



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Department of Commerce, Community,  
and Economic Development**

DIVISION OF ECONOMIC DEVELOPMENT  
Investments

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April 11, 2018

The Honorable Anna MacKinnon, Co-Chair  
Senate Finance Committee  
Alaska State Capitol  
Juneau, Alaska 99801

Dear Senator MacKinnon:

Thank you for the opportunity to comment on SB157 yesterday. As requested, I am following up with information on the Alaska Microloan Revolving Loan Fund (AMRLF), and to add clarification on testimony.

1) Common or Social Interest Rate:

Revolving loan funds are primarily used as a self-replenishing pool of money used to incentivize public policy goals. The interest rates are set to make the capital accessible, generate enough of a rate of return to replenish the fund for future loan allocations, cover administrative costs, and encompass the loan pool's risk.

2) Private market alternatives:

Due to the unique cash flow characteristics inherent to micro or boutique businesses, access to capital in the private sector is difficult, if not impossible to obtain. The program is designed to reach the Alaskans who do not have other alternatives.

3) How DED collects on defaulted loans:

DED collects on loans using the same industry standards found in the private sector. Loans are monitored by dedicated collection staff for payments due under the terms of the security documents, contact delinquent borrowers, set up payment arrangements, restructure loans if prudent, and conduct enforced collections as needed.

4) Bank decline process:

Bank denial letters must list a valid reason for denial. The reason must be related to the financial decision and not involve preferred loan terms. Valid denial reasons can include poor or insufficient credit history, unacceptable collateral to the bank, lack of historical income to service the debt, high unsecured debt, judgments, lack of relevant experience, high risk industry, inadequate business plan, etc. In some cases the loan officer will reject the denial letter for not clearly stating the reasons for denial, or the loan officer will contact the financial institution to get clarification.

5) Why non-standard borrowers:

Many of the loan programs administered by DED were crafted to provide services for Alaskans, and within industries that are not adequately serviced by the private sector. Some of the programs were created to accomplish important public policy goals by providing financing that is not readily available. The division has been administering loan funds for more than 45 years. DED also uses its expertise and infrastructure to conduct interdepartmental loan servicing for other agencies.

6) Where Funds reside:

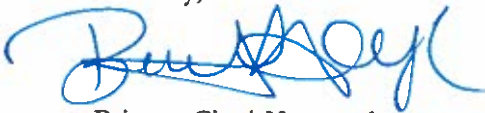
The unexpended monies from the loan funds reside in the treasury until they are loaned out. Interest earned on the Commercial Fishing Revolving Loan Fund and the Fisheries Enhancement Revolving Loan Fund is retained by the treasury. The other eight loan funds retain the earnings within the loan fund.

7) Audits:

DED has received no audit findings. We believe the loan fund referenced in the testimony is the Agricultural Revolving Loan Fund administered by the Department of Natural Resources.

During the hearing on April 10<sup>th</sup>, the Finance Committee also requested that the Division prepare a presentation on the operation and health of the loan fund. Work to prepare those documents is underway and will be provided separately from this follow-up.

Sincerely,



Britteny Cioni-Haywood  
Director

cc: Micaela Fowler, Legislative Liaison