



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

In Support of L.D. 1208

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

April 3, 2025

Joint Standing Committee on Housing and Economic Development

Senator Curry, Representative Gere, and Distinguished Members of the Joint Standing Committee on Housing and Economic Development:

My name is Carlos Mello. I am the CEO at the Finance Authority of Maine (FAME). I live in Camden and am here to testify in support of L.D. 1208, *An Act to Amend the Statutory Balance Limit on the Finance Authority of Maine's Loan Insurance Reserves for General Fund Transfers*.

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

FAME's vision is a Maine where all people have access to improved economic outcomes through business growth and education attainment. FAME's mission is to enrich business and educational outcomes through relevant, timely financial support to Maine's people.

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 \$50,000,000 to \$65,000,000, thus continuing the \$1,000,000 transfer to our Loan Insurance Reserve in fiscal years with a surplus until the new cap is reached. This does not require any appropriations.

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 FAME until the combined balance of the Loan Insurance Reserve and the Mortgage Insurance Fund, also within FAME, reaches \$50,000,000. 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.

Our Commercial Loan Insurance Program, highlighted during your recent committee orientation and tour in Skowhegan, promotes economic development with Maine's lending institutions. The ongoing surplus transfer does not harm the state budget and supports larger loans, particularly for capital-intensive industries. It also allows FAME to take more risk for the benefit of Maine businesses, aligning with the committee's aim to enhance scale and capacity for rural communities.

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.

Since inception, the state has invested in this program approximately **\$41 million in funding, which in turn led to approximately \$1.6 billion in commercial loans to Maine businesses in partnership with local Maine lenders and has helped to create and retain approximately 103,000 Maine jobs.**

In FY 24 alone, FAME loan insurance supported commercial loans to 252 Maine businesses totaling \$72 million in financing. This helped to create and retain 2,841 Maine jobs. The Reserves balance is approximately \$52 million now, due in part to \$4 million in cascade transfers since 2023, but also due to investment earnings we've experienced and added to the Reserves. Approximately \$20 million of the Reserves are booked/saved for currently outstanding loan insurance commitments, while the rest is available to support new loans. This relatively low-cost measure is part of the state's economic toolkit as we consider how to do more economic development with less funds. Growth in the Reserves allow FAME to accept more risk and to support potentially larger transactions for the benefit of Maine businesses and economy, aligning with recent legislative discussion to enhance scale and capacity for Maine's rural communities.

The economic development consulting firm EBP recently issued a report to the Department of Economic and Community Development that recommended the expansion of eligibility and benefits of FAME's Commercial Loan Insurance program in alignment with the state's Economic Development Strategy. This report indicated that roundtable discussion participants identified the program as one of the most beneficial resources available to Maine businesses. Continuing to grow and add to the Reserves is critical to further expansion of the Commercial Loan Insurance program.

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.