



TO: CLIMBER Small Business Loan Program Oversight Board
FROM: Mary Wickersham
RE: Responsibilities of the Board
DATE: August 5, 2020

The following memo is intended to provide an overview of the CLIMBER program and the responsibilities of the oversight board in order to guide board discussion and future meeting agendas.

CLIMBER-specific responsibilities

HB20-1413 that established the CLIMBER loan fund program charges the oversight board with the following responsibilities:

- The board's general charge is "to help establish and oversee the terms and conditions of a contract or contracts through which the Treasurer may provide first loss capital to a loan program or the Colorado Credit Reserve." C.R.S. § 24-36-204(1),
 - This charge takes in all the details of the loan terms as those terms are to be included in the fund manager contract. Board decisions that are a part of the fund manager contract include:
 - Each tranche of up to \$50M may have different terms and the program may function differently under each tranche. These decisions are up to the board.
 - What is the role of the Colorado Credit Reserve (CCR) program?
 - How will the fund function? In addition to contributing funds to the CCR program, the fund may purchase participation in loans, make loans (only in the very limited circumstance where banks and other lending institutions are not able to make loans due to regulatory issues) or "other activities that accomplish the same purpose." The board must decide exactly how the fund will operate within these parameters. If the fund buys participations, the board must determine what the participation percent is, or if it can be different in different circumstances. What other things could the fund do to ensure these loans reach the businesses that need them—e.g. contributing to the Cash Collateral Support program.
 - Loan terms (in consultation with lending industry leaders and representatives of small businesses



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- Loan size, within the statutory parameters (between \$30,000 and \$500,000).
- Loan maturities, within the statutory parameters (not more than 5 years).
- Loan amortization, within the statutory parameters (not less than the term of the loan but could be longer).
- Payment deferrals, within the statutory parameters (up to one year).
- Interest rate of the loans, within the statutory parameters (“lower than would otherwise be available”)
- Loan security, within the statutory parameters (no security is required by statute, but the board may add security requirements that could include a personal guarantee, collateral, or “other security as determined by the oversight board”).
 - Geographic distribution methodology
 - What is the metric used to determine geographic distribution
 - For what period of time with the capital be allocated geographically (after which it reverts to the general pool)
 - This methodology may change from tranche to tranche
 - Establish targets for loans to women, minority, and veteran-owned businesses and rural businesses, reviewing progress toward those goals and making necessary adjustments (in consultation with the MBO). These targets may also change from tranche to tranche
- Other board duties:
 - Consulting with the Treasurer on the selection of a loan program manager;
 - Providing guidance and input throughout the implementation of a loan program
 - Providing oversight and guidance to ensure the loan program meets the CLIMBER Act’s requirements and fulfils its purpose of assisting Colorado small businesses in recovering economically from COVID-19; [It may be helpful for the board to define what counts as “success” in meeting this



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- goal so that it can design other program elements to achieve those goals.]
- Establishing the criteria for eligible borrowers, in consultation with small businesses;
 - 24-36-203(4) “Eligible borrower” means a business that, as determined by the oversight board:
 - (a) Has its principal place of business in the state [Oversight board needs to define how that is determined. What about franchises?]
 - (b) Has at least five but fewer than one hundred employees [oversight board needs to define how that is determined—e.g. is it FTE or head count. The board also has the ability to narrow this range.]
 - (c) Can demonstrate that it had at least two consecutive years of positive cash flow prior to February 29, 2020 [Any two consecutive years, or does it need to be the two years immediately preceding February 2020?]
 - (d) Can demonstrate that it had a debt-service coverage ratio as of February 29, 2020, of at least one-to-one or a higher level as determined by the oversight board
 - Submitting a written report on implementation of the loan program to the Joint Budget Committee (JBC) on or before November 30, 2020 and each six months thereafter; and
 - Presenting to a joint meeting of the Business Affairs and Labor committee of the House, Business, Labor and Technology committee of the Senate at least once each fiscal year.