From: Ribley, Warren
To: Palmer, Maureen; Niemann, Gail; [redacted].
Subject: Re: IKE-BAP-Tax Clearance Requirement
Date: Thursday, May 19, 2011 2:38:54 PM

Gail,

Can you talk to IDOR Legal? Let me know if/when I need to engage Director Hamer. Thanks.

From: Palmer, Maureen
Sent: Thursday, May 19, 2011 12:28 PM
To: Niemann, Gail; Suezie Elkins <[redacted]
Cc: Ribley, Warren
Subject: FW: IKE-BAP-Tax Clearance Requirement

Gail/ Susan:

I am forwarding feedback from ACCION, our key lender under the IKE-BAP program. (I consider ACCION to be the key lender due to the volume of loans they have the capacity to achieve, and because their loan range ($500-$25,000k) and clientele supported, which I believe more closely matches the IL Neighborhood Recovery Initiative that the loan fund program helps to support.) However, I believe they are strongly considering ending the program due to the income tax clearance requirement that has become very burdensome due to the time in following up repeatedly with IDOR to process the clearances and the upfront time w/ the loan prospects to complete the steps that relate to the income tax clearances—as ACCION stated—the tax clearance step is adding 50-100% of additional time to complete the loan approval process. They forwarded below an excerpt (paraphrased) of an ILCS provision that they believe we may be relying upon in imposing the requirement. As you can see their questions are (1) whether the income tax clearance truly is reasonable for this program and (2) whether the requirement is applicable to the clientele being served by this program—80% are either in low-to-mod income households, or reside their businesses in low-to-mod income areas, so they believe it should be presumed that the clientele will have some debt issues and (3) if applicable, whether it can be waived under the program.

So ACCION is now asking DCEO whether the tax clearance requirement can be waived. Our vendor team said that both Louisiana and Texas, under CDBG loan programs employed an income tax repayment plan program to couple w/ the CDBG loan programs—I know that we must apply Illinois laws, but a tax repayment plan might support waiving the requirement if you do determine that it applies to the loan program, if a waiver isn't approved. The income tax clearance requirement is not a federal requirement.

If we can discuss internally (including the vendor) between now and sometime next week, I think it would assist greatly. ACCION is hoping this can be resolved fairly quickly. The internal team (CD/ vendor leads) can try to work around your time availability.

Maureen

From: Brett Simmons [mailto:bsimmons@accionchicago.org]
Sent: Wednesday, May 18, 2011 3:44 PM
To: Palmer, Maureen
Subject: RE: Additional Info

The below should read "90 jobs created or maintained" rather than 60.

Also, thank you again for your passion and resolve to make this program work. I completely understood the need for all the questions you asked and hope that we can find a resolution that works for the state

and for us, but most importantly invests as much as possible in LMI communities.

Thanks again,

Brett

Brett Simmons | Director of Programs and Policy | ACCION Chicago | 1436 W. Randolph St. Suite 300 Chicago, IL 60607 | Phone: (312) 275-3000 x110 | Fax: (312) 275-3010 | www.accionchicago.org

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From: Brett Simmons
Sent: Wednesday, May 18, 2011 3:24 PM
To: 'Palmer, Maureen'
Cc: Jonathan Brereton
Subject: Additional Info

Maureen,

Hopefully this additional information will be illuminating to the discussion…

As we spoke about today, we have added many steps and processes to accord with all the provisions of both federal and state compliance. In a recent study, our standard loan process took between 7-8 hours per loan. **We estimate that in order to meet the compliance needs of the BAP, we add between 2 and 2.5 hours per loan (30% more).** We additionally spend any where from 1-2 hours with clients that never receive a loan (roughly 13 clients per 1 loan closed) and numerous hours each week in the community publicizing this loan program and others.

The tax clearance can add anywhere from 1 to 2 hours per loan. However, because ACCION must follow-up with DOR numerous times to receive word on clearances and then clients must address any problems; **our loan process grows from its typical turn around time of 5-10 days, to 10-20 days, a more than 100% increase**. This time extension not only poses problems for our reputation with clients, but also will limit our investment in LMI areas.

We originally anticipated doing more than 90% of our loans as BAP and thought we would disburse the full value by September of this year. Due to the initial added compliance, we currently average 50% of our loans as BAP and have pushed back projections of using the grant 6 full months. **Our recent tax clearance results lead us to believe that requiring the full check would further lower our volume to 25-30% of our loans as BAP.**

The smaller volume means we will do less in LMI communities. While inefficiency has caused challenges, we have surmounted the odds in order to build our company and serve more LMI clients. **80% of clients in the BAP are either LMI or locate their business in an LMI area** and these businesses had created or retained nearly **60 jobs through March**, a

typically slow quarter of the year. Cutting that number in half because of the added burden of the tax clearance will limit our investment in LMI areas.

We have taken a long view of the challenges. The revolving loan fund will last for 4 years. We have hired 2 new loan officers and will be hiring one additional staff member soon to assist with compliance issues. The dollars invested by the state are building ACCION, which represents more than 90% of microloans in the State. We will do what we need to in order to make the program work, but all additional dollars spent now on compliance issues that appear unreasonable for ACCION to carry out will have long-term implications for the number of persons we can serve. For instance, if ACCION volume drops to $750,000 this year for the BAP (in-line with the above volume changes), and it had the potential to reach $1.5 million originally, **the change would limit our volume of lending using future repayments nearly $1.9 million over the 4 years. That represents approximately 250 less loans.**

We sincerely believe we are in accordance with the State law on tax clearances without the full ITR-1 form and requiring it for our clients will limit our ability to invest in LMI areas and create jobs.

Thanks,
Brett

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