
**Financial Institutions &
Insurance Committee**

HB 1872

Brief Description: Providing for linked deposit loans for assistive technology.

Sponsors: Representatives Blake, Veloria, Chase, Santos and Hatfield.

Brief Summary of Bill

- Creates the Disabilities Access Linked Deposit Lending Program in order to provide a source of low interest funding for assistive technology and access modifications for disabled adults and children.
- Authorizes the State Treasurer to deposit up to \$2,500,000 in surplus funds with public depositories to fund the Disabilities Access Linked Deposit Lending Program.

Hearing Date: 2/25/03.

Staff: Thamas Osborn (786-7129).

Background:

Surplus treasury funds: The State Treasurer (Treasurer) limits the amount of funds that must be kept in demand deposits to the amount necessary for current operating expenses and to efficiently manage the treasury. Surplus funds not in demand deposits generally are held in certificates of deposit.

Linked Deposit Program: The linked deposit program was established in 1993 by the Legislature using surplus funds not required to be in demand deposits. Under that program, the Treasurer deposits surplus state funds in public depositories as a certificate of deposit on the condition that the public depository make qualifying loans under the program. Current law defines "qualifying loans" as those that are made to certain minority or women's business enterprises for a period not to exceed 10 years and 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. Points or origination fees are limited to 1 percent of the loan principal. In turn, the bank or other public depository pays an interest rate on the certificate of deposit equal to 2 percent below the market rate for such certificates.

Recipients of loans under the linked deposit program must be certified as a minority or women's business enterprise by the Office of Minority and Women's Business Enterprises (OMWBE).

The department is required to consult with the State Treasurer for the purpose of monitoring the performance of the program.

The Treasurer may use up to \$50 million per year of surplus funds for deposit in the Linked Deposit Program.

The statutes authorizing the Linked Deposit Program are subject to repeal as of June 30, 2008, pursuant to current sunset provisions.

Community Development Financial Institutions: A Community Development Financial Institution (CDFI) is a type of financial institution that is certified by the United States Treasury to provide loans for community development purposes. A CDFI differs from a typical bank insofar as it can make loans to people that banks often cannot serve and offers borrowers a high level of technical assistance as well.

Summary of Bill:

The Treasurer is required to establish a new linked deposit lending program in order to make low interest loans available for the purchase of "assistive technology" and "access modifications" for the benefit of individuals with physical, mental, or sensory disabilities. The program is to be administered by the Department of Community Trade and Economic Development.

"Assistive technology" is defined as any item, device, or related service that enables a disabled individual to improve his or her functional capabilities, independence, or quality of life.

"Access modifications" are defined as modifications to structures or buildings for the purpose of improving access and use by individuals with disabilities.

Under the linked deposit program, the Treasurer is authorized to deposit up to \$2,500,000 per year in qualified public depositories which must then lend these funds to qualified CDFIs. The CDFIs, in turn, are required to use the loan proceeds to provide financing and related services for the purchase of assistive technology and access modifications. Loans made to CDFIs under the program must meet the following requirements:

1. loan terms cannot exceed ten years;
2. the interest rate paid by the CDFIs must be at least 2 percentage points below the normal market rate; and
3. points or origination fees are limited to one percent of the loan principal.

Appropriation: None.

Fiscal Note: Requested on February 20, 2003.

Effective Date: The bill takes effect ninety days after adjournment of session in which bill

is passed.