

Department of Commerce – Arkansas Development Finance Authority

Legislative Impact Statement

Bill: SB382

Bill Subtitle: TO REPEAL THE REQUIREMENT THAT THE ARKANSAS DEVELOPMENT FINANCE AUTHORITY SUBMIT A REPORT CONCERNING THE CAPITAL ACCESS FUND.

Basic Change:

This bill would eliminate a statutory requirement for annual reporting on the Capital Access Fund, which is a fund in which ADFA, along with many private sector banks and financial institutions, provide financing to promote economic development.

The ADFA Capital Access Program makes funds available to borrowers who might otherwise have difficulty in obtaining conventional bank loans.

Although the Capital Access Program (CAP) is based on an insuring concept, it is different from the traditional type of insurance or guarantee program. It is based on a portfolio concept.

If a Lender participates in the Capital Access Program, a special reserve fund is set up to cover future losses from a portfolio of loans enrolled into CAP. The special reserve is owned and controlled by ADFA, but it is set aside for that specific Lender. Thus, each Lender participating in the program has its own earmarked reserve. A Lender can withdraw funds from its reserve only to cover losses on loans enrolled in CAP. ADFA, as administrator, is not a party to loan transactions and plays no role in underwriting, approving or servicing the loans. ADFA's purely administrative role reduces paperwork while at the same time assuring risk-taking by lenders.

Revenue Impact:

None

Taxpayer Impact:

None

Resources Required:

None

Time Required:

Adequate time is provided for implementation

Procedural Changes:

ADFA will no longer provide the statutorily required report

Other Comments:

None

Legal Analysis: