

154.20-589 Western Kentucky risk assistance fund.

- (1)
 - (a) There is hereby established in the State Treasury a trust and agency account to be known as the western Kentucky risk assistance fund.
 - (b) The fund shall be maintained by the Cabinet for Economic Development.
 - (c) Amounts deposited in the fund shall be used as required under subsection (2) of this section.
 - (d) Notwithstanding KRS 45.229, moneys not expended at the close of a fiscal year shall not lapse but shall be carried forward into the next fiscal year.
 - (e) Any interest earnings of the fund shall become a part of the fund and shall not lapse.
 - (f) Moneys deposited in the fund are hereby appropriated for the purposes set forth in this section.
- (2) The fund shall be used to pay a qualified lender on the unpaid principal balance of a commercial loan in an amount up to the lesser of the first twenty-five percent (25%) of the loss suffered on the unpaid principal balance on a commercial loan or one million dollars (\$1,000,000), as evidenced by the loss being determined by the following method:
 - (a) The amount of loan loss reserve the lending institution establishes based on the current expected credit losses methodology for estimating allowances for credit losses, as reflected in an official, filed call report which reflects the changes in the allowance for credit loss relating to the loan originated under this section; or
 - (b) The amount of the estimated loss as documented by an updated appraisal of the underlying collateral, or a change in economic value of the loan based on expected cash flows.
- (3) The western Kentucky risk assistance fund shall be used to provide loan loss support payments to qualified lenders for commercial loans that, in the aggregate, have outstanding principal balances not exceeding one hundred million dollars (\$100,000,000) and have been approved for enrollment in the program following the application process set forth in subsections (4) and (5) of this section. The one hundred million dollar (\$100,000,000) maximum amount for eligible loans shall be proportionally reduced as the loss payments are disbursed.
- (4) The cabinet shall accept applications for inducements on a form created by the cabinet, which shall include the following:
 - (a) The name of the qualified lender;
 - (b) The qualified lender's status of good standing by the Department of Financial Institutions;
 - (c) The Kentucky address of the physical location of the qualified lender;
 - (d) The name, e-mail address, and phone number of an employee of the qualified lender who can be contacted regarding questions about the application; and
 - (e) The amount of the commercial loan.
- (5)
 - (a) The cabinet shall accept applications for access to the western Kentucky risk assistance fund only for a commercial loan that originated before December

31, 2027.

- (b) Applications from qualified lenders shall be approved in the order in which the applications are received, with each qualified lender being limited to a maximum of applications totaling ten million dollars (\$10,000,000) in commercial loans.
- (6) Once a loss has been suffered by a qualified lender, the cabinet shall accept requests for loss payments from the western Kentucky risk assistance fund on a form created by the cabinet that provides the following:
- (a) The name of the qualified lender;
 - (b) The qualified lender's status of good standing by the Department of Financial Institutions;
 - (c) The Kentucky address of the physical location of the qualified lender;
 - (d) The name, e-mail address, and phone number of an employee of the qualified lender, who can be contacted regarding questions about the application;
 - (e) The amount of the commercial loan;
 - (f) The requested loss payment amount calculated in accordance with subsection (2) of this section; and
 - (g) Documentation of the suffered loss.
- (7) (a) An application for a loss payment may only be submitted for losses suffered within five (5) years from the origination of the loan.
- (b) Once a complete loss application has been submitted to the cabinet, a decision to approve or deny the application shall be made within thirty (30) days of submission.
- (c) Within sixty (60) days of a complete submission:
- 1. If approved, the amount due shall be issued to the qualified lender; or
 - 2. If denied, an explanation shall be sent to the qualified lender for the denial.
- (8) Should the qualified lender, at any time after the receipt of a loss payment from the western Kentucky risk assistance fund, collect more than seventy-five percent (75%) of the previously considered uncollectable balance, any portion over seventy-five percent (75%) shall be repaid to the cabinet for deposit into western Kentucky risk assistance fund, however, no more than one million dollars (\$1,000,000) shall be recovered.
- (9) Inducements shall be paid in the order that requests for loss payments are received in accordance with subsection (6) of this section, as long as moneys are available in the fund from the initial funding or subsequent loss collection by qualified lenders on commercial loans originating before December 31, 2027.
- (10) An administrative fee equal to one percent (1%) of the approved inducement amount shall be applied to the loss payment and may be deducted from the approved inducement amount.

Effective: June 29, 2023

History: Amended 2023 Ky. Acts ch. 75, sec. 19, effective June 29, 2023. -- Created 2022 Ky. Acts ch. 222, sec. 5, effective April 15, 2022.