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FROM THE OFFICE OF GOVERNOR DUKAKIS

STATE HOUSE BOSTON 02133

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Governor Michael Dukakis Monday signed into law two economic development bills designed to assist business and industry and create jobs in Massachusetts, especially in high unemployment areas.

One bill establishes an agency to guarantee loans to industries which are expanding. The other establishes a Community Development Finance Corporation (CDFC), which can provide equity and venture capital in order to finance business and create jobs in "target" areas of high unemployment, which at present includes most of the state.

At ceremonies in the State House Cabinet Room (11:30 a.m.), the Governor affixed his signature to the two bills, which were passed in the closing hours of the 1975 legislative session, and said the occasion demonstrates that "the executive and legislative branches are working together to provide the tools necessary for business and job expansion in Massachusetts.

"The Legislature deserves commendation for initiating and approving these bills," Dukakis said, singling out the chairmen of the Committee on Commerce and Labor -- Sen. Allan R. McKinnon (D-Weymouth) and Rep. Richard H. Demers (D-Chicopee) -- and Rep. Melvin H. King (D-Roxbury) for their leadership.

"Secretary of Economic Affairs Howard Smith and Commissioner of Commerce and Development John Marino worked very effectively with the Legislature and with labor and industry to make these two valuable financial assistance tools possible," he added.

"Anything that produces jobs and income for our people is an excellent economic recovery tool," the Governor continued, and these two agencies will certainly do that. Meanwhile, we will continue our efforts to bring fiscal health and sound management to state government, for those are the two chief prerequisites to economic growth."

The Massachusetts Industrial Mortgage Insurance Agency (MIMIA) created by one measure is empowered to insure loans to industries which require capital for the acquisition, construction or alteration of industrial enterprises, including machinery and equipment. It thus allows firms to obtain loans under more favorable conditions.

The Governor urged any industrial firm whose application for a loan from a conventional lender would be more favorably considered if guaranteed to apply for MIMIA insurance.

The CDFC will be a public corporation financed by \$10 million in General Obligation Bonds and empowered to invest in businesses through local not-for-profit development corporations. By establishing priorities for such investment, the legislation is aimed at spurring jobs and economic growth in areas battered by high unemployment and lack of capital.

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"We expect each state dollar in CDFC to generate three times as much local private investment," the Governor said. "Over a ten year period," he estimated, "some \$40 million should flow into communities which need jobs. The state, meanwhile, will receive a comparable amount through increased tax revenues and decreased unemployment costs.

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ATTACHED: Fact Sheets on MIMIA and CDFC

-FACT SHEET-

MASSACHUSETTS COMMUNITY DEVELOPMENT FINANCE CORPORATION  
(CDFC)

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The Community Development Finance Corporation is a new public financial assistance agency of the Commonwealth of Massachusetts. This agency is designed to provide equity and venture capital to businesses in order to create jobs and tax revenues for the State. It is targeted towards those geographic areas where economic conditions are most severe and "front-end capital" to stimulate the economy is in the shortest supply. Of course, given the present economic situation and levels of unemployment, this includes much of the Commonwealth. The equity produced by the CDFC along with the debt available through the Commonwealth's new Mortgage Guarantee Program will help provide needed financing for business in Massachusetts.

The Massachusetts Community Development Finance Corporation will be financed by \$10 million in General Obligation Bonds of the Commonwealth. This public corporation will then make project by project investments in businesses through local civic corporations. When a business becomes successful and generates revenues, it will pay off the investments made by the Community Development Finance Corporation. Private companies with sound business plans and a need for "front-end financing" which are starting or expanding in high unemployment areas are eligible through any licensed not-for-profit Community Development Corporation (CDC), cooperative, Industrial Development Finance Authority (IDFA), Economic Development Investment Corporation (EDIC), or Local Development Corporation (LDC). All of these organizations must have "public purpose" definitions which meet the test of the State Supreme Court and the standards established in the act.

CDFC will be governed by a nine-member Board of Directors, including representation from Administration and Finance, Manpower Affairs, Communities and Development and six members, appointed by the Governor, with expertise in the areas of investment finance, labor and the target areas.

It is estimated that the CDFC will generate \$30 million in additional private financing, and in its first ten years of operation will provide Massachusetts with \$40 million in increased tax revenues and decreased unemployment costs.

The CDFC could provide venture capital to stimulate community revitalization through industrial or commercial projects, such as the proposed new commercial development in Springfield. A \$40,000 investment by CDFC could stimulate an additional \$360,000 debt, perhaps backed by the mortgage guarantee program. One commercial center for example would produce 20 construction jobs, 17 permanent jobs and an additional \$76,000 per year in State and Local revenues.

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MASSACHUSETTS INDUSTRIAL MORTGAGE INSURANCE AGENCY  
(MIMIA)

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The Massachusetts Industrial Mortgage Insurance Agency is a new public financial assistance agency of the Commonwealth. It is empowered to provide insurance on loans to industries which need funding for the acquisition, construction or alteration of industrial enterprises, including machinery and equipment. It is directed at areas of generally high unemployment, which in today's economic circumstances includes most of the State, and for projects that will provide primary employment. Its purpose is to enable industry to obtain loans for expanded activity which produces jobs and increased revenue for the Commonwealth.

A one-time special State appropriation of two million dollars will create a Mortgage Insurance Fund. It will be governed by a five-member Board of Directors, including the Commissioner of Commerce and Development and four members appointed by the Governor with expertise in the areas of industrial mortgage credit, real estate development and commercial credit. The Board of the Massachusetts Industrial Mortgage Insurance Agency will review and approve qualified individual mortgage insurance applications and set premiums to be paid to the Agency for the mortgage insurance. Over a period of time these paid-in premiums will increase the amount of money in the Fund and allow the Agency to insure more mortgage loans.

Any industrial enterprise whose application for a loan from a conventional lender would be more favorably considered if guaranteed, is eligible to apply for this insurance. If the application meets the criteria, the firm would be eligible for insurance on 90% of the loan for purchasing and rehabilitating the plant and up to 80% of its equipment loan. The duration of the mortgage loans cannot exceed 30 years on land and plant and 15 years on machinery and equipment. With this insurance the firm will then obtain the loan from a conventional lender.