

The NEXT Opportunity

Leveraging Opportunity Finance through State Legislation

October 2007



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Executive Summary

The policy and advocacy efforts of Opportunity Finance Network (OFN) have traditionally focused on advocacy that creates impact at the federal level. However, there is also an opportunity for state governments to focus attention on policies that can support the opportunity finance industry. State legislatures can be powerful in helping leverage opportunity finance at the local level. We believe that alliances between opportunity finance institutions and state governments will likely provide the next advocacy and policy opportunities for community development financial institutions.

This paper begins with a detailed quantitative analysis of the initiatives introduced to support opportunity finance in state legislatures during the 2007 legislative session. This year, there were more bills introduced to support opportunity finance than any other previous year. Next, the publication contains detailed synopses of each bill included in the study; categorized according to the type of program or funding the bill creates. Finally, OFN will share tips and provide useful tools on how an organization can successfully begin to conduct an advocacy campaign in its legislature. We hope this guide will assist our Members in designing and implementing a successful advocacy effort in their own state governments.



Analysis

Since 1996, at least 38 states have introduced legislation that supports CDFIs,¹ totaling 125 initiatives. The most recent legislative session marked a turning point for state support of the opportunity finance industry. More bills that benefit CDFIs were introduced this session than all similar bills introduced and passed in the previous decade combined. In 2007, there were several important bills introduced that passed to create CDFI funds based on the federal CDFI Fund model, including CDFI Fund in New York, a line item appropriation in a Virginia budget bill, and a community development act that benefits CDFIs in Louisiana.

The following states introduced legislation that supports opportunity finance this session.

■ Alabama	■ Illinois	■ Mississippi	■ Rhode Island
■ Alaska	■ Indiana	■ Montana	■ South Dakota
■ Arizona	■ Iowa	■ Nebraska	■ Texas
■ Arkansas	■ Kentucky	■ New Mexico	■ Utah
■ California	■ Louisiana	■ New Hampshire	■ Vermont
■ Connecticut	■ Maryland	■ New York	■ Virginia
■ Colorado	■ Massachusetts	■ North Carolina	■ Washington
■ Delaware	■ Maine	■ North Dakota	■ West Virginia
■ Florida	■ Minnesota	■ Oregon	
■ Georgia	■ Missouri	■ Pennsylvania	

During the 2007 legislative session there were drastically more bills introduced that impact the CDFI industry than any other previous year.² Most of these initiatives can be categorized as funds (grant and loan programs), tax credits, strategic initiatives, and predatory lending. Additionally, the status of the bills is either passed, pending, or dead. The 2007 legislative sessions also saw the introduction of strategic initiatives to support community development that do not involve direct appropriations to CDFIs. These strategies can be part of a broader economic development plan or stand alone as legislative remedies to particular issues within a state.

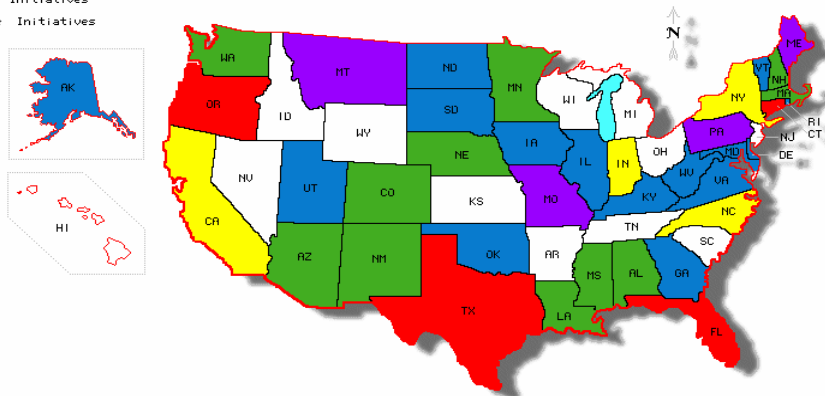
¹ This excludes Individual Development Account (IDA) legislation, which we came across in several states.

² It is important to note that the data collection method differed this year to include more types of initiatives. This caused the number of bills introduced to be far greater than last year. See Methodology, page 48.



States Supporting Opportunity Finance

- - One Initiative
- - Two Initiatives
- - Three Initiatives
- - Four Initiatives
- - Five Initiatives



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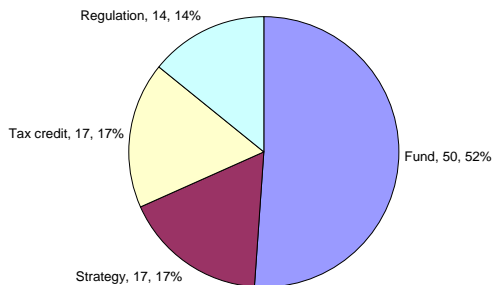
The color-coded map above shows each state based on the number of initiatives introduced this session that benefit opportunity finance.³ There were 98 bills introduced in 38 states. Yellow states are states that introduced more than five initiatives this session, and these states are California, Indiana, North Carolina, and New York. California and New York both introduced nine initiatives, Indiana introduced six, and North Carolina introduced seven. Red states, (Texas, Florida, Oregon, and Connecticut), introduced four opportunity finance initiatives. Montana, Missouri, Pennsylvania, and Maine, which are depicted in purple, each introduced three initiatives. Of all states, 24 percent introduced two opportunity initiatives. These states, depicted in green, include Alabama, Arizona, Colorado, Louisiana, Massachusetts, Mississippi, Minnesota, Nebraska, New Hampshire, New Mexico, and Washington. Finally, states in blue introduced one opportunity finance initiative, and include Alaska, Delaware, Georgia, Iowa, Illinois, Kentucky, Maryland, North Dakota, Oklahoma, Rhode Island, South Dakota, Vermont, Virginia, and West Virginia. States that are in white did not introduce any new legislation that benefits opportunity finance during the 2007 legislative session.

The pie chart on the next page details the number of initiatives introduced this session by type. There were 50 bills introduced that would create funds in 29 states. There were 17 tax credit initiatives introduced in 15 states that would provide credits for qualified investments. Several states, including Mississippi, North Carolina, and Pennsylvania introduced one of each type of bill. Twelve states also introduced strategic initiatives that would advance opportunity finance. Additionally, state legislatures began to address the issue of consumer protection by regulating unscrupulous lending practices, particularly in the wake of the turmoil in the subprime mortgage markets and the increased media attention focused on payday lending and other fringe financial institutions. There were 14 predatory lending bills introduced during this session, with Indiana introducing three and two in New York's legislature. These types of bills will likely continue to be introduced in other states across the country as

³ The color-coding is based on the number of initiatives introduced and does not reflect the number of bills that passed, pending, or dead.



Number of Initiatives Introduced By Type



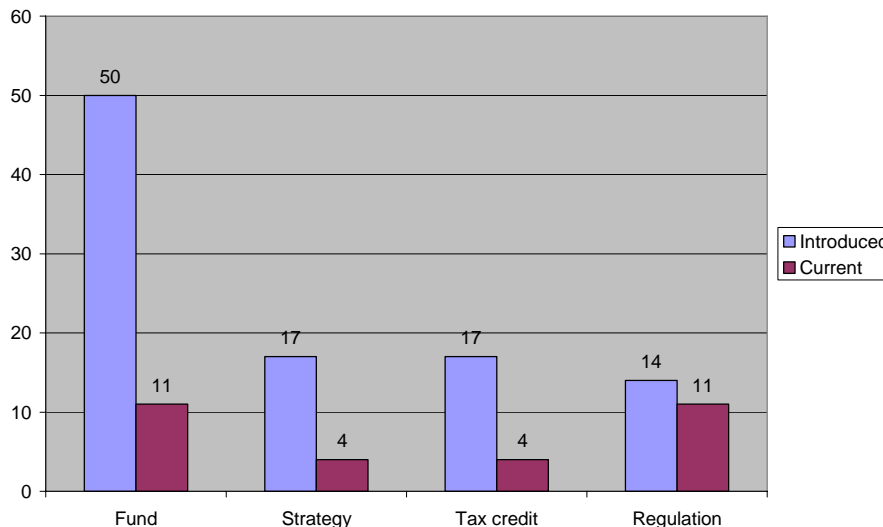
we see the results of years of abusive lending practices that threaten consumer wealth and household spending.

The chart below categorizes the 98 bills introduced this session based on the status of the bill. It is notable that certain types of bills fare better in legislatures than others. Although 47 percent of all bills were not passed, funds were the most popular type of legislation to introduce this year. Out of the 50 bills to create funds, 22 percent passed their legislatures. The 11 fund bills that passed were in California, Indiana, North Carolina, Oregon, Utah,

Nebraska, New Mexico, New York, Florida, Louisiana, and Virginia. There are 13 bills creating funds that are still pending in Pennsylvania, Vermont, Washington, California,⁴ Minnesota, New York,⁵ and Massachusetts. The remaining 26 fund bills died in their respective legislatures. Similarly, 16 tax credit bills were introduced but only four tax credit bills out of the 16 passed their legislatures in Arkansas, Louisiana, North Dakota, and Texas. This is counter to past trends where more tax credit legislation passed than CDFI fund legislation. Of strategic initiatives that were introduced, 23 percent are currently enrolled. The most successful bills in state legislatures this year dealt with predatory lending issues including mortgage, in which a staggering 78 percent of the initiatives introduced successfully passed.

The type of bill as well as its focus can influence the likelihood the bill will be passed and implemented. Funds, strategies, and tax credit bills can be focused to influence one particular aspect of community development. These bills are typically focused on housing, microenterprise, business, predatory lending, or have a general focus. There were also seven bills that did not fall into any of those categories, including bills with a rural or energy

2007 Types of Initiatives: Introduced vs. Current



focus.⁶ The charts on the next page show the bills introduced in 2007 categorized by focus area and the

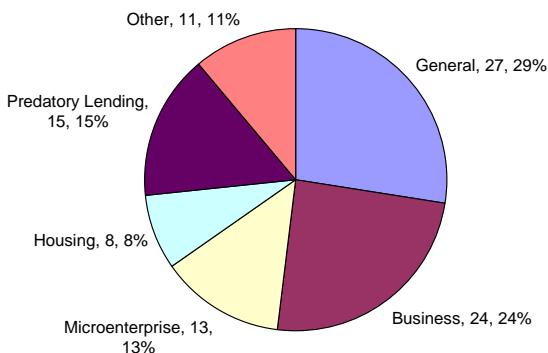
⁴ This is a different bill than the one that passed in California.

⁵ This is a different bill than the one that passed in New York.

⁶ These bills are grouped under the broad category of "other" for use in the analysis; however, in the detailed synopsis of the bills starting on page 10 the focus of the legislation is discussed specifically.



Initiatives Introduced by Focus Area



status of those bills based on focus, respectively. More than half of the bills introduced had either a general focus or a business focus. However, nearly 75 percent of bills with general focus and 70 percent of business focused bills were not passed. Similarly, only 25 percent of housing, predatory lending, and microenterprise focused bills were successful. Two initiatives classified as “other,” passed their legislatures, both are rural focused funds in Nebraska and Utah. The data suggests that

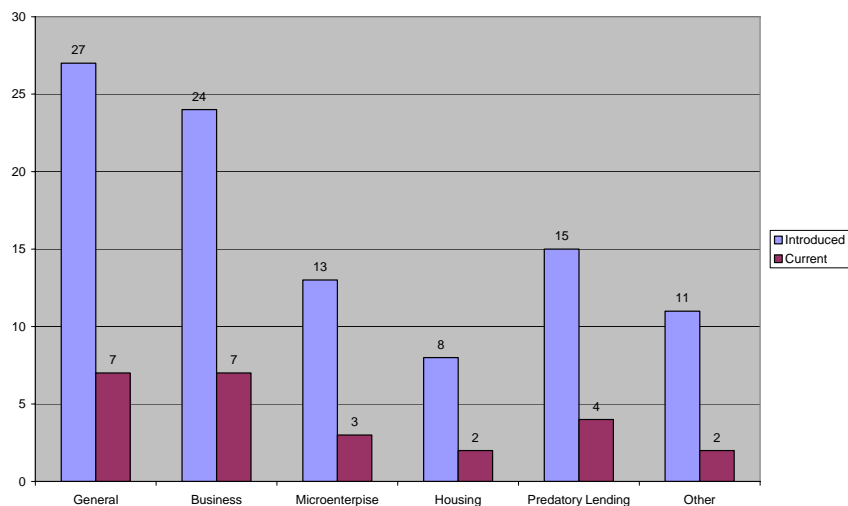
all bills, regardless of their focus area, have a 25 percent success rate of passing their legislatures.

There were 27 bills that had a general focus: 11 of those bills were tax credits, 10 were funds, five were strategies, and one was a regulation.

Eleven of the 13 microenterprise bills introduced were funds (86 percent), and two-thirds of the business focused bills were funds as well. Nearly all of the predatory lending bills (86 percent) were regulatory in nature, such as requiring licenses for mortgage brokering activities and limiting interest rates on

payday loans. The eight housing focused bills were comprised of five funds and three strategic initiatives. The majority (72 percent) of bills classified as “other” were funds, which had either a rural or energy focus.

Status of Initiatives by Focus: Introduced vs. Current

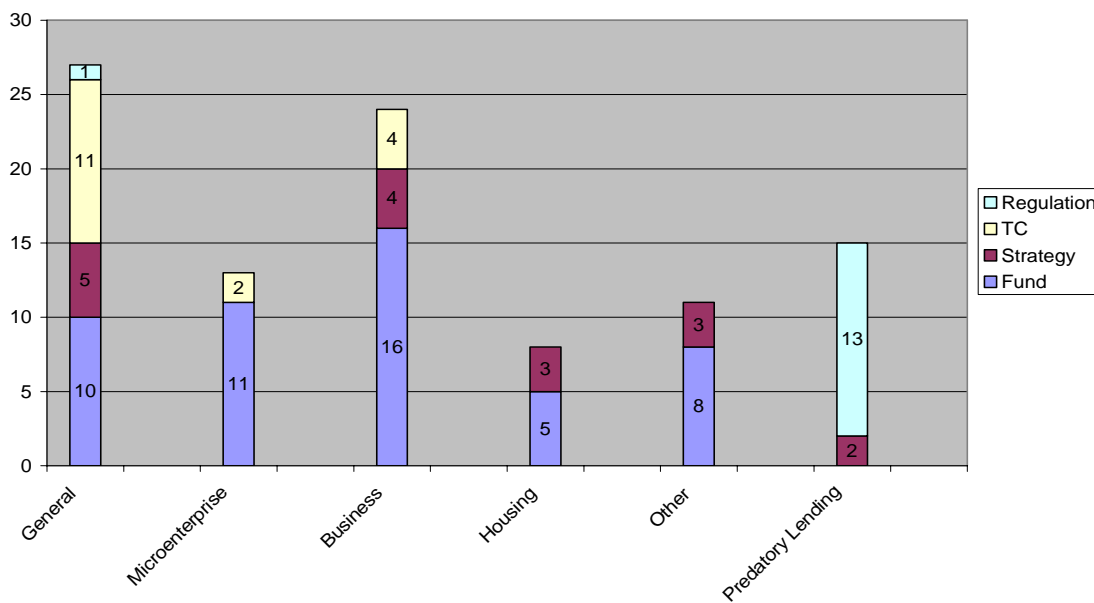


After examining the current initiatives based on type, status, and focus, additional statistical analysis was done to determine if a proposed initiative was more likely to succeed if no appropriation was required. The analysis included an assumption that an appropriation was required unless another funding source was identified either in the legislation or by program staff. Although tax credits do not require an appropriation, they are usually budgeted for in terms of program administration. For this analysis, we will assume that tax credits require no appropriation. Of the 98 initiatives introduced, 41 do not require



appropriations and are funded by bond issuances, rolled over from former loan funds, or diverted from existing funds.

Type of Initiative According to Focus

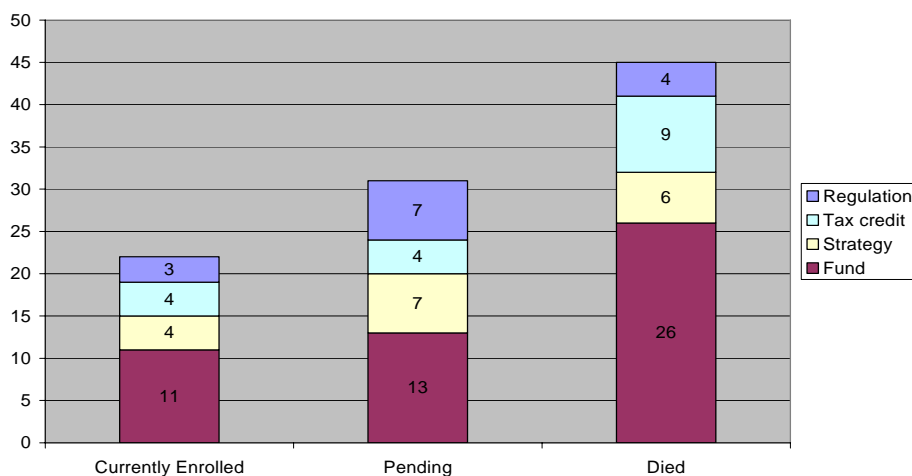


An initiative is slightly more likely to be implemented if no appropriation is required:

- Of all inactive bills, 67 percent require an appropriation, whereas 59 percent of current initiatives require an appropriation.

Type of Initiative According to Status

- Interestingly, a majority of the current initiatives did require an appropriation, which is a significant change from previous years. In 2006, 82 percent



of bills that required an appropriation were not passed or implemented. This year, where an appropriation is required, only 22 percent are current. Where no appropriation was required, 21 percent are current. Thus, it can be concluded that in this session, appropriation requirements did not affect the likelihood that a bill would pass the legislature.



Initiative Implementation According to Appropriation Required

	Appropriation required	No Appropriation required	Total
Current	13	9	22
Not Passed	30	15	45
Pending	14	17	31
Total	57	41	98

Only seven of the 98 initiatives (18 percent) target CDFIs specifically. The remaining initiatives had a broader focus. For example, some included CDFIs in their community building organizations (CBOs) criteria. Others included CDFIs in their lending-institution criteria or as eligible applicants for grant and loan funds. From the breakout below, it appears bills with CDFI specificity were marginally less likely to be passed or implemented.⁷

Initiative implementation according to CDFI specificity

	CDFI-specific	Not CDFI-specific	Total
Current	4	18	22
Not passed or not implemented	2	43	45
Pending	1	30	31
Total	7	91	98

⁷ Although CDFIs were not mentioned specifically in almost all bills, CDFIs are eligible to participate in many of the programs that are open to CDCs or nonprofits that have 501(c)3 tax status.



State Initiatives

There are several states with programs to support CDFIs through direct appropriation.

- In New York, the CDFI Assistance Program offers CDFIs flexible grants of up to \$50,000 that may be used for operating costs, technical assistance activities, as loan capital, and for loan loss reserves.
- In Pennsylvania, the Economic Development Financing Authority administers the Pennsylvania Community Development Bank (PCD Bank). The PCD Bank provides CDFIs in the state with grants for operating costs, technical assistance, and capitalization, as well as a loan pool financed through a combination of state appropriation and private investment.
- The California Organized Insurance Network (COIN) program provides a one-year, 20 percent tax credit for qualified deposits or equity investments of at least \$50,000 in California CDFIs. Since 1997, COIN has generated more than \$36 million of investment in California CDFIs, at a cost of \$7.3 million in tax credits.
- Maryland implemented the Neighborhood Intervention Program in 2003, which allows CDFIs to sponsor a neighborhood intervention project with financial assistance to individuals or business entities, community development organizations, or political subdivisions. CDFIs apply for funding (grants, loans, reduced principle or interest on a loan, or credit enhancements) based on projected financing in relevant projects. CDFIs must collaborate with nonprofit developers or local government on each project.

New York CDFI Fund Victory

Leaders in the CDFI industry have been working diligently to create CDFI fund programs in their states that are similar to the federal program. This year, the New York State Coalition of CDFIs was successful in helping to pass a bill that creates a fund in the state after a decade's long struggle. Following the establishment of the U.S. Treasury's CDFI Fund in the early 90s, CDFIs in New York formed a coalition to seek state support for community development finance with the objective of passing legislation creating a New York State CDFI Fund. Although the Coalition was successful in garnering funding of \$1 million per year from the State's Minority and Women-Owned Business Program (MWBE) to provide grants to CDFIs lending to MWBEs, a New York State CDFI Fund to provide grants for the full range of CDFI activities was still having trouble gaining traction in the state legislature. However, in 2006, two important events occurred: The Coalition made a serious and successful effort to develop bipartisan support for the bill, and the New York State Banking Department got behind the concept. Meanwhile, a new Governor, Eliot Spitzer, took office in January 2007. Once the legislation was passed, the Coalition worked with the new Governor's staff to bring them up to speed quickly on the work of CDFIs in New York so they could make a quality recommendation to Governor Spitzer regarding the bill. The bill was signed by Governor Spitzer on July 3, 2007. Even with the bill passed, the work of the New York CDFI Coalition is not finished. The bill passed with no current year funding and the Coalition is now working to ensure a \$5 million appropriation for the next fiscal year.



These programs provide a model for legislation that benefits the opportunity finance industry, and a number of states are introducing similar legislation.

- In North Carolina, a bill was introduced to grant \$1 million to the North Carolina Minority Support Center to provide financial and technical assistance to community development credit unions.
- A bill in Texas would require insurers to invest a portion of their assets into low-income communities analogous to the requirements for financial institutions under the Community Reinvestment Act.
- Mississippi's legislation is an amendment to a previous bill that seeks to increase the funds available to the Mississippi Development Authority to provide loans and grants to minority-owned businesses.
- Indiana's Microenterprise Partnership Program Fund awards grants of up to \$25,000 to nonprofit or community based organizations meeting the criteria of a Microloan Delivery Organization, as defined in the Act.

FUNDS: Bills that passed

Funds are bills that create grant or loan programs to support opportunity finance. There are many different types of funds, ranging from general funds that provide money for different types of community development corporations (CDCs) to funds that CDFIs can apply to for funds that appropriate money directly to a specific organization or cause, like affordable housing or microenterprise.

CALIFORNIA: Allocations under the Affordable Housing Innovation Fund, S.B. 586

TYPE: FUND

FOCUS: HOUSING

S.B. 586 details the programs that will receive funds from the Affordable Housing Innovation Fund. The bill establishes the Affordable Housing Revolving Development and Acquisition Program and provides \$25 million for the creation of a Loan fund and another \$25 million for a Practitioner fund. The Loan fund will provide loans to purchase land for affordable housing in low-income communities. Qualified recipients for the loan fund must be nonprofit lenders with at least \$25 million of the lenders' capital invested in loans to affordable housing developers. The Practitioner fund will provide loans for the purchase of land used for affordable housing for low- to moderate-income households, and recipients must be nonprofit organizations with housing development experience, and completed 3,000 units of affordable housing. Recipient nonprofits must have additional funds available three times the loan amount and assets of at least \$200 million. In addition, the bill establishes the School Housing Program, which will receive \$5 million to provide to community colleges and school districts for the creation of on-campus housing, and the Construction Liability Insurance Reform Pilot Program to provide grants for affordable condominium projects.

The bill also provides \$35 million to the local housing trust fund matching grant fund and \$5 million for the mobile home park resident ownership program. The bill will be administered by the Housing and



Community Development Committee, and requires an appropriation of \$100 million from the Proposition 1c⁸ Affordable Housing Innovation Fund. The bill became law on September 17, 2007.

http://www.leginfo.ca.gov/pub/07-08/bill/sen/sb_05510600/sb_586_bill_20070712_amended_asm_v95.pdf

FLORIDA: Affordable Housing Fund, H.B. 1375

TYPE: FUND

FOCUS: HOUSING

This bill adds an affordable housing provision into a land usage bill requiring the consideration of the need for affordable housing adjacent to or closely proximate to employment centers. The bill addresses the lack of affordable housing in the state, and revises local government housing plans to include bridge loan program for housing. The bill became law in early June 2007.

http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=_h1375er.doc&DocumentType=Bill&BillNumber=1375&Session=2007

INDIANA: Affordable Housing and Community Development Fund, S.B. 500

TYPE: FUND

FOCUS: HOUSING

This fund was created by amending sections of the Indiana Code. This fund provides financial assistance (specifically grants, loans, and loan guarantees) for the acquisition, construction, and rehabilitation of affordable housing and community economic development for low- and very low-income families, persons with disabilities, and homeless individuals. The fund is also available to provide technical assistance to nonprofit developers of low-income housing. At least 50 percent of the dollars allocated to the fund must be used to serve very low-income households. The bill removes the Indiana Housing and Community Development Authority as the administrator of the bill, but does not name a new administrator. It also does not appropriate a specific dollar amount into the fund for this fiscal year. The bill became law on May 10, 2007.

<http://www.in.gov/legislative/bills/2007/SE/SE0500.1.html>

LOUISIANA: Louisiana Community Development Act, S.B. 124

TYPE: FUND

FOCUS: GENERAL

S.B. 124 was introduced April 30, 2007 with a goal to alleviate poverty, increase jobs, and assist with the creation and expansion of small business in low-income areas through venture capital financing. The bill changes the certification requirements to become a CDFI in Louisiana and have access to the tax credits. The Department of Economic Development, which administers the bill, is to establish and implement criteria for grants and loans to community development corporations and community development financial institutions. These grants and loans must not exceed \$1 million for all recipients in any one fiscal year, and a single community development corporation or community development financial institution cannot receive more than 10 percent of the total amount of grants and loans funds available in one fiscal year.

<http://www.legis.state.la.us/billdata/streamdocument.asp?did=451031>

⁸ Proposition 1c is a comprehensive economic development bill that was approved by voters in 2006. The bill allocates money to a myriad of projects using the proceeds from a \$250 million bond issuance.



MONTANA: An Act Amending the Microbusiness Development Act, H.B. 137

TYPE: FUND

FOCUS: MICROENTERPRISE

The Microbusiness Development Act is a program that was introduced to assist in the creation, development, and financing of microenterprises with 10 or fewer employees by lending money to microbusiness development corporations. The program provides access to development loans for microbusiness development corporations, defined as a nonprofit corporation that provides training, technical assistance, and access to capital for qualified microbusinesses. Microbusiness development corporations that meet certain criteria are certified by the state and receive loans that can be used to satisfy matching requirements of other state, federal or private funding, or to create revolving loan funds for microbusinesses to make loans up to \$100,000. Under this amended legislation, microenterprises with gross revenues up to \$1 million in revenue are able to participate in the program, double the revenue limit in the original bill, and the loan amount available for microenterprises increased from \$35,000 to \$100,000. Although the bill does not appropriate any funding or indicate where the funding originates, it passed both chambers, was signed into law in March, and became effective on July 1, 2007.

<http://data.opi.mt.gov/bills/2007/billpdf/HB0137.pdf>

NEBRASKA: Building Entrepreneurial Communities Act, L.B. 232

TYPE: FUND

FOCUS: OTHER/RURAL

This initiative seeks to provide technical assistance for small business development in economically depressed rural communities in Nebraska through grant making. The grants provided are a maximum of \$75,000 per project with a qualification of 50 cents of matching funds required from the recipient for every dollar of grant money provided by the fund. Eligible communities are areas where the unemployment rate exceeds the state unemployment rate, the median income is less than the state median income, or the population has declined in the two most recent U.S. Census Bureau surveys. The Department of Economic Development and the Rural Development Commission will administer the bill. The bill passed the legislature and became law on April 25, 2007.

<http://uniweb.legislature.ne.gov/FloorDocs/Current/PDF/Slip/LB232.pdf>

NEW MEXICO: Minority Business Assistance Act, H.B. 955

TYPE: FUND

FOCUS: BUSINESS

The Minority Business Assistance Fund was created under this act to provide grant money to mentor, guide, and assist minority business owners with training, technical assistance, accounting, and ethical practices to help these businesses gain entrance in the marketplace. The Department of Economic Development will administer the Fund. The bill was signed into law on April 2, 2007.

http://legis.state.nm.us/lcs/_session.asp?chamber=H&type=++&number=955&year=07



NEW YORK: CDFI Fund, S 3575-A

TYPE: FUND

FOCUS: GENERAL

The bill amends the New York State Urban Development Corporation Act to create a CDFI program. The bill does not address how the Fund will be capitalized, but many lawmakers are envisaging bank investments tied to strategic incentives as the source of capital. It also does not contain specifics as to the Fund's format, such as whether the Fund will issue grants or loans, nor criteria for disbursement. In former bills, the Fund was described as an independent entity, which lawmakers did not favor. The Fund is housed in the Empire State Development Corporation (ESDC) and ESDC will also exercise some control over the Fund. The bill became law on July 3, 2007.

Web link not available.

NORTH CAROLINA: Small Business Financing Fund, H.B. 1181

TYPE: FUND

FOCUS: BUSINESS

H.B. 1181 was introduced to foster economic development and job creation through financial assistance to small businesses that are unable to obtain financing and bonding assistance necessary to procure contracts. The bill creates the North Carolina Small Business Contractor Authority, an organization that will administer the Small Business Financing Fund. This new special revenue fund will make direct loans to the small businesses and guaranty payments on behalf of the small business. Eligible recipients must have a history of financial responsibility, though the bill does not define financial responsibility in reference to this legislation. The bill became law on January 1, 2008.

<http://www.ncga.state.nc.us/Sessions/2007/Bills/House/HTML/H1181v5.html>

OREGON: Mezzanine Financing Fund, S.B. 150

TYPE: FUND

FOCUS: BUSINESS

This bill creates the Mezzanine Financing Fund within the State Treasury to bridge the financing gap between the capital provided by loans from financial institutions and loans provided by venture capital funds. The funds will be appropriated to the Economic and Community Development Department to pay for projects that require financing that would not typically be available to businesses considered risky by traditional bank financing standards or that would not traditionally be financed by venture capital funds. The bill appropriates \$1 million to the Fund for use through the end of fiscal year 2009. The bill and became law on March 23, 2007.

<http://www.leg.state.or.us/07reg/measpdf/sb0100.dir/sb0150.a.pdf>

UTAH: Rural Fast Track Program, S.B. 10

TYPE: FUND

FOCUS: OTHER/RURAL

This bill creates the Rural Fast Track Program as part of the Industrial Assistance Fund in order to provide financial incentives for small businesses in rural Utah to create high-paying jobs in rural areas across the state. The bill allocates 20 percent of the money in the Industrial Assistance Fund to fund the program. The businesses eligible to receive the funds must: operate in counties in the state with populations of less than 30,000, average household income of less than \$60,000 in the most recent census, be operational in



the state at least two years, and have at least two employees. Qualified business entities will be eligible for cash awards based on the premium salary paid to employees over the average county wage, up to a maximum award of \$50,000 dollars. The bill became law on March 7, 2007.

http://bb.utahsenate.org/perl/bb/bb_find.pl

VIRGINIA: Community Development Line Item Appropriation, H.B. 1650

TYPE: FUND

FOCUS: GENERAL

H.B. 1650 is a budget bill from the Virginia Governor that includes a line item increase in the appropriation available for Community Development Services. The bill requires that out of the amounts for Community Development Services, \$200,000 the first year and \$200,000 the second year shall be provided from the general fund to support a community development financial institution that makes business and housing loans in distressed communities and to distressed populations. Additionally, the Director of the Department of Housing and Community Development, which will administer the bill, and another appointee of the Governor will serve as members of the board of directors of the community development financial institution.

<http://leg2.state.va.us/MoneyWeb.NSF/sb2007>



FUNDS: Pending Bills

CALIFORNIA: Small Business Expansion Fund, A.B. 610

TYPE: FUND

FOCUS: BUSINESS

The Small Business Financial Development Corporation Law in California creates small business financial development corporations that can make or guarantee loans to small businesses through the Small Business Expansion Fund. The Fund provides financing to these corporations for loan guarantees provided the corporation has loan loss reserves of at least 25 percent. An interesting provision of this bill allows the director of the fund to reallocate the funds from corporations that are not effectively using the funds to other corporations, only after considering the effect a withdrawal of funds will have on the corporation's solvency. The bill passed the Assembly and Senate on September 12, 2007, and will now go to Governor Schwarzenegger for his signature or veto.

http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_0601-0650/ab_610_bill_20070831_amended_sen_v97.pdf

CALIFORNIA: Microenterprise Development Fund, A.B. 816

TYPE: FUND

FOCUS: MICROENTERPRISE

The legislature promotes microenterprise development as part of a comprehensive economic development strategy, hoping to create jobs and augment the income of low- to moderate-income people. Under the administration of the Business, Transportation and Housing Agency, one-time grants of up to \$100,000 will be available, with at least 40 percent of the available funds going to microenterprise development organizations that serve rural communities. Currently, the bill is the House Appropriations Committee awaiting a second hearing.

http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_0801-0850/ab_816_bill_20070501_amended_asm_v98.pdf

CALIFORNIA: Infill Incentive Grants, A.B. 997

TYPE: FUND

FOCUS: GENERAL

This bill, administered by the Department of Housing and Community Development uses funds from the Regional Planning, Housing and Infill Incentive Account to provide grants to cities, counties, nonprofit organizations, incorporated mutual water companies, and special districts who invest in capital projects at infill sites.⁹ This bill sets aside \$150 million from the account to invest and develop in communities of populations less than 30,000 people. The bill also includes \$90 million for urban planning that incorporates water conservation methods. CFDIs are not specifically mentioned in the bill. The bill is currently in the Housing and Community Development Committee.

http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_0951-1000/ab_997_bill_20070222_introduced.pdf

CALIFORNIA: Amendment to Emergency Housing and Trust Fund Act, A.B. 1017

TYPE: FUND

FOCUS: HOUSING

An allocation (an unspecified percent) of the proceeds from the bond issuance under the Housing and Emergency Shelter Trust Fund Act of 2006 must be used to assist low-income families with the purchase

⁹ Infill site refers to a small gap between similar developments.



of their first home. Grant applicants (entities that develop, own, lend, or invest in affordable housing) that provide matching funds for the grants will receive priority in the application process. In addition, projects that receive funding must be consistent with the overall economic development plan of the jurisdiction in which it is located. The bill is currently in the Housing and Community Development Committee.

http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_1001-1050/ab_1017_bill_20070409_amended_asm_v98.pdf

MASSACHUSETTS: Small Business Technical Assistance Grants, H.B. 190

TYPE: FUND

FOCUS: MICROENTERPRISE

This bill seeks to provide grants up to \$75,000 for Small Business Technical Assistance Grants to community development corporations and CDFIs with fewer than 20 employees. The Department of Business and Technology will administer the bill and file an annual report with the House and Senate Ways and Means Committee and the Joint Committee on Economic Development and Emerging Technologies. The bill passed both the House and Senate and a public hearing was held on June 20, 2007, but the session adjourned without passage of the initiative.

<http://www.mass.gov/legis/bills/house/185/ht00pdf/ht00190.pdf>

MINNESOTA: Minority Business Development, S.F. 1334

TYPE: FUND

FOCUS: BUSINESS

Under this bill, \$4.5 million is appropriated from the general fund to the commissioner of employment and economic development for the through June 30, 2009. The bill allocates up to \$1.5 million for the urban challenge grant program as a grant to the Neighborhood Development Center to increase minority enterprise retention. Grant funding allocated for microenterprise loans, other loans, technical assistance, and training. The bill was in the Senate Finance Committee when the current session ended.

<http://ros.leg.mn/bin/bldbill.php?bill=S1334.0.html&session=ls85>

MINNESOTA: WomenVenture Act, S.B. 1272

TYPE: FUND

FOCUS: BUSINESS

This legislation appropriates \$560,000 from the general fund to the commissioner of employment and economic development for a grant to WomenVenture for women's business development programs. This appropriation would be available starting from the bill's enactment and ending June 30, 2009. The bill was in the Senate Finance Committee when the current session ended.

<http://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=S1272.0.html&session=ls85>

NEW YORK: An Act to Amend the Economic Development Law, A.B. 8071

TYPE: FUND

FOCUS: MICROENTERPRISE

The Assembly seeks to leverage private sector support to expand microenterprises in the state. The Commissioner of Department of Economic and Community Development will administer a microenterprise grant program to provide technical assistance and capacity building for microenterprises with fewer than



10 employees. The bill appropriates \$1.5 million this fiscal year, and contains a provision requiring an appropriation of at least \$1 million each year thereafter. Community development corporations and other nonprofits that provide services to microenterprises are also eligible to receive grants under this legislation. The bill is pending in the Committee on Economic Development, Job Creation, Commerce and Industry.

<http://assembly.state.ny.us/leg/?bn=A08071&sh=t>

NEW YORK: Insurer Fund for Underserved Neighborhood/Rural Area Economic Development Corporation, A.B. 3564

TYPE: FUND

FOCUS: GENERAL

This legislation requires insurers to invest a portion of their assets in low-income communities in the state, similar to the federal Community Reinvestment Act that regulates banks. It creates the "IFund Corporation," a new nonprofit investment company that is required to invest at least \$100 million in fiscal year 2007-08 in loans and loan purchases from community development corporations and other qualified community development entities, financing of affordable housing for low- to moderate-income consumers, or the purchase of state government bonds that benefit low-income communities. This bill is pending in the Assembly Insurance Committee.

<http://assembly.state.ny.us/leg/?bn=A3564>

NEW YORK: Small Business Energy Loan Program, A.B. 5494

TYPE: FUND

FOCUS: OTHER (BUSINESS/ENERGY)

The bill amends the New York State Urban Development Corporation Act to create the Small Business Energy Loan Program. The Loan Fund would make low- and zero-interest loans to small businesses in low-income designated areas in order to implement energy efficiency measures that would reduce the businesses' operating costs. The bill allows the Loan Fund to buy down the interest rate by up to four percent on loan participations from banks, credit unions, CDFIs, or farm credit associations, which would create more demand for CDFI products. There is no projected appropriation offered in the bill. As of August 2, 2007, the bill passed the Assembly and is currently in a Senate committee.

Web link not available.

PENNSYLVANIA: Statewide Barrio Nuevo Latino Community and Economic Development Act, H.B 1305

TYPE: FUND

FOCUS: GENERAL

A specific line item appropriation to the Pennsylvania Association of Latino Organizations, this bill's purpose is to strengthen infrastructure and spur economic development through housing initiatives and community development activities in Latino communities across the state. The bill establishes the Statewide Barrio Nuevo Latino Community and Economic Development Act to provide for capacity building, technical assistance, neighborhood based development, and housing through Latino community-



based organizations. The program provides a minimum of \$2 million per year of funding for at least three years to implement economic development initiatives. The bill is currently in the House Commerce Committee.

<http://www.legis.state.pa.us/CFDOCS/Legis/PN/Public/btCheck.cfm?txtType=PDF&sessYr=2007&sessInd=0&billBody=H&billTyp=B&billNbr=1305&pn=1610>

VERMONT: Job Start Program, H.B. 453

TYPE: FUND

FOCUS: OTHER

H.B. 453 alters Vermont's current Job Start program with legislation that would allow a Vermont CDFI to administer the Job Start Program. The bill also creates the Job Start Revolving Loan Fund, a microenterprise loan program funded through state and federal appropriations. The bill would allow the Fund to provide loans of up to \$25,000 to small businesses in the state. Additionally, the Revolving Loan Fund must have two board members who are former borrowers from the Fund. The bill passed the House and is now in the Senate Rules Committee.

<http://www.leg.state.vt.us/docs/legdoc.cfm?URL=/docs/2008/bills/house/H-453.HTM>

WASHINGTON: Microenterprise Development Program, H.B. 1074

TYPE: FUND

FOCUS: MICROENTERPRISE

This legislation introduces the Microenterprise Development Program to assist microenterprises with technical and financial assistance as well as training. In addition, the Department of Community, Trade and Economic Development, the administrator of the bill, is to provide organizational support to a statewide nonprofit microenterprise association by providing funds for capacity building for the microenterprise association and microenterprise development organization organizations. The microenterprise association is comprised of microenterprise development organizations (MDOs), which are defined as nonprofit development or social services organizations that serve low-income entrepreneurs. The criteria for an MDO to receive a grant are urban and rural representation of all geographic areas in the state, the scope, and delivery of business development services to low-income communities, ability to work with other organizations and financial institutions, and the operating funds of the application. Any entity receiving grant funding is required to match 25 percent of the grant funding. Finally, the program may also provide loans or loan guarantees to revolving loan funds that lend exclusively to low-income microentrepreneurs. The bill was pending in the Committee on Community, Trade and Economic Development when the session ended.

[http://www.leg.wa.gov/pub/billinfo/2007-08/Pdf/Bills/House percent20Bills/1074.pdf](http://www.leg.wa.gov/pub/billinfo/2007-08/Pdf/Bills/House%20Bills/1074.pdf)



FUNDS: Bills that died

ALABAMA: An Act Appropriating to the Hope Unity Fund, S.B. 242

TYPE: FUND

FOCUS: GENERAL

This legislation appropriates \$1 million to the Hope Unity Fund in fiscal year 2007-2008. The Hope Unity Fund is to receive \$150,000 for operating expenses, administrative costs, research, advocacy, training, capacity building, and technical assistance to community development corporations (CDCs) and community development credit unions (CDCUs) in distressed communities. The bill also appropriates \$400,000 to leverage federal dollars provided through the CDFI fund to capitalize Hope Unity Fund's Community Development Fund and to provide technical assistance for the Fund. An additional \$150,000 is for the Community Development Credit Union's Investment Fund to provide operating grants, and the remaining \$300,000 is for investment in new and emerging CDCs for housing and building human capital in the state. The bill died in the Senate Committee on Finance and Taxation General Fund.

<http://alisd.b.legislature.state.al.us/acas/ACTIONViewFrame.asp?TYPE=Instrument&INST=SB242&DOCPATH=searchableinstruments/2007RS/Printfiles/&PHYDOCPATH=//alisd.b/acas/searchableinstruments/2007RS/PrintFiles/&DOCNAME=SB242-int.pdf>

ARIZONA: Small Business Loans, H.B. 2173/S.B. 1145

TYPE: FUND

FOCUS: GENERAL

The bill amends the Revised Arizona Statutes to establish a microloan program to assist any for-profit business with less than 100 employees with job creation. The loan program provides loans of up to \$35,000 dollars. The program would extend through July 1, 2017. The program is funded through an appropriation of \$5 million for fiscal year 2007-2008 from the state general fund. The bill died in the House Commerce Committee when the legislature adjourned in late June.

<http://www.azleg.gov/legtext/48leg/1r/bills/hb2173p.pdf>

CONNECTICUT: An Act Concerning Connecticut's Energy Vision, H.B. 7081

TYPE: FUND

FOCUS: OTHER (ENERGY/MICROENTERPRISE)

In concurrence with the Governor's energy vision, H.B. 7081 establishes a biofuel production incentive program administered by the Department of Economic and Community Development. The program provides low-interest loans for the construction of small businesses that serve as processing facilities for local biofuel feedstock crops and production plants. Small business is defined as a business that is independently owned and operated, headquartered in Connecticut, and employs no more than 120 full-time employees. The commissioner may provide loan interest rate reductions from the loan fund for eligible improvements. In order to be eligible for an interest rate reduction, a small business is required to identify an eligible improvement project, provide necessary documentation, and receive a loan commitment from a participating lender, including a bank, credit union, community development financial institution, or farm credit association. The bill died in the Joint Committee on Energy and Technology.

<http://www.cga.ct.gov/2007/TOB/h/pdf/2007HB-07081-R00-HB.pdf>



CONNECTICUT: Community Economic Development Fund, H.B. 7341

TYPE: FUND

FOCUS: MICROENTERPRISE

A pilot microbusiness program is established in this bill, administered by the Commissioner of Economic and Community Development, who will make a \$250,000 grant to the newly created Community Economic Development Fund. The grant money will provide funding to organizations that support and generate microenterprises. In order to be eligible for the grant, these organizations must demonstrate identifiable links between to the local community, particularly the organization's ability to locate low- and moderate-income entrepreneurs to start microenterprises in the area or identify market demand for products and services. The bill died in the Joint Commerce Committee.

<http://www.cga.ct.gov/2007/TOB/h/pdf/2007HB-07341-R00-HB.pdf>

IOWA: Community Entrepreneurial Act, H.B. 867

TYPE: FUND

FOCUS: BUSINESS

The Department of Economic Development is to establish and administer a new program called the Iowa Community Entrepreneurial Program. The program will provide loans, forgivable loans, and technical assistance for certain small businesses from the newly created Iowa Community Entrepreneurial Fund. Eligible businesses must have 50 or fewer employees, create at least two new jobs, are not a retail business, and pay at least the average county wage. The maximum amount available for the two types of loans is \$250,000, and can be used for business expenses or capitalization. Forgivable loans are only available to applicants located in counties with populations of 25,000 or less based on the 2000 Census, and are based on the number of jobs the eligible business has pledged to create within one year after submission of the application for financial assistance. Technical assistance grants are limited to \$25,000. All grants and loans must be approved by the Iowa economic development board, and are limited to a term of seven years. Priority points are awarded to businesses that have approved business plans or received financial counseling from small business development centers. The funding for this bill comes from a \$2.65 million appropriation from the general fund for use in fiscal years 2007 through 2012. The bill died in the House Committee on Economic Growth.

Web link not available.

MAINE: An Act to Authorize a General Fund Bond Issue to Stimulate the Midcoast Economy, H.B. 539

TYPE: FUND

FOCUS: BUSINESS

H.B. 539 proposes a \$20 million bond issuance to stimulate the economy of the midcoast area of Maine. Proceeds from the bond will fund \$2 million in grants and loans for the expansion of existing business, and venture capital for start-ups and expansion of existing businesses. The funds would be disbursed by the Department of Economic and Community Development, the Finance Authority of Maine and the Department of Transportation. The bill died in the Senate.

<http://janus.state.me.us/legis/LawMakerWeb/billtextsearch.asp>



MAINE: An Act to Generate Entrepreneurship, Small Business Development and Employment Among Women and Rural Residents, L.D. 611

TYPE: FUND

FOCUS: MICROENTERPRISE

This legislation appropriates \$375,000 each year from the General Fund, starting in fiscal year 2007-2008 to provide training, small business development, and financial management assistance. The aim of the bill is to help women and rural entrepreneurs create, sustain, and expand microenterprises throughout the state. The bill died in the Joint Committee on Appropriations and Financial Affairs.

<http://www.cga.ct.gov/2007/TOB/h/pdf/2007HB-07341-R00-HB.pdf>

MISSISSIPPI: Amending the Mississippi Code, H.B. 1103

TYPE: FUND

FOCUS: BUSINESS

H.B 1103 amends Mississippi code to authorize The Mississippi Development Authority to provide grants and loans to minority-owned businesses and agribusiness under certain terms. The legislation requires minority business owners to obtain secure letters of credit, guarantee bid, performance, and payment bonds, as determined necessary by the authority, in order to contract with federal agencies, state agencies, or political subdivisions of the state. There is no additional appropriation required as funds are earmarked from an existing program. The bill died in committee.

<http://billstatus.ls.state.ms.us/documents/2007/html/HB/1100-1199/HB1103PS.htm>

MONTANA: Small Business Development, H.B. 331

TYPE: FUND

FOCUS: GENERAL

This bill appropriates \$720,000 to the Department of Commerce for small business development and to provide funding for certified regional development corporations. The funds are allocated to three programs: \$150,000 for a small business development center, \$60,000 for a small business innovation research project, \$510,000 for regional development corporations. The funding for the programs is from the states coal severance tax. H.B. 331 died in standing committee.

<http://data.opi.mt.gov/bills/2007/billpdf/HB0331.pdf>

MONTANA: Minority and Women Business Development Office, H.B. 601

TYPE: FUND

FOCUS: MICROENTERPRISE

H.B. 601 creates within the Department of Commerce, the Minority and Women Business Development Office to help businesses owned by women and minorities procure state contracts. It also creates a microbusiness finance program to certify microenterprise development corporations (MDC), award development loans to certified microenterprise development corporations, establish rules and regulations for MDCs to follow when administering revolving loan funds, and determine interest rates and default guidelines for development loans. This bill died in committee when the session adjourned.

<http://data.opi.mt.gov/bills/2007/billpdf/HB0601.pdf>



NEW HAMPSHIRE: Northern Counties Development Act, S.B. 174

TYPE: FUND

FOCUS: GENERAL

The bill establishes the Northern County Development Authority, which will implement and oversee the state's comprehensive economic development plan to revitalize three counties in Northern New Hampshire. There are two funds: the North County Fund and an Administrative Fund. The North County Fund provides financing for economic development activities in Carroll, Coos, and Grafton counties. The administrative fund is for the general administration and operation of the authority. The bill appropriates \$450,000 each year for FY 2008 and FY 2009 from the general fund. The bill is to be administered by the New Hampshire Municipal Association. The bill was re-referred to the Senate Energy, Environment and Economic Development Committee, where it died in mid-March.

<http://www.gencourt.state.nh.us/legislation/2007/sb0174.html>

NEW MEXICO: Microenterprise Appropriations, H.B. 26

TYPE: FUND

FOCUS: MICROENTERPRISE

This bill appropriates \$350,000 from the general fund in fiscal year 2008 to provide community development capital for underserved markets and communities. The recipient must be a social and financial bottom-line equity organization that will invest in capacity building services to small businesses throughout the state, with a focus on rural communities. The bill will be administered by the Department of Finance and Administration, and it died in the House Appropriations and Finance Committee.

[http://legis.state.nm.us/Sessions/07 Regular/bills/house/HB0026.pdf](http://legis.state.nm.us/Sessions/07%20Regular/bills/house/HB0026.pdf)

NORTH CAROLINA: Rural Economic Development Center, H.B. 10

TYPE: FUND

FOCUS: BUSINESS

This bill appropriates \$2,597,410 to the Rural Economic Development Center for fiscal years 2007-2008 and 2008-2009. The money is for community development grants to support development projects in minority communities. Any new or previously funded community development corporation (CDC) is eligible to apply for funding, provided the corporation has 501(c)(3) tax status, a primary mission to develop and improve low-income communities through economic development, job, and affordable housing creation, and increases their constituencies' opportunities to own small businesses. The bill allocates \$2,347,410 for direct grant support to CDCs for operation and project support, \$200,000 for technical assistance, and \$50,000 to the Rural Economic Development Center to cover the expenses of administering the program. This bill died in the House Appropriations Committee in early April.

<http://www.ncga.state.nc.us/Sessions/2007/Bills/House/HTML/H10v2.html>

NORTH CAROLINA: NC Indian Development Initiative, H.B. 302

TYPE: FUND

FOCUS: OTHER/NATIVE

This legislation appropriates \$425,000 from the General Fund to the Department of Administration for funding to spur economic development and job creation in rural Native Communities in the state. The bill died in the House Appropriations Committee.

<http://www.ncga.state.nc.us/Sessions/2007/Bills/House/HTML/H302v1.html>



NORTH CAROLINA: NC Minority Support Center Funds, S.B. 623

TYPE: FUND

FOCUS: BUSINESS

The bill gives funds to the North Carolina Minority Support Center to further the state program of bringing financial services and products to underserved communities. NC Minority Support Center provides intensive support to three credit unions: Generations Credit Union, Latino Community Credit Union, and First Legacy Credit Union. The Center and all three credit unions are certified CFDis. The bill appropriates \$6 million for FY 2007-2008 and an additional \$6 million for FY 2008-2009. The funds are to be allocated in this manner: \$600,000 to the NC Minority Support Center and \$400,000 to the three credit unions for administration and technical support. The remaining \$5 million will be distributed to the credit unions to expand branch locations and the products and services offered to consumers in the form of direct grants. The funds will be appropriated from the General Fund and the bill will be administered by the Department of Commerce. The bill died in the Senate Committee on Appropriations/Base Budget.

<http://www.ncga.state.nc.us/Sessions/2007/Bills/Senate/HTML/S623v1.html>

NORTH CAROLINA: Community Economic Development Funds, H.B. 656

TYPE: FUND

FOCUS: GENERAL

This bill appropriates \$700,000 to the North Carolina Association of Community Development Corporations and to the Department of Commerce from the General Fund to strengthen community development corporations. The bill also appropriates \$3 million in both fiscal year 2007-2008 and 2008-2009 to the North Carolina Community Development Initiative, Inc (NCCDI) to increase the corporation's ability to make grants and loans and provide technical assistance for community development projects in the state. NCCDI also receives \$4 million to leverage Initiative Capital, Inc, the corporation's lending subsidiary. The North Carolina Institute for Minority Economic Development will also receive \$1 million in funds in FY 2007-08 and 2008-09. The North Carolina Minority Support Center receives \$5 million for program and capacity grants to Generations Credit Union, Latino Community Credit Union, and First Legacy Federal Credit Union to increase consumer access to affordable financial services. The bill died in the House Appropriations Committee.

<http://www.ncga.state.nc.us/Sessions/2007/Bills/Senate/HTML/S656v1.html>

NORTH CAROLINA: NC Rural Infrastructure Fund, H.B. 1225

TYPE: FUND

FOCUS: OTHER/RURAL

H.B. 1225 appropriates \$20 million to the North Carolina Rural Economic Development Center for fiscal year 2007-2008 to expand the North Carolina Rural Economic Infrastructure Fund to target severely distressed rural areas. Local governments and nonprofit organizations in rural areas are eligible for grants, with priority for the grant funding given to economic development projects that meet one or more of the following criteria: located in a county whose poverty rate is at least 150 percent of the state's poverty rate, located in a community that has experienced an economic downturn with business closings, layoffs and rising unemployment, located in a town of less than 10,000 people, the project is coordinated with other economic development and community building projects in the area, or expands small



business in the area. Local governments and nonprofit recipients are not required to provide matching funds for the grants. The bill died in the House Appropriations Committee.

Web link not available.

OREGON: Alternative Access Capital Program, H.B. 2981

TYPE: FUND

FOCUS: GENERAL

This legislation creates the Alternative Access Capital Program. Under the administration of the Department of Economic and Community Development, the program is designed to provide loan loss reserves to qualified entities engaged in alternative lending. Qualified entities, which must have IRS 501(c)(3) tax-exempt status, will enter into a contract with the aforementioned department, and will create a loan loss reserve for the organization equal to 10 percent of the company's total outstanding loans enrolled in the program. Organizations can seek reimbursement from the Alternative Capital Access Fund prior to the liquidation of collateral from defaulted loans. The fund will contain monies from the federal and state government in the form of grant and direct appropriation respectively, as well as any interest and investment earnings. This bill contains an initial appropriation from the Assembly of \$50,000. This bill died in the Ways and Means Committee.

<http://www.leg.state.or.us/07reg/measpdf/hb2900.dir/hb2981.intro.pdf>

OREGON: Targeted Small Businesses Act of 2007, H.B. 3027

TYPE: FUND

FOCUS: BUSINESS

This bill authorizes the Economic and Community Development Department to spur the development of targeted small businesses in the state, either through direct financial support to individual businesses or by funding intermediaries such as public and private organizations. Targeted small businesses are defined as small businesses owned by low-income individuals, women, or minorities. These businesses are able to use the funding from the program for basic business training, including accounting, personnel management, marketing, tax compliance, counseling on business needs and services, and assistance procuring state contract and suppliers in Oregon. The bill appropriates \$1 million, does not detail an actual source for this funding. This bill died in House Ways and Means Committee.

<http://www.leg.state.or.us/07reg/measpdf/hb3000.dir/hb3027.intro.pdf>

RHODE ISLAND: Microloan Program for Microenterprises, H.B. 5755

TYPE: FUND

FOCUS: MICROENTERPRISE

H.B. 5755 establishes the Community Economic Development Fund, a microloan revolving account that will provide loans of up to \$50,000 to microenterprises, and grants up to \$25,000 to organizations that loan money to microenterprises. All loan recipients are subject to matching requirements of \$1 for each dollar loaned. Grant recipients can use the funds to conduct research, outreach to communities, and provide technical assistance to microenterprises. The bill does not appropriate any money for the program, and it died in the House Finance Committee.

<http://www.rilin.state.ri.us/BillText07/HouseText07/H5755.pdf>



TEXAS: Texas Rural Development Fund, S.B. 1485

TYPE: FUND

FOCUS: OTHER/RURAL

S.B. 1485 seeks to establish the Texas Rural Development Fund as an account in the General Revenue Fund. The bill creates the Rural Entrepreneurship and Business Innovation Program, which is designed to encourage investment and spur job creation in rural areas by providing business loans to microenterprises and small businesses. Eligible businesses can receive a maximum of \$35,000 for each new job created in the state with the interest rate based on the capacity of the borrower, and the rate could be as low as zero percent. In addition, the bill establishes the Rural Area Regional Planning and Implementation Matching Grant Program to facilitate regional coordination of community and economic development efforts in rural areas. In order to be eligible for the grant program, two or more following entities must apply together: a municipality, county, economic development corporation, community foundation, faith-based organization, hospital, or an institution of higher education. These entities must be located either in two adjacent rural counties or municipalities designated as rural by the census tract. Another program, the Rural Community Asset Study Matching Grant Program to assist rural areas in identifying community assets, is subject to the aforementioned eligibility requirements of the Rural Area Regional Planning Grant. The account will contain funds appropriated from the legislature as well as grants and matching funds, funding from the federal and local governments, and interest income. The bill died when the 2007 legislative session ended.

<http://www.capitol.state.tx.us/tlodocs/80R/billtext/html/SB01485E.htm>

WEST VIRGINIA: Targeted Minority Economic Development Fund, H.B. 2510

TYPE: FUND

FOCUS: GENERAL

As an amendment to the West Virginia Code, this bill creates the Targeted Minority Economic Development Fund, a fund that will be used to support and expand small business development programs, encourage new and minority small business development, and assist community, faith-based and economic development corporations in providing technical assistance and business services to minority-owned businesses. The bill contains no appropriation, and it died in the House Finance Committee.

http://www.legis.state.wv.us/Bill_Text_HTML/2007_SESSIONS/RS/Bills/hb2510_intr.htm



TAX CREDITS: Bills that passed

Bills that provide tax credits for qualified investments have become popular in recent years. These bills often gain strong bipartisan support from lawmakers on both sides of the aisle, and can increase equity investments from the private sector.

ARKANSAS: Equity Investment Incentive Act of 2007, H.B. 2552

TYPE: TAX CREDIT

FOCUS: GENERAL

This bill provides tax credits up to \$6,250,000 annually to people or companies that invest in certain qualified businesses, defined as businesses that pay above average wages, are early or start-up businesses, or have been invested in by venture capital funds and regional or community based alliance funds. The tax credit is equal to 33.3 percent of the investment, and is only available for investments in certain businesses. These include a business identified as an engine of economic growth in local or regional development program or business supported by federal small business innovation research grants. The Department of Economic Development is designated to administer the bill but the Arkansas Science and Technology Authority will review the candidates and decide if a business is eligible to receive the tax credit. The credit can be claimed on equity investments made until 2019, but businesses eligible to receive the credit have until 2028 to claim the credit. The bill became law on March 28, 2007.

<http://www.arkleg.state.ar.us/ftp/root/acts/2007/public/act566.pdf>

LOUISIANA: An Amendment to the Louisiana CDFI Act, H.B. 795

TYPE: TAX CREDIT

FOCUS: GENERAL

The bill amends the Louisiana CDFI Act to include more tax credits for qualified equity investments in qualified Louisiana businesses, loans to medical service professionals, professional medical corporations, or buildings constructed to house medical practices located in a low-income community or a medically underserved area, and loans made to any qualified Louisiana business that has been temporarily displaced as a result of natural disaster. The bill will be administered by the Department of Commerce and extends the current \$5 million in tax cuts through fiscal year 2008-2009. The bill became law on July 9, 2007.

<http://www.legis.state.la.us/billdata/streamdocument.asp?did=449944>

NORTH DAKOTA: Microenterprise Business Tax Credit, H.B. 1403

TYPE: TAX CREDIT

FOCUS: MICROENTERPRISE

This tax credit legislation permits certified microbusinesses to receive a tax credit equal to 20 percent of the investment in the business, up to \$10,000. Microbusinesses in North Dakota can apply to the Director of the Department of Commerce for certification as a microenterprise. In order to become certified, the applicant must own or be actively engaged in the business or make a new investment in the business that will create jobs or income in the area where the business is located. The bill was signed into law and became retroactively effective for investments made in all taxable years after December 31, 2006.

<http://www.legis.nd.gov/assembly/60-2007/bill-text/HATJ0400.pdf>



TEXAS: Nonprofit Property Tax Exemption, H.B. 1837

TYPE: TAX CREDIT

FOCUS: GENERAL

This bill provides a tax exemption for property used by nonprofit community business organizations to provide communities with economic development services. In order to qualify for the tax exemption, organizations must have been in existence for at least the previous five years, is a nonprofit under Texas law and 501(c)(6) of the IRS tax code, is not a state organization, has had at least 50 dues paying members for the preceding three years, an elected board of directors, and be actively engaged in improving the business climate in the state providing their economic development services. This bill passed and will become effective January 1, 2008.

<http://www.capitol.state.tx.us/tlodocs/80R/billtext/html/HB01837E.htm>



TAX CREDITS: Pending bills

INDIANA: Community Investment Tax Credit, H.B. 1195/S.B. 165

TYPE: TAX CREDIT

FOCUS: BUSINESS

This bill amends the Indiana Code and establishes community investment tax credit for investment in businesses that qualify for New Markets Tax Credits and reinvest 80 percent of total assets in low-income businesses in the state. The tax credits are capped at \$12.5 million for qualified equity investments made through December 31, 2012. Recipients of the credit are required to file an annual report that includes information about the investments made in Indiana during the fiscal year. The bill is to be administered by the Department of Revenue. The current session of Indiana's general Assembly adjourned with this bill in conference committee.

<http://www.in.gov/legislative/bills/2007/PDF/ES/ES0165.3.pdf>

MASSACHUSETTS: Community Development Partnership Program, H.B. 3147

TYPE: TAX CREDIT

FOCUS: GENERAL

H.B. 3147 establishes a five-year, \$5 million tax credit for qualified equity investments in a "community partner." The state defines community partner as a community development corporation or a nonprofit approved by the department that has 501(c)(3) tax status, a primary mission of community development, is at least two-years old, has sufficient capacity to implement projects, and an elected board of directors with representation from low- and moderate-income households. The credits are to extend from January 1, 2008 to December 31, 2012, with no more than \$500,000 in eligible credits available each year. Additionally, the credits are only available for equity investments of greater than \$5,000. In addition, community partners may not receive more than \$200,000 in equity investments in a single tax year. The bill does not name the department that would be responsible for administration. It is currently pending in the Joint Committee on Revenue.

<http://www.mass.gov/legis/bills/house/185/ht03pdf/ht03147.pdf>

NEBRASKA: Revisions to Nebraska Advantage Microenterprise Tax Credit Act, L.B. 177

TYPE: TAX CREDIT

FOCUS: MICROENTERPRISE

L.B. 177 is an amendment to the Nebraska code that provides a 20 percent tax credit to investors who invest in microbusiness. In order to qualify for the credit, the business must be located in a "distressed area," defined as an area where the unemployment rate exceeds the state unemployment rate, the median income is less than the median per capita income, or the area has seen population declines in the past two federal census surveys. The bill is to be administered by the Department of Revenue. The bill was in the Committee on Revenue when the legislative session adjourned, and will be carried over to the next session.

<http://uniweb.legislature.ne.gov/FloorDocs/Current/PDF/Intro/LB177.pdf>



PENNSYLVANIA: Neighborhood Assistance Tax Credits, H.B 907

TYPE: TAX CREDIT

FOCUS: GENERAL

This bill provides \$18 million in tax credits for business firms or private corporations that invest in or contribute to a neighborhood organization that participates in service projects, job training, education, and community services. The credits are available for qualified investments in land development in impoverished areas designated as enterprise zones across the state. The bill includes a provision that allows investors to receive a tax credit of up to 80 percent of the total investment with a five-year commitment to the comprehensive service project, and a credit of up to 90 percent of the investment for projects with commitments of six or more years. The bill, to be administered by the Department of Revenue, is in the House Finance Committee.

<http://www.legis.state.pa.us/CFDOCS/Legis/PN/Public/btCheck.cfm?txtType=PDF&sessYr=2007&sessInd=0&billBody=H&billTyp=B&billNbr=0907&pn=1059>



TAX CREDITS: Bills that died

COLORADO: Job Creation Income Tax Credits, H.B. 1188

TYPE: TAX CREDIT

FOCUS: OTHER

This bill allows anyone who has created a job in the state of Oregon in the previous year to claim a tax credit based on the wages paid to new full-time employees. The amount of the tax credit is contingent upon the average wage of all jobs created by the entity: 110 percent-115 percent of average wage, tax credit is \$1,000, 115 percent to 120 percent, tax credit is \$1,250, 120+, tax credit \$1,500. The job must be maintained for one year in order to receive the credit. The bill contains a sunset provision, and will expire January 1, 2018. The bill died in the House Finance Committee.

http://www.leg.state.co.us/CLICS/CLICS2007A/csl.nsf/fsbillcont3/75438F7116D430558725725A00582E4B?Open&file=1188_01.pdf

GEORGIA: An Act to Amend the Official Code of Georgia Annotated, H.B. 437

TYPE: TAX CREDIT

FOCUS: GENERAL

As an amendment to the Georgia Code, this bill would enact tax credits for qualified low-income community investments, defined as any equity investment in, or long-term debt security issued by, a qualified community development entity certified as a CDFI by the Department of Treasury. The equity investment in any one entity is not to exceed \$10 million and the tax credit would last for seven years. The bill died in the House Ways and Means Committee when the 2007 session ended.

http://www.legis.ga.gov/legis/2007_08/pdf/hb437.pdf

NORTH CAROLINA: New Markets Tax Credits, H.B. 1922

TYPE: TAX CREDIT

FOCUS: GENERAL

This bill is a state New Markets Tax Credit to supplement the federal NMTC program that allocates credits in this manner: zero percent for the first two allowances, seven percent for the third allowance, and eight percent for each of the next for credit allowances. The tax credits are available for qualified equity investments in CDFIs in the state. The bill died the House Committee on Finance when the current session adjourned.

<http://www.ncga.state.nc.us/Sessions/2007/Bills/House/HTML/H1922v1.html>

MISSOURI: Economic Development Act, H.B. 327

TYPE: TAX CREDIT

FOCUS: GENERAL

This bill contains various tax credit programs for investments in distressed areas, job creation, and alternative energy. In reference to the Quality Jobs Program, the bill increases the tax credits that can be issued in a calendar year for the Quality Jobs Program from \$12 million to \$30 million. Changes to the Small Business Investment tax credits would reduce the tax credit for a qualified investment in a small business from 40 percent to 30 percent of the investment, unless the small business is located in a distressed community, in which case the tax credit is reduced from 60 percent to 40 percent. A tax credit equal to 40 percent of an investment made in a small business located in a rural area is allowed. Tax



credits will only be issued on qualified investments up to \$100,000. The Governor of Missouri, Matt Blunt, vetoed the bill on July 7, 2007.

<http://www.house.mo.gov/bills071/bilsum/truly/sHB327T.htm>

MISSOURI: Small Business Investment Tax Credit, S.B. 169

TYPE: TAX CREDIT

FOCUS: GENERAL

This legislation provides a tax credit for qualified equity investments in low-income communities. The amount of investments in any one qualified low-income community is limited to \$10 million. The tax credit is zero percent for each of the first two credit allowance dates, seven percent for the third credit allowance date and eight percent for the next four credit allowance dates. This act contains a sunset provision and a reauthorization procedure for fiscal years following fiscal year 2010. The bill died in committee.

<http://www.Senate.mo.gov/07info/pdf-bill/comm/SB169.pdf>

MISSOURI: An Act to Amend the Missouri Code, H.B. 210

TYPE: TAX CREDIT

FOCUS: GENERAL

H.B. 210 proposes \$15 million in tax credits for qualified equity investments and qualified low-income community investments, as defined by federal law. The bill is to be administered by the Department of Economic Development. The tax credits will be allocated on a first come, first served basis and have a sunset provision of six years. The bill passed the House Ways and Means Committee, but died when the session adjourned.

<http://www.house.mo.gov/bills071/biltxt/intro/HB0210I.htm>

MISSISSIPPI: Tax Credits fro Equity Investments, H.B. 1578

TYPE: TAX CREDIT

FOCUS: GENERAL

The bill provides credit on state taxes for qualified investments in Community Development Entities, with credits totaling no more than \$15 million per fiscal year. The investor receives 4.5 percent credit from the second through the seventh credit allowance dates. The bill died in committee.

<http://index.ls.state.ms.us/isysnative/UzpcRG9jdW1lbnRzXDIwMDdcccGRmXGhXDE1MDAtMTU5OVxoYjE1Nzhpbj5wZGY=/hb1578in.pdf>

OKLAHOMA: Small Business Capital Formation Incentive Act, H.B 1765

TYPE: TAX CREDIT

FOCUS: GENERAL

This bill provides a tax credit to four types of businesses in the state: small business investment companies, specialized small business investment companies, new market venture capital companies, and rural business investment companies, as defined under the Oklahoma statutes. It also exempts these businesses from certain reporting requirements under the Small Business Venture Capital Formation Act. The bill died in the House Finance Committee.

<http://webserver1.lsb.state.ok.us/Webapplication1/webform1.aspx>



TEXAS: Franchise Tax Credits, H.B 3287

TYPE: TAX CREDIT

FOCUS: GENERAL

H.B. 3287 is similar to the provisions of the federal New Markets Tax Credit legislation. This bill proposes tax credits for qualified low-income community investments (QLICIs).¹⁰ The maximum credit for a QLICI is \$15 million for a capital or equity investment in a low-income community business. The investment must be made in a CDFI that has entered into an allocation agreement with the Department of Treasury, and are good only for seven years.

<http://www.capitol.state.tx.us/tlodocs/80R/billtext/pdf/HB032871.pdf>

¹⁰ A QLICI, as defined by the CDFI Fund, is capital or equity investment in, or loan to, any Qualified Active Low-Income Community Business (QALICB); the purchase from another Community Development Entity (CDE) of any loan made by such entity that is a QLICI; financial counseling and other services to businesses located in, and residents of, low-income communities; and any equity investment in, or loan to, a CDE.



STRATEGY: Bills that passed

Strategic initiatives are an alternative method to support the opportunity finance industry, and these bills tend to focus more on implementing long-term economic development plans and achieving sustainable growth in the state.

CALIFORNIA: Economic Strategy Panel, A.B. 1606

TYPE: STRATEGY

FOCUS: OTHER/ECONOMIC DEVELOPMENT

This bill creates a California Economic Strategy Panel, whose primary function is to develop a system that attracts private investment into the state and measures performance of key industry sectors. The panel will be comprised of the Secretaries of three departments: Business, Transportation, and Housing; Food and Agriculture; and Labor and Workforce Development, in consultation with numerous other state entities as well as key investment partners. The bill defines key investment partners as banks, insurance companies, corporate and public pension funds, venture capital funds, CDFIs, and CDCs. It can also include foreign and out-of-state entities. In addition, the legislation delineates the responsibilities of the entities in consultation with the panel. The bill passed the Assembly and the Senate, and is awaiting the Governor's signature.

http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_1601-1650/ab_1606_bill_20070716_amended_sen_v96.pdf

COLORADO: An Act to Amend the Colorado Revised Statutes, H.B. 1209

TYPE: STRATEGY

FOCUS: BUSINESS

This legislation will assist "historically underutilized businesses" in the procurement of government contracts, specifically businesses owned by women and minorities. The program would provide technical assistance that helps certain qualified businesses obtain the surety performance bonds required of businesses that bid on public works projects. The bill appropriates \$29,073 to the Minority Business Office in the Office of Economic Development to pay for the implementation of the act. The bill became law in late May, and became active on August 8, 2007.

http://www.leg.state.co.us/clics/clics2007a/csl.nsf/fsbillcont3/1A15FFA26A8596E9872572570076C716?Open&file=1209_enr.pdf

KENTUCKY: Incentives for Development and Redevelopment, H.B. 549

TYPE: STRATEGY

FOCUS: GENERAL

H.B. 549 proposes the creation of development areas in order to spur economic development, growth, and job creation in communities across Kentucky. The bill is intended to increase investment and economic activity by private investors. The bill became law on March 23, 2007.

<http://www.lrc.ky.gov/record/07RS/HB549.htm>



MARYLAND: Community Development Administration, H.B. 1418

TYPE: STRATEGY

FOCUS: HOUSING

This authorizes the Community Development Administration, part of the Department of Housing and Community Development, to make and undertake commitments for residential mortgages for limited-income families. The loans can be provided to families with a disabled family member living in the home, in emergency need, and families who need help with down payments and settlement costs. The bill became law in May.

<http://mlis.state.md.us/2007RS/bills/hb/hb1418t.pdf>

NEW YORK: Amendment to Economic Development Law, S.B. 5202

TYPE: STRATEGY

FOCUS: BUSINESS

The bill creates a minority and women-owned business enterprise advisory board within the division of minority and women's business development. The board, appointed by the Governor, would include at least two representatives from community development finance, banking, insurance, or surety bonding entities. The board would facilitate activities that build capacity of minority-owned businesses in the state. The bill became law on August 28, 2007.

<http://Assembly.state.ny.us/leg/?bn=S05202&sh=t>



STRATEGY: Pending bills

CALIFORNIA: Economic Opportunity Act of 2007, A.B. 232

TYPE: STRATEGY

FOCUS: BUSINESS

California's Business, Transportation and Housing Agency is to establish a pilot program called the Economic Opportunity Initiative Program, and requires the agency to enter into technical assistance and partnership agreements with economic development corporations that meet certain qualifications. The aim of the legislation is to promote economic development and job and wealth creation in low- to moderate-income communities by encouraging investment by the private sector (particularly venture capital investments). Community Development Corporations are eligible to apply for the program if they are a nonprofit with 501(c)3 tax status, a management team with experience in community development, strong ties to the community that it serves. Eligible entities must submit an application with business plans detailing how the CDC plans to meet all of the state's criteria for job creation, enhancing technical assistance to small businesses, and creating affordable housing among other things. The bill, which contains a sunset provision, will expire on January 1, 2013. This bill is currently pending in the Assembly Committee on Housing and Community Development.

http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_0201-0250/ab_232_bill_20070410_amended_asm_v98.pdf

CALIFORNIA: Infrastructure Zones, S.B. 934

TYPE: STRATEGY

FOCUS: HOUSING

This bill creates 100 infrastructure zones and provides financing for local communities to high-density residential developments in a manner that is consistent with protecting the state's natural resources and encouraging efficient development patterns. This bill would establish a pilot project allowing for the formation of 100 housing and infrastructure zones in the state under criteria developed by regional councils of governments and the Secretary of Business, Transportation and Housing. The pilot program is designed to determine if providing resources to local governments for infrastructure and services will lead to a higher level of housing constructed in locations that match regional sustainable growth plans. The state would provide the funding and the bill includes provisions that ensure affordable housing for very low-, low-, and moderate-income families living in the infrastructure zones. The bill is currently in the Senate Appropriations Committee awaiting hearing.

http://www.leginfo.ca.gov/pub/07-08/bill/sen/sb_0901-0950/sb_934_bill_20070501_amended_sen_v98.pdf

INDIANA: Amend Indiana Code Concerning Economic Development, H.B. 1729

TYPE: STRATEGY

FOCUS: BUSINESS

The goal of this amendment to the Indiana Code is to allow the Indiana Economic Development Corporation to conduct a biennial review of economic development incentives in the state to determine if small businesses in the state can access the programs readily. It also appropriates \$1 million for technical and financial assistance to small businesses engaging in global commerce, and \$1 million to operate a small business development center. The funds for both programs are for use from July 1, 2007 through



2009. The bill was pending in the Government and Regulatory Reform Committee when the current session ended.

<http://www.in.gov/legislative/bills/2007/PDF/IN/IN1729.1.pdf>

NEW YORK: Amend the NY State Urban Development Corporation Act, S.B. 2930

TYPE: STRATEGY

FOCUS: GENERAL

S.B. 2930 is an effort to define roles in development partnerships involving state, local, and community based nonprofit economic development organizations (EDOs). EDOs have knowledge of community needs, local business conditions, and experience providing technical assistance. In order to revitalize distressed communities, the legislature developed a comprehensive economic development program of management support, technical assistance, and targeted project support. The bill is currently in Senate Committee on Corporations, Authorities and Commissions.

<http://assembly.state.ny.us/leg/?bn=S02930&sh=t>

NEW YORK: Amend the Economic Development Law, A.B. 2329

TYPE: STRATEGY

FOCUS: GENERAL

This bill amends the economic development law, particularly changing the subdivision concerning minority and women's business development. Both the Minority and Women-Owned Enterprise Advisory Board and Small Business Advisory Board must now include at least two new members representing banks, community development financial institutions, insurance, or surety bonding institutions. Further, the bill adds a provision that requires small businesses to receive development assistance including, but not limited to: technical, managerial, and financial assistance, training, marketing, and personnel development. The bill passed the Assembly, and is pending in the Senate Rules Committee.

<http://assembly.state.ny.us/leg/?bn=A02329&sh=t>

WASHINGTON: Family Prosperity Act, H.B. 2256

TYPE: STRATEGY

FOCUS: GENERAL

H.B. 2256, under the administration of the Department of Community, Trade and Economic Development is to work with The Washington Asset Building Coalition to help low-income families build assets, increase financial literacy, and reduce consumer vulnerability to predatory lending. The Coalition is created to provide statewide leadership on initiatives that foster financial self-sufficiency and economic security for low-income working families. The Coalition will work with the Department, local asset building coalitions, and other partners to identify and promote approaches that help low-income working families build and manage their assets. When the current legislative session ended, the bill was pending in the House Rules Committee.

<http://www.leg.wa.gov/pub/billinfo/2007-08/Pdf/Bills/House%20Bills/2256-S2.pdf>



STRATEGY: Bills that died

ALABAMA: Economic Development and Fiscal Accountability Act, H.B. 477

TYPE: STRATEGY

FOCUS: GENERAL

This bill would allow organizations to apply for economic development subsidies from the Department of Economic and Community Affairs. The bill introduces accountability standards for grant recipients by requiring grants receiving entities to submit annual progress reports. The legislation also allows citizens to file civil suits against entities that default on the development subsidy projects, defined as any expenditure of public funds exceeding \$25,000 (including bonds, grants, loan, loan guarantees, and tax credits). The bill also imposes healthcare and wage requirements, and it died in committee when the session adjourned.

<http://alisdb.legislature.state.al.us/acas/ACTIONViewFrame.asp?TYPE=Instrument&INST=HB477&DOCPATH=searchableinstruments/2007RS/Printfiles/&PHYDOCPATH=//alisdb/acas/searchableinstruments/2007RS/PrintFiles/&DOCNAME=HB477-int.pdf,,>

CONNECTICUT: Community Action Group on Housing, H.B. 5046

TYPE: STRATEGY

FOCUS: HOUSING

This bill seeks to create a community action group on housing comprised of the chairpersons of the Assembly Housing Committee and the Joint Committee on Planning and Development, as well as appointed representatives from the Office of Policy, the Commissioner of Economic and Community Development, and the Connecticut Housing Finance Authority. Two of the appointed action group members must be representatives of a nonprofit housing development community and a community development financial institution. This bill died in the Joint Committee on Planning and Development.

<http://www.cga.ct.gov/2007/TOB/h/pdf/2007HB-05046-R00-HB.pdf>

FLORIDA: Rural Economic Development Initiative, H.B. 633/S.B. 1664

TYPE: STRATEGY

FOCUS: GENERAL

This initiative sought to encourage and facilitate the expansion of economic development projects of significant scale, in particular developing high-wage and high-skill industrial clusters in rural communities across the state of Florida. The bill creates the Rural Economic Development Initiative within the Office of Tourism, Trade, and Economic Development. An identical bill was introduced in both the House and the Senate, and the House bill died in Committee on Economic Development.

http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=_h0633_.doc&DocumentType=Bill&BillNumber=0633&Session=2007

TEXAS: Community Investment by Certain Insurers, H.B. 859

TYPE: STRATEGY

FOCUS: OTHER/REGULATION

In order for insurers to remain certified in the state of Texas, this bill would require insurers to invest a portion of their assets into low-income communities analogous to the requirements for financial institutions under the Community Reinvestment Act. Insurers that underwrite a significant number of



policies and generate premiums of at least \$15 million are obligated to invest in low-wealth, low-income communities, with low-income defined as between 50 percent and 80 percent of the median area income. The bill died in the Senate Committee on Business and Commerce.

<http://www.legis.state.tx.us/tlodocs/80R/billtext/html/SB008591.htm>



PREDATORY LENDING: Bills that passed

Predatory lending has become a hot button political issue in the wake of the collapse of the subprime mortgage loan market and media attention focused on payday loans and other fringe financial services. Many states are looking more closely to regulate mortgage loans extended to borrowers, particularly those with weak underwriting standards and exotic repayment terms. As millions of mortgage loans reset at higher interest rates, cash-strapped consumers will struggle to make payments that have increased at a rapid pace. This may have caused states to introduce bills that regulate lending and brokering activity, as well as enforcing more stringent record keeping and reporting requirements for lenders in order to more accurately assess the overall impact of these mortgage loans on consumers. These regulations are amendments to existing state laws that change or strengthen current predatory lending legislation.

ALASKA: Mortgage Lending Regulation Act, H.B. 162

TYPE: REGULATION

FOCUS: PREDATORY LENDING

Alaska's predatory lending bill requires small mortgage lenders to register with the state. The regulation exempts nonprofit entities with 501(c)3 status that make mortgage loans to promote homeownership or home improvement along with banks, savings and loan institutions, and credit unions that are already regulated under federal law. This bill was signed into law on July 13, 2007.

<http://www.leg.wa.gov/pub/billinfo/2007-08/Pdf/Bills/House percent20Bills/2256-S2.pdf>

INDIANA: Free Mortgage Foreclosure Counseling, H.B. 1753

TYPE: REGULATION

FOCUS: PREDATORY LENDING

This bill seeks to amend the Indiana Code to allow the Indiana Housing Authority to establish a program that provides free mortgage foreclosure counseling to homeowners who have defaulted on their mortgage payments or are in danger of default. Under the program, the Housing Authority will enter into an agreement with a public, private, or nonprofit entity to assist with providing the training, and the Authority will award grants to these institutions for training loan counselors, certification, and advertising costs. The bill also requires the Housing Authority to submit an annual report detailing foreclosure rates in the state as well as across the country, and assess the impact of the program. The bill became law on May 4, 2007.

<http://www.in.gov/legislative/bills/2007/PDF/HE/HE1753.1.pdf>

INDIANA, Licensure of Mortgage Brokers, H.B. 1717

TYPE: REGULATION

FOCUS: PREDATORY LENDING

The Department of Financial Institutions will now be responsible for the licensure of mortgage brokers and the registration of mortgage loan originators. The Department requires criminal background checks, fingerprinting, and continual license renewal. The bill also requires 40 hours of training per year in order to become licensed along with a \$50,000 surety bond. The bill was signed by the Governor on May 11, and became active on July 1, 2007.

<http://www.in.gov/legislative/bills/2007/PDF/HE/HE1717.1.pdf>



MAINE: An Act To Protect Maine Homeowners from Predatory Lending, H.B. 1301

TYPE: REGULATION

FOCUS: PREDATORY LENDING

This bill was signed into law in June 2007, and is now one of the nation's most comprehensive predatory lending laws. It makes significant changes to current Maine law relating to residential mortgage loans and permissible high-rate, high-fee mortgages. The bill updates and amends current law to address predatory and abusive lending practices and to provide additional protections for Maine consumers. Among other things, the bill requires that a consumer be specifically notified if a prepayment penalty provision is added to the consumer's mortgage note just before closing. The bill applies consumer protections to so-called "piggy-back" loans, which are second-lien mortgages used in conjunction with first-lien loans to purchase real estate. This bill prohibits lenders and loan brokers from facilitating submission of false credit application information by a consumer. The bill takes effect January 1, 2008.

<http://janus.state.me.us/legis/LawMakerWeb/externalsiteframe.asp?ID=280025131&LD=1869&Type=1&SessionID=>

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PREDATORY LENDING: Pending bills

ILLINOIS: Mortgage Broker Licensing and Lending Regulations, H.B. 1478

TYPE: REGULATION

FOCUS: PREDATORY LENDING

This legislation is an amendment to the Residential Mortgage License Act of 1987 and introduces provisions that regulate the lending activities of persons licensed to make mortgages in the state of Illinois. Licensees are prohibited from making, providing, or arranging residential mortgage loans without verifying the borrower's ability to repay the mortgage with tax returns, payroll receipts, bank records, or other verifiable income supporting documents. The bill also regulates adjustable rate loans, requiring borrowers reasonable ability to pay be based on a fully indexed rate. In addition, the regulation requires that mortgage brokers always act in the borrower's best interests and in the utmost good faith toward borrowers. A licensee is required to offer borrowers mortgage loans without a prepayment penalty before offering loans with a prepayment penalty, and delineates a schedule of prepayment penalties for licensees to use. Finally, licensees are required to inform borrowers of any material changes in the terms of their mortgage loans prior to the closing of the loan, such as balloon payments, variable rates, increases in payment of principle and interest of more than five percent, or an increase in the interest rate of the loan of more than 0.15 percent. The bill was re-referred to the House Rules Committee, where it is still pending.

<http://www.ilga.gov/legislation/fulltext.asp?DocName=&SessionId=51&GA=95&DocTypeId=HB&DocNum=1478&GAIID=9&LegID=30270&SpecSess=&Session=>

NEW HAMPSHIRE: An Act Relating to Certain Small Business Loans, H.B. 267

TYPE: REGULATION

FOCUS: PREDATORY LENDING

In order to combat predatory lending practices, the state of New Hampshire introduced a bill that would limit the APR on some small loans, particularly payday and title loans, to 36 percent annually. In addition, lenders face tougher lending standards, and cannot make loans to borrowers who have current outstanding payday or title loans, or have taken a payday loans in the previous 60 days. Verification is required in the form of a written affidavit signed by both the lender and the borrower. When the legislative session ended, the bill was held in the Commerce Committee for action in the second year of the session.

<http://www.gencourt.state.nh.us/legislation/2007/hb0267.html>

INDIANA: Financial Education, H.B. 1525

TYPE: REGULATION

FOCUS: PREDATORY LENDING

This legislation prohibits creditors making home loans from entering into a home loan with an at-risk buyer without first providing the buyer with educational materials prepared by the Indiana Housing and Community Development Authority. An at-risk buyer is defined as a buyer with a credit score of less than 620 points and is seeking a home loan from a creditor. Creditors are also required to comply with the advertising requirements of the federal Truth in Lending Act. The bill passed the House and the current legislative session ended with this bill in the Senate Committee on Insurance and Financial Institutions.

<http://www.in.gov/legislative/bills/2007/HB/HB1525.2.html>



NEW YORK: Subprime Predatory Lending Prevention Act, S.B. 6394

TYPE: REGULATION

FOCUS: PREDATORY LENDING

This bill restricts subprime lending through a series of regulations. The legislation prohibits loan flipping, which involves a lender refinancing an existing home loan to a borrower often at a higher rate than the original loan, and often with little regard for the benefit of the borrower as a result of the transaction. In addition, the bill prohibits lending by mortgage brokers and lenders without regard for the borrower's repayment ability (stated income loans) by requiring detailed documentation of the borrowers income that have been corroborated by an independent third party. Lenders and mortgage brokers are also not allowed to recommend that a borrower default on an existing loan nor coerce or intimidate appraisers into increasing property values. The bill also allows borrowers to file a civil suit against a lender or broker deemed to have violated the regulations presented in the bill, provided the suit is brought against the defendant within six months of the origination of the subprime loan. The bill is pending in the Senate Rules Committee.

<http://assembly.state.ny.us/leg/?bn=S06394&sh=t>

NEW YORK: Low-Income and Minority Consumer Predatory Lending Protection, A.B. 8357

TYPE: REGULATION

FOCUS: PREDATORY LENDING

This initiative, which is an amendment to the state banking law, introduces regulations that will create statewide standards to assess the ability of borrowers to repay their residential mortgages before entering into any loan agreements. The bill eliminates prepayment fees, fines, and penalties, as well as stated income loans, no down payment loans, and "pick a payment" loans. The bill also disallows subprime loans to consumers with credit scores of 660 or less. The New York State Housing Finance Agency will administer the bill, which is currently pending in the Assembly Committee on Banks.

<http://assembly.state.ny.us/leg/?bn=A08357&sh=t>

PENNSYLVANIA: Mortgage Bankers and Brokers Regulation, H.B. 38

TYPE: REGULATION

FOCUS: PREDATORY LENDING

This bill amends a 1989 Pennsylvania law regulating mortgage and brokering activity and adds a provision that requires mortgage brokers and lenders providing written contracts to borrowers explaining the nature and scope of the services provided, including the terms of the loan. The bill also prevents lenders from receiving any fees or compensation tied to the interest rate charged to the customer unless the amount of the compensation is expressed to the customer in writing. The amended version of the bill also contains language protecting consumers from abusive lending practices, particularly in the case of high-cost mortgage lending. The bill also prohibits balloon payments (except in the case of borrowers with seasonal or irregular income), payment schedules that involve an increase in the principle of the loan balance such as "pick a payment" plans, and the refinancing of a residential mortgage that has a lower rate than the new mortgage unless a nonprofit housing agency has provided counseling to the borrower. The bill was referred to the House Commerce Committee, where it has lingered since January.

<http://www.slacker.com/http://www.legis.state.pa.us/CFDOCS/Legis/PN/Public/btCheck.cfm?txtType=PDF&sessYr=2007&sessInd=0&billBody=H&billTyp=B&billNbr=0038&pn=0063>



SOUTH DAKOTA: Mortgage Bankers and Brokers Regulation S.B. 165

TYPE: OTHER/REGULATION

FOCUS: PREDATORY LENDING

This bill requires all lenders, brokers, and loan originators to obtain licenses (originators must have registration), as well as undergo a criminal background check. In order to become licensed, individuals are required to have two years of training and submit a surety bond of \$25,000 with the license application. It exempts CDFIs from paying the registration and licensing fees, and makes practicing and lending without a license a class-two misdemeanor. The bill became law on March 26, 2007.

<http://legis.state.sd.us/sessions/2007/bills/SB165enr.htm>



PREDATORY LENDING: Bills that died

ARIZONA: Predatory Lending, S.B. 1051

TYPE: REGULATION

FOCUS: PREDATORY LENDING

Arizona's predatory lending bill regulates the activity of payday lenders by requiring licenses for lending activities, disclosure statements that adhere to the federal Truth in Lending Act. It also limits interest rates to 36 percent annually and fees to 15 percent of the outstanding loan amount. In addition, the bill prohibits lenders from requiring borrowers to submit collateral to secure the loan other than a postdated check. This bill died when it was withdrawn from committee.

<http://www.azleg.gov/legtext/48leg/1r/bills/sb1051p.pdf>

CONNECTICUT: Payday Loan Regulation, S.B. 1039

TYPE: REGULATION

FOCUS: PREDATORY LENDING

This initiative limits the interest rate on loans of less than \$15,000 to 12 percent annually but excludes loans made by banks, credit unions, and savings and loan associations. The bill specifically targets payday lenders, defined as any person who makes an unsecured short-term cash advance made to the borrower until the next payday with an interest rate exceeding 36 percent, and the terms of the loan agreement require that a borrower submit a postdated check to the lender authorizing the lender to debit the borrowers account. The bill died in the Joint Committee on Banks.

<http://www.cga.ct.gov/2007/TOB/s/pdf/2007SB-01039-R00-SB.pdf>

DELAWARE: Predatory Mortgage Lending Prevention Act, H.B. 162

TYPE: REGULATION

FOCUS: PREDATORY LENDING

This bill amends the Delaware code and prohibits the refinancing of a special mortgage that has been originated, subsidized, or guaranteed through a state, tribal, local government, or a nonprofit institution. This applies only to mortgage loans that have a below market interest rate or nontraditional payment terms that are beneficial to the borrower, such as payments that vary with income or are a percentage of the borrowers income. This bill also introduces licensing and reporting requirements for lenders, including the number of subprime mortgage loans originated during the previous year and outstanding at the end of the calendar year, the average annual percentage rate charged on these loans, and the number of subprime mortgages that were paid in full, defaulted, or written off in the previous year. Additionally, the bill prevents lenders from engaging in deceptive advertising by requiring advertisements to state the loan amount, annual percentage rate, and a schedule of the dates and dollar amounts of the loan repayment. The bill died in the House Committee on Economic Development, Banking and Insurance.

[http://www.legis.state.de.us/LIS/lis144.nsf/vwLegislation/HB+162/\\$file/legis.html?open](http://www.legis.state.de.us/LIS/lis144.nsf/vwLegislation/HB+162/$file/legis.html?open)

OREGON: Home Loan Fairness Act, S.B. 965

TYPE: REGULATION

FOCUS: PREDATORY LENDING

The Oregon Home Loan Fairness Act regulates lending activity and allows consumers to file civil suits if lenders violate the provisions of the bill. This legislation regulates the following lending activities: making



loans that contain accelerated payment provisions unless the borrower fails to abide by the terms of the loan, loans with payments that are more than double previous payments during the first 15 years of the loan unless the payments are adjusted for irregular and seasonal income, payments that cause the principle balance of the loan to increase, refinancing of loans when the refinancing has no tangible benefit to the borrower unless the borrower has received counseling detailing the advantages and disadvantages from a certified consumer credit counselor or from the lender that originated the loan, interest rates that increase after loan default (unless there are changes in the variable interest rate). The bill also contains a provision that requires a lender to receive certification that a borrower received counseling from a third party nonprofit counselor approved by either the United States Department of Housing and Development or the Department of Consumer and Business Services before making a high-cost home loan. This bill died in the House Committee on Elections, Ethics and Rules.

<http://www.leg.state.or.us/07reg/measpdf/sb0900.dir/sb0965.1sa.pdf>



Other

CALIFORNIA: Credit Union Reinvestment Act, A.B. 1418

TYPE: OTHER/REGULATION

FOCUS: GENERAL

An existing California law created the Credit Union Advisory Committee in the Department of Finance, which is required to develop community reinvestment policy and goals with specified objectives for credit unions by July 2009. A.B. 1418 seeks to align the regulation of credit unions with that of banks and other financial institutions in reference to community reinvestment provisions. The bill would require credit unions to submit a community reinvestment plan to the Advisory Committee in order to remain certified or gain certification, as well as a yearly report of detailing the community reinvestment activities from the previous years. This bill is intended to encourage financial institutions to invest in low-income communities, and is modeled after the federal Community Reinvestment Act. Currently, the bill is in the Assembly Committee on Banking and Finance.

http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_1401-1450/ab_1418_bill_20070424_amended_asm_v98.pdf



Methodology

The research methodology¹¹ for this resource guide differed slightly from last year. In the 2006 legislative guide, we tried to limit the study to initiatives that identified CDFIs in legislation or description. This year the study was expanded to include bills that benefit opportunity finance, but are not limited to CDFIs. We searched state Assembly databases for legislation introduced during the 2007 session that contained the term “community development financial.” We also included initiatives that described nonprofit organizations that perform the functions of CDFIs, as well as bills that were relevant to community development corporations.

For legislation discovered through Assembly searches, it was usually possible to identify the status of the bill. Where the bill had stalled beyond the current Assembly, we contacted the state legislature to determine if the bill was dead or if it carried over into a new session. There are a number of states that have legislative sessions lasting two years, which carry bills over into the second session, including Indiana and New Hampshire. Carry over bills are noted in the bill synopsis.

In addition to Assembly searches, we followed up on legislation sent to the Opportunity Finance Network from Members or affiliates, as well as initiatives included in a prior Opportunity Finance Network report. Regulations were assumed not to require any appropriations unless there was specific mention in the legislation.

CAVEATS

- The data collection technique used for this study is by no means exhaustive, but more thorough than in previous years:
 - There was a systematic search for legislation that contained the term “community development financial.”
 - There was an additional search for initiatives that did not contain the term “community development financial,” but were CDFI relevant.
 - The search included predatory lending initiatives, which were relatively new this year.
- We tried to exclude programs that sounded incidental or very small. The demarcation line of whether or not an initiative is relevant is subjective.
- Bills listed as passed may be enrolled but not currently active. Several bills are awaiting signatures from Governors. This is detailed in the bill synopsis, and bills are active only where noted specifically.
- Many of the bills could fit into several categories, for example, funds could also qualify as strategies, general focus and business focus were often overlapping as well. The bills are grouped according to the best judgment of Opportunity Finance Network.

¹¹ Dafina Williams conducted the research for the project and wrote the legislative state review section of this guide. She is responsible for OFN's research relating to policy and assists in framing the organization's federal policy priorities. Dafina is a recent graduate of Temple University where she received BBA in Economics. Among her other volunteer efforts, she founded a volunteer program to mentor adolescent females for the YMCA Youth Outreach Program in Philadelphia.



Understanding the State Legislative Process

In recent years, we have seen a dramatic shift in responsibility for domestic policy from the federal government to state governments. In order to complement the work at the federal level that Opportunity Finance Network provides for its Members, it is important to look at local politics and consider changes at the state and local levels.

Before starting any legislative effort, you must first become familiar with the organization and structure of your state government. While it may appear that there is no system at all, there is a standardized system of operation.

While each state legislature is unique, they often have several things in common. Most state legislatures meet every year, although a few still meet every other year. With a couple of exceptions, most state legislatures are part time and the elected officials have other jobs in professions outside the state government. Although most are not full time, many state legislatures have study committees that hold hearings between sessions.

Information about your state legislature is available from a variety of sources. One invaluable source is the National Conference of State Legislatures: <http://www.ncsl.org>. Another place to turn for information is the Council of State Governments: <http://www.csg.org>. Additionally, the public information office of your state legislature can be a useful tool for tracking legislation. This office often has handbooks for new legislators or publishes booklets designed for the general public.

Government Branches

Just like the federal government, states are made up of three branches: Judiciary (courts), Executive (Governor), and Legislative. Of these, the legislative branch creates law. All state legislatures are bicameral (consist of two chambers) with the exception of Nebraska, which is unicameral (one-house chamber). The two chambers are the Senate and the House of Representatives (or Delegates or Assembly). Representation is typically apportioned based on population in both chambers. Almost all legislatures begin in January and end by May or June. Nine state legislatures meet year round,¹² and the legislatures in California and Virginia adjourn in late summer.

Committees

Most legislative work is done through committees, which carry out the day-to-day operations of the legislature. Committees determine which bills move through the process and which “die” without any further action. Each chamber has its own committees and the number of committees varies from state to state. There are several common committees found in many legislatures, such as a budget committee, which determines how much money the state can spend during the fiscal year, and an appropriations committee to decide how the available funding is allocated.

Committee chairpersons yield a tremendous amount of power since they determine when and if a bill is considered by the committee or if it is referred to another committee. If a bill has several components, it may have to go to more than one committee for consideration. For example, if a bill has a budget

¹² The legislatures in Pennsylvania, New York, New Jersey, Illinois, Massachusetts, Michigan, Ohio, Wisconsin, and the District of Columbia meet year round.



component, it will likely have to go to the state's fiscal committee, which considers and votes on legislation that has a financial implication for the state.

Leadership

Every legislative body has a hierarchy. In the Senate, the top position is either the president or the president pro tempore. In states where the lieutenant Governor presides over the Senate, the majority of the Senate elects a president pro tempore, who normally is the true presiding officer. Other important positions in state legislatures include majority leader, majority floor leader, minority leader, and minority floor leader.

In the Assembly, the leader is usually the speaker of the house. The speaker is elected by a majority vote, so he or she is usually a member of the majority party. Other important positions include the speaker pro tempore, majority floor leader, minority leader, and minority floor leader.

In addition to legislature leadership, other key players include committee staff, personal staff, and heads of state departments, including those preparing the state budget, monitoring state expenditures, and analyzing the fiscal impact of proposed legislation.

Finally, the Governor should never be overlooked in discussions about the legislative process. Because a particular piece of legislation typically must be signed into law by the Governor, he or she is vital to the legislative process. In most states, the Governor has the power to veto or kill a bill once it is passed by the legislature. Several Governors have line-item veto power that allows them to veto certain sections of legislation.

The Governor, usually with the advice and consent of the Senate, also appoints directors of departments, commissions, and boards. The Governor is also responsible for preparing the state's budget and submitting it to the legislature for approval.

Making the Case

In order to get a bill introduced, it is imperative to first identify a legislator who is willing to introduce the bill. It is generally more effective to introduce the bill for consideration in both the Assembly and Senate at the same time, thus requiring a sponsor (author) for each chamber.

The best potential sponsor is someone with knowledge of the issue, particularly if that sponsor is a member of the majority party, and a member of the committee that will consider the bill. It is also helpful to identify simultaneously co-sponsors from both parties, so the bill's sponsor will know that he or she has support even before the legislation is officially introduced.

Before asking an elected official to introduce your bill, it is important to garner a thorough understanding of the proposed legislation. Make sure to double check your data before presenting to the potential sponsor. Because of limited staffs, state legislators must often trust outside resources to provide them with all the information to make a decision. Do not abuse this opportunity by not presenting all the facts, including the pros and cons, flaws, and hurdles that the bill must overcome. This way the sponsor will not be subjected to any unwelcome surprises.

The most important thing of all is committing to supporting the bill through the entire process. It is usually a very long road to success, often taking years of hard work and dedication. It is much easier to



“kill” a bill than it is to get it passed. Supporting legislation and the sponsor of the bill includes providing information about the bill, attending hearings, and securing co-sponsors for the legislation. Other activities include writing to legislators, testifying, and meeting with members of both chambers. This can mean the difference between success and failure.

Meeting with State Legislators & Staff

Meeting with legislators personally is the most effective way to communicate. Contact the legislator's office by phone, fax, or e-mail and ask for about 15 minutes of the legislator's time at his or her convenience. The two tips to a useful and productive meeting with an elected official sound deceptively simple, but can make all the difference between success and failure:

1. Ask the official to do something, and
2. Give the official a reason to care about doing it.

Preparing for the meeting

- Know what you want from the meeting, including specific action you want from the legislator.
- Find out what matters to the legislator and information about his or her background, such as what kinds of issues the legislator tackles or which committees he or she serves.
- Prepare materials to bring to the meeting, including a one-page fact sheet outlining the issue, your position on it, and the action you want from the legislator. Bring information about your organization and borrower stories. Don't forget your business cards.

Writing a Letter

One of the easiest ways to communicate with legislators is to write a letter. As few as three letters on an issue can get a legislator's attention. The letters may not change his or her mind, but it's a sufficient number to have a staffer assigned to look into and follow the issue.

When writing a letter to an elected official, keep the following points in mind:

- Keep the letter short and to the point. One page is best.
- Be clear about what you want the legislator to do: support an appropriation, vote for or against a bill, etc. Include the bill numbers, if appropriate, and inform the legislator when the bill is scheduled for a committee hearing or vote, if known.
- Use one brief paragraph to talk about your organization, its mission, and the results produced in your community.
- Include an example or two of borrowers who have benefited from your organization's financing. If possible, choose stories that are relevant to the legislator.
- Close with an offer to be a resource for more information.



Monitoring Legislation

After the legislation of interest has been introduced, it becomes important to monitor the bill as it travels through the legislature. In order to identify, assess, and influence legislation, it is important to develop an efficient monitoring process. Many state legislatures publish records of daily legislative activities including committee schedules and votes. You can usually request the records from the Secretary of State's office, the Secretary of the Senate, or the Chief Clerk of the Assembly or ask to be placed on their e-mail or mailing lists.

Additionally, every state now has a web site with the ability to access vital information about the legislature including calendars, upcoming hearings, and contact information for your representative. Many sites are also equipped with a bill finder function that enables constituents and other interested parties to search for bills by keyword, session number, sponsor, or subject matter. However, some websites can be much easier to navigate than others, but in general, the websites are useful tools for unearthing pertinent information about the state legislature.

There are also numerous subscription services available such as Westlaw and LexisNexis that provide searching and bill tracking functionality for all 50 states; however, these services are very expensive. Finally, local media can be a source of information because many publications post schedules and summaries of proposed legislation.

Committee Testimony

As the bill moves into committee, public hearings are often held to help the committee members hear more about the issue from interested parties. Committee hearings are excellent opportunities to provide legislators with information about issues that matter to you and your organization. It also helps you gain experience and credibility with important public officials. Most committees will set deadlines for acceptance of applications to testify, so as soon as possible, notify the committee of your desire to present testimony.

Here are some tips on testifying before a legislative committee.

- Find out the rules established by the committee. These include time allocations, filing your testimony in advance, and the number of copies of your testimony that should be provided.
- Study the legislation for which you'll be providing testimony (and amendments and commentary).
- Prepare your testimony well in advance of the hearing. Make sure you have consensus on your statements if you are representing other groups in addition to your organization.
- If possible, meet with members of the committee prior to the hearing to gain insight into the types of questions that will be asked and where committee members stand on the topic.
- Provide copies of your remarks to the local media.
- Make your testimony personal. Relate your own experiences with the issue being debated. Inform the committee of the effect that the proposed legislation has on your borrowers.
- File a written statement if you are not able to present your testimony in person.



- Do not be disappointed if only a few committee members are present. Staff and department officials are always present and will relay your comments.
- If you don't know the answer to a question, say so. Offer to research and write a detailed response. Many times, the member asking the question will already know the answer and an incorrect guess can be deadly to your testimony.
- Write a thank you letter to committee members for the opportunity to testify.

Position Papers & Fact Sheets

It is important to express why a particular issue should be important to the elected official, both in person and in writing. Preparing documents to leave behind is always a good idea because they can be used for future reference. Supporting documents provided to a lawmaker should be factual, brief, concise, and to the point. It is best to bring your organization brochure (make sure it includes your website address), a position paper, and fact sheet to leave behind at any meeting with legislators or their staff. Position papers and fact sheets should be one-page in length. A fact sheet should start with a sentence that states your position (support/oppose) and lists the bill number, if appropriate. The rest of the document should be bullets that list the most important facts about the issue. Fact sheets provide the most important information and talking points about the topic.

Position papers should represent ONE issue only. If you have more than one issue, write a separate paper for each topic. Explain clearly what position you are taking on the issue. You should briefly explain both what you are for and what you are against. Be short but specific. A "call to action" is a good idea, tell people what you think they ought to do. A position paper should include the following:

- **Issue:** A brief statement that describes the topic.
- **Position:** A one-sentence statement that clearly summarizes your position (support/oppose) and lists the bill number, if appropriate.
- **Background:** Two to three paragraphs explaining the issue, where it stands, and why you have taken your position.
- **Summary:** One to two paragraphs summarizing key issues and the impact of the proposed legislation on your community.

Borrower Profiles

Borrower stories— anecdotes that highlight the end users of your financing and illustrate the impact of your work—are one of the most effective means of showing legislators the difference you make. An Opportunity Finance Network Member Profile is a great way to highlight your organization's work.



Site visits

Nothing gives your elected officials a better picture of opportunity finance at work than seeing it firsthand. One way to show them that picture is to host a site visit to meet borrowers and tour the sites of your projects. A site visit can take several forms. It can be a short addition to a ribbon cutting, groundbreaking, annual meeting, or other planned event or a half-day tour developed specifically to host legislators. It can be a quick meeting with borrowers and policymakers, or a short briefing about your impact. Host the visit with a borrower who underscores the success of your organization who will attract the interest of your legislator.

You may want to invite press participation in your site visit, especially if you are hosting a legislator. At the very least, make sure you have assigned someone to take pictures for your website, newsletters, and annual report.

After the visit send a thank-you note. The thank you should express your appreciation for the legislator's time, briefly reiterate any action you'd like the legislator to take and why, and offer your organization as a resource for opportunity finance. Think of the site visit as one step in a long-term relationship. Add the staffers who attended to your mailing list, make sure they receive copies of any press coverage, and invite them to future events.

Coalition Building

Coalitions provide a structure for groups with similar goals to focus effectively collective resources. Coalitions are usually created for a specific purpose (i.e., passage of a particular bill) and for a defined period of time. This can prevent duplication of efforts and present a united front for the greatest impact. Coalitions are especially helpful for building volunteer support, gaining allies, and achieving goals that may not be possible otherwise.

Coalitions should encourage diverse membership including for-profit companies and industries that might be interested in the issue (home builders, small business associations, etc.) You should invite all potential supporters to be involved. If a coalition name is needed, it should be issue related, i.e., The Coalition for the Illinois CDFI Fund.

When forming a coalition, it is important to delegate duties: designate someone to be responsible for all communication, someone to facilitate consensus building, and someone to assume fiscal responsibilities (if any). The coalition should:

- Create a purpose statement and outline an action plan,
- Clarify the decision-making process,
- Specify achievable goals,
- Hold regular meetings,
- Define and assign tasks,
- Establish short-term goals to maintain enthusiasm for the project,
- Measure actual results against planned goals,



- Address concerns early, and
- Produce tangible products (fact sheets, position papers, etc.).

Coalitions can be powerful tools for promoting issues and coordinating efforts. The key to success is commitment by all involved.

Grassroots Network

One of the most effective ways to interact with your state legislature is by getting other individuals and groups involved through a grassroots network. The goal is to identify others who are interested in your issue and actively engage their participation.

Grassroots lobbying takes a lot of work and effort, but it is an extremely effective way to influence the legislative process. The goal is to identify persons who have a personal relationship with a state legislator or who is willing to establish a relationship to promote your issue. You may be surprised to know that legislators welcome this opportunity to have a key contact as a resource to whom they can turn to for advice and counsel.

Developing a grassroots network takes a lot of coordination and you should assign someone to this task. The first step is to identify interested individuals and groups. A good starting point is Opportunity Finance Network's Membership locator (<http://www.opportunityfinance.net>) to identify other CDFIs in the state that will likely share your interests. Responsibilities for the network coordinator include:

- Identify key legislators,
- Contact potential participants and identify personal relationships,
- Recruit participants for all key legislators,
- Create a database of participants, including notes from meetings,
- Provide each participant with Opportunity Finance Network's advocacy guide¹³ as well as legislative contact information, and outline exactly what you need (please meet with Senator X and report back on the meeting),
- Stay in contact with participants. Provide them with progress updates, sample letters, and other important information that they can relay to the elected officials, and
- Coordinate all key activities and meetings.

Working with a Lobbyist

As opportunity finance specialists, your time is valuable and limited. Effective lobbying can be expensive and resource intensive. Legislative efforts take a great deal of time and it may be more cost effective in the long run to consider hiring a professional lobbyist. Lobbying is a very specialized field and it may take time to find the right person to represent your interests. You should talk with other organizations,

¹³ You can find a copy of this guide on OFN's website at:
http://www.opportunityfinance.net/policy/policy_sub3.aspx?id=82



legislative staff, and even the legislators themselves for recommendations. Remember a lobbyist that is brilliant with homeland security may not be good at opportunity finance. Finding the right match is the key to success.

Working with Regulators

Legislators create laws and regulatory agencies interpret, implement, and enforce the laws. On the one hand, legislative gains can be reversed through adverse interpretations and rulings. On the other hand, these agencies can also be strong allies, especially guarding against adverse legislation.

In interpreting the law, regulators sometimes use inaccurate, problematic terminology, so it is important that you work closely with them. Also, where no law exists, many states give their regulatory agencies significant power and latitude in enforcement. There are two opportunities for influencing regulatory language: during the drafting of proposed language and when the proposal is submitted for public comment. Luckily, most regulators are committed to their work and are receptive to the opinions of those who have expertise or are most affected by the regulations. Suggestions for working with regulators include:

- Keep coalitions together through the issuance of final regulations.
- Emphasize the public good, not just the good for your organization.
- Provide accurate, complete, and timely information.
- Providing draft language can expedite decisions since agencies are often short staffed.
- Ensure suggestions and requests are permissible within the agency's legal authority.
- Offer to continue to work with the agency as issues arise.



Checklist for Success

In General:

- What will be included in the bill and what will it accomplish?
- What is the political climate in your state as it applies to the possible success of the effort?
- Do you need funding for this project? If so, how much?
- What is the breakdown of expenses (at least a one-year budget)?

Coalition/Grassroots:

- Which groups (both for- and nonprofit) are likely allies to this effort?
- Which groups (both for- and nonprofit) will likely oppose this effort and why?
- Is a coalition needed? Which groups are likely to join?
- Who has key contacts with legislators?
- Is a professional lobbyist needed? Where will the funding come from to hire a lobbyist?

Legislative:

- What is the legislative process for your state?
- Who are the legislative leaders in your state (both Senate and Assembly)?
- What are the committees that this legislation will likely go through?
- Which legislators are on the committees of interest?
- Who is the committee chair(s)?
- Which legislators are likely to support this legislation?
- Which legislators are likely to oppose this legislation?

Administrative:

- Will the Governor likely be for or against this legislation?
- Does the Governor have line-item veto authority?
- Who are the key staffers in the Governor's office?
- Which state department(s) will this legislation affect? Who are the directors/key staffs?



About Opportunity Finance Network

Opportunity Finance Network, the national network of more than 160 financial institutions, creates growth that is good for communities, investors, individuals, and the economy. Its Members include CDFIs and other opportunity finance institutions that work just outside the margins of conventional finance to bring those markets into the economic mainstream and to help the economic mainstream flow into those markets.

Finding and financing opportunities that others miss.TM

Contact

If you have questions about opportunity finance, need additional information, or want to get involved in Opportunity Finance Network's advocacy efforts, please contact us.

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