

**FAME Business Programs That Could Aid in Maine's
Economic Recovery and Development**

Mission and Vision Statement

FAME's mission is to provide financial solutions that help Maine people achieve their business and higher educational goals. FAME's vision is to help create a Maine workforce with good paying jobs by focusing on the nexus of economic and educational development.

Business Programs and Services (Structure, Funding Sources, Status)

FAME's Business Division helps Maine businesses grow, create, and retain jobs by taking managed risk in order to leverage capital. **In FY 20, FAME supported the issuance of \$78 million in debt capital to 337 Maine businesses, helping to create or retain 5,047 Maine jobs.** Below please find descriptions and information related to some of our business financing programs that could best help with economic recovery and development.

- **Commercial Loan Insurance Program:** Loan insurance helps to cover a bank's credit risk. For a business, it may mean the difference between obtaining a loan, going out of business, or never getting the opportunity to start a business. Loan insurance is available for almost any prudent business activity, and insures up to 90 percent (100 percent for veterans) of a loan to a maximum FAME insurance exposure of \$7.5 million. **Since inception, the state has invested in this program a total of \$37 million in funding, which in turn has resulted in over \$634 million in loan insurance offered by FAME over the years. This insurance has supported over \$1.3 billion in commercial loans to Maine businesses in partnership with local Maine lenders.** In FY 20, FAME provided approximately \$34 million in loan insurance to lending institutions for loans to 249 Maine businesses, leveraging approximately \$71 million in financing. This helped to create and retain approximately 3,546 Maine jobs.
 - **Funding source:** \$1 million transfer as part of the annual "cascade" when state ends fiscal year with surplus, as well as recycled funds.
 - **Status:** Approx. \$38 million available. Additional loan insurance reserves, as recommended in the November 2020 Economic Recovery Committee report (page 26), would allow for increased loan/insured amounts, relaxed credit standards, and more favorable terms for borrowers.

- **The FAME Direct Loan:** Provides subordinate or gap financing to businesses affected by their current economic situation. **Over the years, the state and Maine voters have provided approximately \$18.5 million to this program. In return, approximately \$94 million in direct loans have been extended by FAME to Maine businesses. This in turn has helped to retain 22,000 Maine jobs and create another 4,828.** In FY 20, due in large part to the COVID-19 pandemic, activity in this program greatly increased

**FAME Business Programs That Could Aid in Maine's
Economic Recovery and Development**

and FAME provided seventy-nine loans to Maine businesses totaling approximately \$4.7 million. This helped to create and retain 1,163 Maine jobs.

- **Funding source:** Occasional general obligation bond funds, plus ongoing loan repayments.
 - **Status:** Approx. \$2.5 million available (note: FAME Direct Loan Program has \$6.8 million available, but \$2.3 million is committed to borrowers and \$2 million has been made available to a separate COVID relief loan program).
- **Maine Seed Capital Tax Credit Program:** The Maine Seed Capital Tax Credit Program is designed to encourage equity and near-equity investments in eligible Maine businesses, directly and through private venture capital funds. FAME may authorize state income tax credits or re-fundable tax credits to investors for 50 percent of the cash equity they provide to eligible Maine businesses. Investments may be used for fixed assets, research or working capital. Between January 1 and December 31, 2019, FAME issued \$4,999,902 in tax credits out of the \$5 million that was annually available under law. The overall annual program cap has since been increased by the Legislature to \$15 million, so this figure should be much higher next year (a recommendation of the 10-Year Economic Development Strategy, page 29).
- **Funding source:** Statutory authorization for up to \$15 million per year in credits (foregone revenue).
 - **Status:** Almost \$15 million available for 2021 (we've received a few applications so far).
- **Regional Economic Development Revolving Loan Program:** Provides subordinate and/or gap financing up to \$350,000. The program is offered through the various regional economic development agencies throughout the state. **In FY 20, REDRLP agencies lent approximately \$2.1 million as part of forty-four loans to Maine businesses, leveraging an additional \$9.9 million of investment. This activity resulted in the creation and retention of 409 Maine jobs.** November 2020 Economic Recovery Committee Report suggests additional support for this program (p. 26).
- **Funding source:** Occasional general obligation bond funding, plus local agencies receive loan repayments (revolving loan fund).
 - **Status:** Approx. \$1.4 million remains available for local agencies upon request.

**FAME Business Programs That Could Aid in Maine's
Economic Recovery and Development**

- **Special COVID Relief:** FAME has set aside up to \$10 million of its reserves for the loan insurance program, and up to \$5 million for the direct loan program. **We have closed over 100 loans/loan insurance deals through these COVID-relief programs. They totaled approximately \$3.7 million and helped to create and retain 1,660 Maine jobs.** FAME is making every effort to work with borrowers on special accommodations for their loans, especially during this challenging time.
- **COVID-19 Relief Loan Insurance for Lenders:** In partnership with lending institutions, FAME will approve ANY Online Assistance (OLA) loan submitted electronically and deemed “COVID-19” at a 50% insurance rate. Some will be eligible using our current standards (and be assessed decreased fees) for 75% coverage. Lending partners will share the risk with FAME and may obtain approval for their loan in an expedited manner. Interested borrowers should contact their local bank or credit union first to see if the lender is offering this program and to apply. **\$10 million set aside. Closed 36 loans with FAME exposure totaling \$1.476 million.**
 - **COVID-19 Relief Business Direct Loan Program:** To be utilized when a borrower cannot obtain a loan or OLA from a lending partner. Offers loans up to \$50,000 and a decreased interest rate and decreased fee schedule for Maine-based businesses that experience interruption or hardship due to COVID-19. **\$5 million set aside. Closed 77 loans with FAME exposure totaling \$2.911 million.**
- **Maine Venture Fund:** FAME partners (and formerly housed) the Maine Venture Fund (a/k/a Small Enterprise Growth Fund). MVF helps to drive innovation for early-stage business growth. Its proposed Chamberlain Fund (\$10-\$15 million) could attract more venture capital for Maine high-growth businesses, efficiently leveraging state funding with private capital (November 2020 Economic Recovery Committee Report recommendation, page 26). Chamberlain funding would be under the auspices of the MVF board and allow it to make more investments, perhaps larger investments, and increase resources to maximize the chance for portfolio companies’ success, and allow for the creation of funds comprised of public and private dollars. Additional funding could also allow MVF to consider investing in selective private venture capital funds that will invest in Maine companies.