



132nd MAINE LEGISLATURE

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Legislative Document

No. 1238

H.P. 813

House of Representatives, March 25, 2025

An Act to Establish a Small-cap Loan Guarantee Program for Affordable Housing Investments

Reference to the Committee on Housing and Economic Development suggested and ordered printed.

A handwritten signature in cursive script that reads "Robert B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative ARCHER of Saco.
Cosponsored by Senator BRADSTREET of Kennebec and
Representatives: GERE of Kennebunkport, JULIA of Waterville, MACIAS of Topsham.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 30-A MRSA §4834** is enacted to read:

3 **§4834. Small-cap Loan Guarantee Program**

4 **1. Definitions.** As used in this section, unless the context otherwise indicates, the
5 following terms have the following meanings.

6 A. "Administrator" means the Maine State Housing Authority or an organization
7 contracted by the Maine State Housing Authority to administer the program.

8 B. "Affordable housing" means a housing unit that is affordable to a household with
9 an income at or below 80% of the area median income, as defined by the United States
10 Department of Housing and Urban Development.

11 C. "Loan guarantee" means the State's promise to repay a portion or all of a loan made
12 to a participant if the participant defaults.

13 D. "Low-income housing" means a housing unit that is specifically designed to serve
14 a household with an income at or below 60% of the area median income, as defined by
15 the United States Department of Housing and Urban Development.

16 E. "Participant" means an eligible investor or developer that participates in the
17 program.

18 F. "Program" means the Small-cap Loan Guarantee Program established in subsection
19 2.

20 G. "Small-cap project" means an affordable housing or low-income housing
21 construction or rehabilitation project with a value of \$1,000,000 or less.

22 **2. Small-cap Loan Guarantee Program established.** The Small-cap Loan
23 Guarantee Program is established to provide a state-backed loan guarantee to an investor
24 or developer that commits to a small-cap project. The program is administered by the Maine
25 State Housing Authority, which may contract with an organization to administer the
26 program. The program must:

27 A. Offer state-backed loan guarantees to participants on financing for small-cap
28 projects;

29 B. Prioritize small-cap projects that provide long-term options or increase housing
30 stock for low-income housing, particularly in underserved areas; and

31 C. Require that a housing unit constructed or rehabilitated by a loan backed by the
32 program retains its original status as affordable housing or low-income housing for 10
33 years from the date of completion of the small-cap project.

34 **3. Program eligibility.** To be eligible for the program, an investor or developer must:

35 A. Submit a detailed proposal for a small-cap project that states:

36 (1) The number of housing units to be constructed or rehabilitated;

37 (2) The expected impact on the community; and

38 (3) The proposed financing structure;

1 B. Demonstrate financial stability and the ability to complete the small-cap project
2 under paragraph A on time and within budget;

3 C. Enter into a loan guarantee agreement with the administrator;

4 D. Pay the application fee under subsection 6; and

5 E. Comply with all state and local zoning, building and environmental laws, rules and
6 regulations.

7 **4. Loan guarantee conditions.** A loan guarantee for a small-cap project loan:

8 A. Covers an amount of the loan based upon the risk level of the loan as determined
9 by the administrator;

10 B. May cover up to 20% of the amount of the loan, subject to availability of funds in
11 the program; and

12 C. Remains in place for the duration of the loan repayment period up to 20 years.

13 **5. Default; administrator's authority to bill participants.** If a participant defaults
14 on a loan backed by a loan guarantee:

15 A. The administrator may assume responsibility for repayment of the loan up to the
16 guaranteed portion of the loan amount in accordance with the loan guarantee agreement
17 under subsection 3, paragraph C;

18 B. Upon repaying the loan, the administrator may bill the participant for the full
19 amount paid by the administrator, including any interest, penalty or fee related to the
20 default;

21 C. The administrator may pursue any legal means necessary to recover funds owed
22 under paragraph B, including filing a lien against the participant's property or seeking
23 a court judgment;

24 D. If the default is determined to be caused by a fraudulent action by the participant,
25 the administrator may pursue other penalties as provided by law; and

26 E. The participant must repay the full amount owed to the State under paragraph B and
27 any additional costs incurred by the administrator in collecting the amount within a
28 period determined by the administrator, not to exceed 10 years.

29 **6. Application fee.** The program is funded by an application fee paid by the
30 participant upon application to the program, which covers program administrative and
31 operational costs. The amount of the application fee is determined by the administrator
32 based on the total loan guarantee amount and risk assessment of the small-cap project under
33 subsection 4.

34 **7. Evaluation; report.** The administrator shall conduct an annual evaluation of the
35 program to assess the program's effectiveness in meeting program goals of increasing
36 affordable housing availability and supporting investors and developers of small-cap
37 projects. The Maine State Housing Authority shall submit an annual report based upon the
38 evaluation and detailing the use of program funds, the status of active loans backed by loan
39 guarantees and the number of affordable housing and low-income housing units
40 constructed or rehabilitated to the joint standing committee of the Legislature having
41 jurisdiction over housing and economic development matters.

1 **8. Oversight.** If the Maine State Housing Authority contracts with an organization to
2 administer the program, the Maine State Housing Authority shall exercise oversight over
3 the organization's administration of the program. The State Auditor shall review the
4 program annually to ensure compliance with this section and to monitor the financial health
5 of the program.

6 **9. Rules.** The Maine State Housing Authority shall adopt rules to carry out the
7 purposes of this section. Rules adopted under this subsection are routine technical rules
8 under Title 5, chapter 375, subchapter 2-A.

9 **Sec. 2. Small-cap Loan Guarantee Program implementation.** On or before
10 January 1, 2027, the Maine State Housing Authority or an organization contracted by the
11 Maine State Housing Authority shall begin accepting applications for the Small-cap Loan
12 Guarantee Program established under the Maine Revised Statutes, Title 30-A, section 4834.

13 **Sec. 3. Effective date.** This Act takes effect July 1, 2026.

14 SUMMARY

15 This bill creates the Small-cap Loan Guarantee Program, through which the State
16 provides loan guarantees to investors and developers for small-cap projects. A small-cap
17 project is an affordable housing or low-income housing construction or rehabilitation
18 project with a value of \$1,000,000 or less. Under the bill, affordable housing is housing
19 that is affordable to a household with an income at or below 80% of the area median
20 income, as defined by the United States Department of Housing and Urban Development,
21 and low-income housing is housing specifically designed to serve a household with an
22 income at or below 60% of the area median income, as defined by the United States
23 Department of Housing and Urban Development. The program is administered by the
24 Maine State Housing Authority or an organization contracted by the Maine State Housing
25 Authority to administer the program and funded by application fees based upon the amount
26 and risk assessed of each loan guaranteed by the program.