

Senate Public and Municipal Affairs Committee

Kelly Flathers 271-3093

SB 202-FN, allowing community investment in a development finance institution.

Hearing Date: February 8, 2017

Time Opened: 10:46 a.m.

Time Closed: 11:07 a.m.

Members of the Committee Present: Senators Gray, Ward, Birdsell and Kahn

Members of the Committee Absent: Senator McGilvray

Bill Analysis: This bill permits municipalities to invest in a development finance institution.

Sponsors:

Sen. Feltes

Sen. Lasky

Who supports the bill: Sen. Dan Feltes - District 15; Sen. Bette Lasky - District 13; Debby Miller; John Flanders; Elliot Berry

Who opposes the bill: Tom Fahey

Who is neutral on the bill: No one

Summary of testimony presented in support:

Senator Regina Birdsell – District 19

- I am introducing this bill for Sen. Feltes, who will be arriving shortly.

Senator Dan Feltes – District 15

- This bill provides the option for municipalities to invest in a community development finance institution, specifically the community loan fund.
- SB 72 allows some of this money to go out of state. We want to keep this money in our communities, which is why I submitted this bill.

Sen. Birdsell

- (Q) What's the difference between the status now versus if this were to pass?
 - (A) **Sen. Feltes:** Currently, you have the opportunity to invest the assets in capital reserve funds in any federally or state-chartered bank or association authorized to engage in a banking business in this state, in bonds or notes of this state, and other investments as listed in the

existing statute. This would add another option to that list.

Debby Miller – Vice President of External Relations, NH Community Loan Fund

- I am speaking in support of this bill.
- Community development financial institutions (CDFIs) are private financial institutions that are 100% dedicated to delivering responsible, affordable lending to low-income, low-wealth people and help communities join the economic mainstream.
- By financing community businesses, CDFIs spark job growth and retention in hard-to-serve markets across the nation.
- CDFIs are profitable, but not profit-maximizing. They put the community first and have a proven track record.
- There are four types of CDFIs: banks, credit unions, venture capital companies, and community loan funds, which all share a vision of expanding opportunity.
- The NH Community Loan Fund is a non-profit and was one of the first statewide loan funds in the United States.
- We're one of 1,073 CDFIs in the country. We serve the entire state of NH. There are four CDFI's headquartered in the state of NH.
- We have a 4-star A+ rating from company called Aeris, an independent rating agency that takes into account a CDFI's performance in the past five years, its current financial position, and future risk factors.
- We believe that some obstacles people face are not solely due to their incomes, but to a lack of access to credit. We also believe that people with capital will help their neighbors if they have a way to do it.
- Our lending capital comes from both individuals and institutions. It is a simple way for the community to invest in the community. Our investors earn an annual fixed interest rate and benefit from creating opportunities for their neighbors.
- As of December 31, 2016, we had 629 investors, with 73% of the dollars coming from institutions. Of the 40 banks in NH, 26 of them are investors with the community loan fund.
- We've paid back all our investors on time since our inception. We have a 33-year spotless record.
- We have helped create or preserve 8,391 affordable housing units, 3,254 jobs, and 4,249 childcare or school spaces.
- Our loan losses to borrowers are at a low 3.1%. Because of this, our investors didn't incur losses.
- We've made loans in 131 towns and all 10 counties in NH.

Sen. Kahn

- (Q) Are these insured deposits?

- (A) **Debby Miller:** They are not insured. We have close to 20% equity as a cushion for our investors. We have loan loss reserves as well. Over 33 years, all our investors have been paid back.
- (Q) Who are the other three CDFI's in the state?
 - (A) **Debby Miller:** ROC USA Capital, Rockingham Economic Development Corporation, and Strafford Economic Development Corporation.

Sen. Ward

- (Q) Do you have towns currently investing in this?
 - (A) **Debby Miller:** No, we're looking for additional investments.
- (Q) What is the return?
 - (A) **Debby Miller:** 0% to 5%, depending on how long you want to invest.

Elliot Berry – Co-Founder, NH Community Loan Fund

- I am speaking in support of this bill.
- About 35 years ago, we operated with just one employee. The organization now has over 50 employees.
- In the mid-80's, there was a manufactured housing park in Milford that the owner was about to close to build condominiums. This left 55 homeowners with no place to go. Their housing investment would be gone. The Community Loan Fund was able to make a loan to them so the residents could purchase the park. This has been done for over 120 parks in NH.
- Not only is this a boon to the people who live in these communities, but every time the loan fund makes a loan, along with it comes infrastructure repair.
- There's also an arrangement through the Ford Foundation where borrowers can get wonderful terms to put new homes into the parks they own. Communities improve dramatically from every point of view.
- There has been no default because the loan fund also provides technical assistance to the borrowers.
- Nothing in this legislation would ever compel a municipality to invest in the loan fund. This just gives them the legal right to do so. It's a win-win for them.

Summary of testimony presented in opposition:

Tom Fahey – NH Bankers Association

- I am speaking in opposition to this bill.
- This plays out against SB 72. It touches on the same area of law regarding how municipal deposits can be used.
- Investments in CDFIs are not insured, which raises some issues for municipalities.

- In existing law, there are conditions as to how funds have to be collateralized when they're invested in banks and PDIPs. It's unclear how these conditions would apply to CDFIs.
- We're looking for a rereferral on SB 72 and hope that this bill will be considered in light of that, to take a unified approach regarding investments of municipal funds.

Neutral Information Presented: None

Future Action: Pending

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Date Hearing Report completed: February 10, 2017