programs, is retained by the lender to offset the costs of originating and servicing the loans.
- Under subdivision (d) of Section 4.2 of the act, GLF must report semi-annually on the program, including recipient NAICS codes, jobs retained, number and total amount of loans made, repaid, defaulted on, and recaptured, and the average loan amount.

EFFECTIVE DATE: The act became effective May 4, 2020.

Section 1.6 of S.L. 2020-97 modifies the Small Business Loan Assistance in the following ways:

- Increasing the scope of prioritization from businesses with 100 or fewer FTEs to 150 or fewer full-time equivalent employees.
- Increasing the max term of a loan awarded under the Program from 66 to 120 months.
- Increasing the max loan amount available to a recipient under the Program from \$50,000 to \$250,000.
- Delaying repayment of the loan awarded under the Program by a recipient from 6 to 18 months.
- Modifying net loan funds to be repaid by a recipient by excluding expenses incurred to recapture loan funds.
- Making technical changes.

EFFECTIVE DATE: This section became effective September 4, 2020.