

FINAL BILL REPORT

HB 1166

C 384 L 09
Synopsis as Enacted

Brief Description: Allowing loans to community development financial institutions under the linked deposit program.

Sponsors: Representatives Hasegawa, Kenney, Simpson, Chase, Ormsby and Santos.

House Committee on Financial Institutions & Insurance
Senate Committee on Financial Institutions, Housing & Insurance

Background:

Linked Deposit Program.

The stated purpose of the Linked Deposit Program (Program) is to increase access to business capital for the state's certified minority-owned and women-owned businesses. Under the Program, certified businesses can obtain reduced interest rate loans from participating financial institutions.

The State Treasurer is authorized to deposit short-term state treasury surplus funds in public depositories as certificates of deposit (CDs) on the condition that the public depository make "qualifying loans" under the Program. The state forgoes up to 2 percent in interest on the CDs and passes along the savings to the public depository with the condition that the depository reduces the interest rate for the loan recipients.

Qualifying loans are loans:

- made to certain minority or women's business enterprises or veteran-owned businesses;
- for a period not to exceed 10 years;
- for up to a maximum amount of \$1 million for each individual loan;
- at an interest rate that is at least 2 percentage points below the market rate that normally would be charged for a loan of that type; and
- with points or origination fees limited to 1 percent of the loan principal.

Several agencies are involved in the Program. The State Treasurer is authorized to fund the Program. The Office of Minority and Women's Business Enterprises (OMWBE) certifies the eligibility of the minority or women's businesses, monitors the performance of loans, and compiles information on borrowers in the Program. The Department of Veterans Affairs

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certifies the eligibility of veteran-owned businesses. The Department of Community, Trade and Economic Development provides technical assistance, loan packaging services and, in consultation with the OMBWE, develops performance indicators for the Program.

Community Development Financial Institutions.

A Community Development Financial Institution (CDFI) is a specialized financial institution certified by the U.S. Department of the Treasury to provide loans for community development purposes. A CDFI works in economically distressed markets that are underserved by traditional financial institutions. A CDFI provides financial products such as mortgage financing for low-income homebuyers and not-for-profit developers, flexible underwriting and risk capital for community facilities, and technical assistance, commercial loans, and investments to small businesses in low-income areas. A CDFI might be a regulated institution, such as a credit union, or a non-regulated institution, such as a venture capital fund.

To apply for certification as a CDFI an organization must meet certain requirements, which include:

- have a primary mission of promoting community development;
- be a financing entity;
- primarily serve targeted markets;
- provide development services in conjunction with its financing activities; and
- be a non-government entity and not be under control of any government entity (tribal governments excluded).

Summary:

Qualifying loans may be made to a CDFI that is certified by the U.S. Department of the Treasury and that makes loans to certified minority or women's business enterprises. The OMBWE may adopt rules to ensure that loans made by CDFIs are qualifying loans.

Votes on Final Passage:

House	62	33	
Senate	33	12	(Senate amended)
House	64	34	(House concurred)

Effective: July 26, 2009