

**Summary of Bill:**

In an effort to promote economic development in Alaska by helping small businesses access critically needed capital to grow their businesses, the Alaska Division of Investments (ADI) has developed the framework for a new loan program that would be modeled after a program currently operated through the federal Small Business Administration (SBA). For the purposes of this discussion we have named the program the “Alaska Micro Loan Program” (AMLP). The SBA program is currently available in 46 states, however it is not available in Alaska. The reason the program is not available in Alaska is that an intermediary lender is required and to date no lenders that meet SBA’s qualifications have an interest in pursuing this type of loan in the state.

**AMPL Program Specifics**

<i>Eligibility:</i>	<i>Alaska resident borrowers.</i>
<i>Maximum Loan:</i>	<i>\$35,000.</i>
<i>Maximum Term:</i>	<i>6 years.</i>
<i>Collateral:</i>	<i>Sufficient to secure the loan.</i>
<i>Equity:</i>	<i>Borrower must have at least a 10% equity position.</i>
<i>Capitalization:</i>	<i>\$3.5 million. The program would be set up as a Revolving Loan Fund so that all earnings and loan repayments would be retained by the fund for future loans. All operating expenses would also be paid from earnings of the fund.</i>
<i>Fees:</i>	<i>\$100 application fee and a 1% origination fee to be paid at loan closing.</i>
<i>Interest Rate:</i>	<i>Prime plus one with a floor of 6% and a ceiling of 8%</i>
<i>Operating Expenses:</i>	<i>Approximately \$77K per year. All operating expenses would be covered by income produced by the program.</i>

**Other Comments:**

The AMLP program would complement two existing small business loan programs currently administered by ADI, the Small Business Economic Development Revolving Loan Fund (SBEDRLF) and the Rural Development Initiative Fund (RDIF).

The SBEDRLF program involves federal money from the Economic Development Administration and is targeted at specific communities that have experienced economic hardship. The program has been primarily used for long term financing and requires that numerous federal requirements be met.

The RDIF program was created with state funds and is only available to small businesses located in communities of 5,000 or less if not connected by road or rail to Anchorage or Fairbanks or communities with populations of less than 2,000 if connected by road or rail to Anchorage or Fairbanks. The RDIF program has also primarily been used for long term financing.

On the other hand, the AMLP program would provide relatively short term, low interest loans to Alaska small businesses to be used for typical business purposes such as working capital, purchasing machinery, equipment, inventory and leasehold improvements. Loans would be available in all regions of the state and the application process would be relatively streamlined.

