

House Bill 2862

Sponsored by Representative EVANS (Pre-session filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: The Act would create a loan program to support small businesses. (Flesch Readability Score: 72.6).

Establishes the Local Markets Small Business Capital Loan Program to be administered by the Oregon Business Development Department for the purpose of making interest-only loans to allow businesses with not more than 50 employees to hire new employees. Requires the payment of principal plus penalty for failure to hire and retain employees for at least two years.

Establishes the Local Markets Small Business Capital Loan Fund for the purpose of administering the loan program.

Appropriates moneys to the department for the purpose of administering the loan program and loan fund.

A BILL FOR AN ACT

1
2 Relating to interest-only loans to assist small businesses to increase employment.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. (1) The Local Markets Small Business Capital Loan Program is hereby es-**
5 **ablished for the purpose of making interest-only loans from the Local Markets Small Busi-**
6 **ness Capital Loan Fund established under section 2 of this 2025 Act to businesses employing**
7 **not more than 50 employees.**

8 (2)(a) A business described in subsection (1) of this section may submit a loan application
9 to the Oregon Business Development Department in the manner prescribed by the depart-
10 ment by rule and containing or accompanied by such information and documentation as the
11 department requires.

12 (b) The department may charge fees for submission of an application under this section
13 and, if the application is approved, for processing and administering a loan agreement en-
14 tered into pursuant to subsection (4) of this section. Fees collected must be deposited in the
15 Local Markets Small Business Capital Loan Fund and may be used solely to pay the admin-
16 istrative costs and expenses of the department for administering the program established
17 under this section and the fund established under section 2 of this 2025 Act.

18 (3)(a) Upon receipt of an application submitted under subsection (2) of this section, the
19 department shall determine the applicant's eligibility for a loan under this section.

20 (b) The department may approve an application only if, after investigation, the depart-
21 ment finds that:

22 (A) The applicant operates a business with 50 or fewer employees;

23 (B) The applicant has reasonably committed to meet the employment requirements under
24 subsection (5) of this section;

25 (C) The applicant has a reasonable prospect of making all required payments; and

26 (D) There is or will be a sufficient amount of moneys in the Local Markets Small Busi-

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 **ness Capital Loan Fund to make a loan to the applicant.**

2 **(c) Employees to be hired pursuant to a loan agreement executed under this section may**
 3 **not be counted toward the 50-employee limit on eligibility for a loan.**

4 **(4) If the department approves an application for a loan under this section, the depart-**
 5 **ment and the applicant shall enter into a loan agreement that, at a minimum:**

6 **(a) Includes a covenant that the business will use the loan proceeds solely to meet the**
 7 **employment requirements under subsection (5) of this section or to pay business operating**
 8 **expenses connected with those requirements.**

9 **(b) Includes a plan for repayment of the loan proceeds, which must include any terms**
 10 **of repayment the department designates as mandatory. The department shall designate as**
 11 **mandatory, at a minimum, the term of the loan, the collateral required to secure the re-**
 12 **payment of the loan, the rate of interest to be charged on the principal amount of the loan,**
 13 **the schedule of payments and the manner of determining when payments are delinquent.**

14 **(c) Provides that, except as provided in subsection (6) of this section, the amount of any**
 15 **payment shall include only the amount of interest due for the payment period and no amount**
 16 **of the amortized principal.**

17 **(5) The Director of the Oregon Business Development Department, or the director's**
 18 **designee, may approve loans only in the following amounts:**

19 **(a) \$10,000 for a binding commitment by the applicant to hire and retain at least one**
 20 **full-time employee for a period of not less than two years after the date on which the loan**
 21 **proceeds are paid to the applicant.**

22 **(b) \$20,000 for a binding commitment by the applicant to hire and retain at least two**
 23 **full-time employees for a period of not less than two years after the date on which the loan**
 24 **proceeds are paid to the applicant.**

25 **(c) \$30,000 for a binding commitment by the applicant to hire and retain at least three**
 26 **full-time employees for a period of not less than two years after the date on which the loan**
 27 **proceeds are paid to the applicant.**

28 **(6)(a) If a business that receives a loan under this section meets the employment and**
 29 **retention requirements under subsection (5) of this section for the entire minimum two-year**
 30 **period, the principal amount of the loan shall be forgiven and the remaining interest-only**
 31 **payments shall continue to the end of the term of the loan agreed to in the loan contract.**

32 **(b)(A) If at any time during the minimum two-year period required under subsection (5)**
 33 **of this section, a loan recipient fails to meet the employment and retention requirements**
 34 **under subsection (5) of this section, all payments of amortized principal that, but for the**
 35 **provisions of subsection (4)(c) of this section, would have been payable by the business for**
 36 **the period from the date of execution of the loan agreement up to and including the date of**
 37 **the most recent loan payment, plus a penalty in an amount equal to 10 percent of the original**
 38 **principal amount of the loan, shall become due immediately and each following loan payment**
 39 **for the remaining term of the loan shall include an amount for amortization of the remaining**
 40 **principal due on the loan.**

41 **(B) Subparagraph (A) of this paragraph does not apply if the business cures the failure**
 42 **within three weeks after the date on which the failure began. The term of the loan shall be**
 43 **extended by the number of days from the date of failure through the date immediately pre-**
 44 **ceding the date of cure.**

45 **(7) The department, after consulting with a representative of an association that re-**

1 presents the banking industry in this state, may adopt rules to implement the provisions of
2 this section.

3 **SECTION 2.** (1) The Local Markets Small Business Capital Loan Fund is established in
4 the State Treasury, separate and distinct from the General Fund. All moneys in the Local
5 Markets Small Business Capital Loan Fund are continuously appropriated to the Oregon
6 Business Development Department for the following purposes:

7 (a) Making loans under the Local Markets Small Business Capital Loan Program estab-
8 lished under section 1 of this 2025 Act; and

9 (b) Reimbursing the department for the costs and expenses actually incurred by the de-
10 partment in administering the loan program and the fund.

11 (2) The Local Markets Small Business Capital Loan Fund consists of:

12 (a) Fees collected by the department under section 1 of this 2025 Act;

13 (b) Loan payments, including interest, principal and penalties, required under section 1
14 of this 2025 Act;

15 (c) Moneys appropriated to the fund by the Legislative Assembly;

16 (d) Income earned on moneys in the fund;

17 (e) Moneys transferred to the fund from the federal government, other state agencies
18 or local governments; and

19 (f) Any gifts or donations made to the State of Oregon for deposit in the fund.

20 **SECTION 3.** There is appropriated to the Oregon Business Development Department, for
21 the biennium beginning July 1, 2025, out of the General Fund, the amount of \$_____ for the
22 purposes of administering and implementing the Local Markets Small Business Capital Loan
23 Program established under section 1 of this 2025 Act and the Local Markets Small Business
24 Capital Loan Fund established under section 2 of this 2025 Act.

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