

SENATE BILL REPORT

ESHB 1872

As Reported By Senate Committee On:
Financial Services, Insurance & Housing, February 24, 2004

Title: An act relating to linked deposit loans for assistive technology.

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

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Blake, Veloria, Chase, Santos and Hatfield).

Brief History:

Committee Activity: Financial Services, Insurance & Housing: 3/27/03, 4/3/03 [DP-WM]; 2/24/04 [DP].

SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

Majority Report: Do pass.

Signed by Senators Benton, Chair; Winsley, Vice Chair; Berkey, Keiser, Murray, Prentice and Roach.

Staff: Joanne Conrad (786-7472)

Background: Surplus treasury funds. The State 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 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 must 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 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 an additional \$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 10 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 1 percent of the loan principal.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: Other states have provided loan funds for assistive technology. Assistive devices help people to work and get their education, yet people often face financial barriers to obtaining these devices. This bill will help people to purchase assistive devices.

Testimony Against: None.

Testified: Rep. Blake, prime sponsor (pro).