



**Testimony by Carlos R. Mello
Acting Chief Executive Officer**

In Support of L.D. 46

***An Act to Amend the Statutory Balance Limit on the
Finance Authority of Maine's Loan Insurance Reserves***

February 14, 2023

**Joint Standing Committee on Innovation, Development,
Economic Advancement, and Business**

Senator Curry, Representative Roberts, and Distinguished Members of the Joint Standing Committee on Innovation, Development, Economic Advancement, and Business:

My name is Carlos Mello. I am the Acting CEO at the Finance Authority of Maine (FAME). I live in Camden and am here to testify in support of L.D. 46, *An Act to Amend the Statutory Balance Limit on the Finance Authority of Maine's Loan Insurance Reserves*.

First, I wish to thank Senator Curry for sponsoring this bill on FAME's behalf.

FAME's mission is to provide financial solutions that help Maine people achieve their business and higher education goals. One of the ways we do this is by insuring lender loans to Maine businesses needing financing.

We are asking you to increase the cap on the amount of funds that FAME may have in its combined Loan Insurance Reserve and Mortgage Insurance Fund from \$40,000,000 to \$50,000,000, thus continuing the \$1,000,000 transfer to the Loan Insurance Reserve until the new cap is reached.

Current law provides that the State Controller transfer, at the close of each fiscal year, up to \$1,000,000 from the unappropriated surplus of the General Fund to the Loan Insurance Reserve within the Finance Authority of Maine (FAME) until the combined balance of the Loan Insurance Reserve and the Mortgage Insurance Fund, also within FAME, reaches \$40,000,000. This transfer is the 2nd priority in the so-called "cascade" after transfers to replenish the State Contingent Account pursuant to 5 MRSA §1507 are made.

Loan insurance helps to cover a bank or credit union'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. FAME's commercial 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. This maximum insurance amount is set at least annually in accordance with FAME's Direct Loan and Loan Insurance Credit Policy.

As we mentioned to you during your recent committee orientation, our Commercial Loan Insurance Program is a successful workhorse program leveraging economic development in partnership with local Maine lending institutions across the state. Over the years, the state has invested approximately \$40 million in this program, which has in turn led to approximately \$1.5 billion in direct lending to Maine businesses and over 100,000 Maine jobs created.

In FY 22 alone, FAME commercial loan insurance supported approximately \$105 million in financing by lending institutions (Our best year ever! And up from \$49 million last year) for 248 loans to 202 Maine businesses. This helped to create and retain approximately 3,062 Maine jobs.

We respectfully request that you help FAME enhance one of our most successful economic development tools by approving this dollar limit for the program to continue to be eligible for funding from the cascade.

Thank you for your consideration of my testimony. I will be happy to answer any questions you have.