

CERTIFICATION OF ENROLLMENT

ENGROSSED HOUSE BILL 1167

Chapter 385, Laws of 2009

(partial veto)

61st Legislature
2009 Regular Session

LINKED DEPOSIT PROGRAM--INTEREST RATES

EFFECTIVE DATE: 07/26/09

Passed by the House April 18, 2009
Yeas 97 Nays 0

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate April 15, 2009
Yeas 46 Nays 0

BRAD OWEN

President of the Senate

Approved May 7, 2009, 2:07 p.m., with
the exception of Sections 1 and 2 which
are vetoed.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Barbara Baker, Chief Clerk of
the House of Representatives of
the State of Washington, do hereby
certify that the attached is
ENGROSSED HOUSE BILL 1167 as
passed by the House of
Representatives and the Senate on
the dates hereon set forth.

BARBARA BAKER

Chief Clerk

FILED

May 8, 2009

**Secretary of State
State of Washington**

ENGROSSED HOUSE BILL 1167

AS AMENDED BY THE SENATE

Passed Legislature - 2009 Regular Session

State of Washington 61st Legislature 2009 Regular Session

By Representatives Hasegawa, Kenney, Simpson, Chase, and Santos

Read first time 01/14/09. Referred to Committee on Financial
Institutions & Insurance.

1 AN ACT Relating to the linked deposit program; amending RCW
2 43.86A.060; creating new sections; and providing an expiration date.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 ***NEW SECTION.** *Sec. 1. The legislature finds that the linked*
5 *deposit program is not accessible to many certified small businesses*
6 *that the program was created to serve. The legislature further finds*
7 *that the increased involvement of community development financial*
8 *institutions in the linked deposit program could increase the*
9 *participation of these small businesses. The legislature intends that*
10 *the office of minority and women's business enterprises report to the*
11 *legislature with an analysis of barriers faced by certified small*
12 *businesses that are currently not able to participate in the linked*
13 *deposit program and make recommendations on how to overcome those*
14 *barriers.*

**Sec. 1 was vetoed. See message at end of chapter.*

15 ***NEW SECTION.** *Sec. 2. By December 1, 2009, the office of minority*
16 *and women's business enterprises shall, in consultation with the state*
17 *treasurer and within existing resources, submit a report with*
18 *recommendations to the legislature that addresses the following issues:*

1 (1) *The availability of sources of capital for certified borrowers,*
2 *including the amounts and interest rates for that capital;*

3 (2) *The loans that are not being funded for certified borrowers*
4 *under the current program and why those loans are not being funded;*

5 (3) *The availability of other sources of capital in the marketplace*
6 *for those nonfunded loans of certified borrowers, including the amounts*
7 *and interest rates for that capital;*

8 (4) *Whether there are other institutions that may be willing to*
9 *make those loans that are currently not being made to certified*
10 *borrowers under the program;*

11 (5) *Whether the program could be modified to encourage lenders to*
12 *make those loans that are not currently being made to certified*
13 *borrowers and whether the cost of those loans would be a barrier;*

14 (6) *A review of how other states seek to increase access to capital*
15 *for borrowers that traditionally lack access to capital; and*

16 (7) *The role community development financial institutions could*
17 *play in mitigating the cost of lending to certified borrowers who are*
18 *not currently being served by the program.*

**Sec. 2 was vetoed. See message at end of chapter.*

19 **Sec. 3.** RCW 43.86A.060 and 2008 c 187 s 3 are each amended to read
20 as follows:

21 (1) The state treasurer shall establish a linked deposit program
22 for investment of deposits in qualified public depositories. As a
23 condition of participating in the program, qualified public
24 depositories must make qualifying loans as provided in this section.
25 The state treasurer may purchase a certificate of deposit that is equal
26 to the amount of the qualifying loan made by the qualified public
27 depository or may purchase a certificate of deposit that is equal to
28 the aggregate amount of two or more qualifying loans made by one or
29 more qualified public depositories.

30 (2) Qualifying loans made under this section are those:

31 (a) Having terms that do not exceed ten years;

32 (b) Where an individual loan does not exceed one million dollars;

33 (c)(i) That are made to a minority or women's business enterprise
34 that has received state certification under chapter 39.19 RCW; or

35 (ii) That are made to a veteran-owned business that has received
36 state certification under RCW 43.60A.190;

1 (d) Where the interest rate on the loan to the minority or women's
2 business enterprise or veteran-owned business does not exceed an
3 interest rate that is two hundred basis points below the interest rate
4 the qualified public depository would charge for a loan for a similar
5 purpose and a similar term, except that, if the preference given by the
6 state treasurer to the qualified public depository under subsection (3)
7 of this section is less than two hundred basis points, the qualified
8 public depository may reduce the preference given on the loan by an
9 amount that corresponds to the reduction in preference below two
10 hundred basis points given to the qualified public depository; and

11 (e) Where the points or fees charged at loan closing do not exceed
12 one percent of the loan amount.

13 (3) In setting interest rates of time certificate of deposits, the
14 state treasurer shall offer rates so that a two hundred basis point
15 preference will be given to the qualified public depository, except
16 that the treasurer (~~shall~~) may lower the amount of the preference to
17 ensure that the effective interest rate on the (~~time certificate of~~)
18 deposit is not less than (~~two~~) zero percent.

19 (4) Upon notification by the state treasurer that a minority or
20 women's business enterprise is no longer certified under chapter 39.19
21 RCW or that a veteran-owned business is no longer certified under RCW
22 43.60A.190, the qualified public depository shall reduce the amount of
23 qualifying loans by the outstanding balance of the loan made under this
24 section to the minority or women's business enterprise or the veteran-
25 owned business, as applicable.

26 (5) The office of minority and women's business enterprises has the
27 authority to adopt rules to:

28 (a) Ensure that when making a qualified loan under the linked
29 deposit program, businesses that have never received a loan under the
30 linked deposit program are given first priority;

31 (b) Limit the total principal loan amount that any one business
32 receives in qualified loans under the linked deposit program over the
33 lifetime of the businesses;

34 (c) Limit the total principal loan amount that an owner of one or
35 more businesses receives in qualified loans under the linked deposit
36 program during the owner's lifetime; and

37 (d) Limit the total amount of any one qualified loan made under the
38 linked deposit program.

1 NEW SECTION. **Sec. 4.** Sections 1 and 2 of this act expire July 1,
2 2010.

Passed by the House April 18, 2009.

Passed by the Senate April 15, 2009.

Approved by the Governor May 7, 2009, with the exception of
certain items that were vetoed.

Filed in Office of Secretary of State May 8, 2009.

Note: Governor's explanation of partial veto is as follows:

"I have approved, except for Sections 1 and 2, Engrossed House Bill
1167 entitled:

"AN ACT Relating to the linked deposit program."

Sections 1 and 2 would have created a new obligation to produce a
report by the Office of Minority and Women's Business Enterprises.
While I support the aim of identifying ways the linked deposit program
can be improved and how small businesses can access capital more
readily, this bill places a large, unfunded financial burden on a
small agency during very tough budget times. For this reason, I have
vetoed Sections 1 and 2 of Engrossed House Bill 1167.

With the exception of Sections 1 and 2, Engrossed House Bill 1167 is
approved."