



## WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

**2011 Wisconsin Act 79  
[September 2011 Special Session  
Senate Bill 2]**

**WHEDA Small Business Loan  
Guarantees**

### **CURRENT LAW**

The small business development loan guarantee program is administered by the Wisconsin Housing and Economic Development Authority (WHEDA). WHEDA uses funds from the Wisconsin Development Reserve Fund to guarantee approved loans made to eligible borrowers. The loan proceeds must be used for the purchase or improvement of land, buildings, machinery, equipment, or inventory relating to one of the following three types of activities:

- The expansion or acquisition of a business.
- The start-up of a child care business.
- The start-up of a small business in a vacant storefront in the downtown area of a “rural community,” defined to mean a city, town, or village that either: (1) is located in a county with a population density of less than 150 persons per square mile; or (2) has a population of 12,000 or less.

To be eligible to receive a loan guarantee under the program, a borrower must satisfy all of the following criteria:

- Be a small business that employs 50 or fewer full-time employees.
- Have an owner who is actively engaged in the business.
- Have an owner whose name does not appear on the statewide support lien docket unless that person is party to a valid payment agreement pertaining to that lien.

WHEDA is authorized to determine the portion of the principal of an eligible loan to be guaranteed under the program.

**2011 WISCONSIN ACT 79**

2011 Wisconsin Act 79 makes the following changes that expand eligibility for the small business development loan guarantee program:

- Provides that businesses with 250 or fewer full-time employees, rather than 50 or fewer, are eligible to participate in the program.
- Eliminates the requirement that a small business owner be actively engaged in a business that receives a loan guaranteed under the program.
- Increases the maximum portion of the principal of a small business development loan that may be guaranteed to the lesser of \$750,000 or 80% of the loan (compared with \$200,000 or 80% of the loan under prior law).
- Removes the requirement that loans used to start a small business in a downtown vacant storefront must be used in a rural community.
- Increases the dollar amount that serves as a dividing line for WHEDA's establishment of either set or varying portions of the loans to be guaranteed, to \$937,500, rather than \$250,000 under prior law.

***Effective date:*** December 6, 2011

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