
By: **Senators Stoltzfus and Frosh**

Introduced and read first time: January 23, 2002

Assigned to: Education, Health, and Environmental Affairs

Reassigned: Budget and Taxation, January 24, 2002

A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Water Quality Financing Administration - Loans - Lenders**

3 FOR the purpose of altering a certain definition to allow an institution of the Farm
4 Credit System organized under the Farm Credit Act of 1971 to participate in the
5 Linked Deposit Program; requiring the Maryland Water Quality Financing
6 Administration to transfer funds to the lender upon completion of the loan
7 agreement in accordance with certain requirements depending on the type of
8 lender; and generally relating to Maryland Water Quality Financing
9 Administration loans.

10 BY repealing and reenacting, with amendments,
11 Article - Environment
12 Section 9-1606.1
13 Annotated Code of Maryland
14 (1996 Replacement Volume and 2001 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
16 MARYLAND, That the Laws of Maryland read as follows:

17 **Article - Environment**

18 9-1606.1.

- 19 (a) (1) In this section the following words have the meanings indicated.
- 20 (2) "Lender" means a financial institution that:
- 21 (i) Is eligible to make commercial loans;
- 22 (ii) [Is a public depository of State funds;
- 23 (iii)] Agrees to receive linked deposits under this subtitle; and
- 24 [(iv) Is insured by the Federal Deposit Insurance Corporation.]

1 (III) 1. IS A PUBLIC DEPOSITORY OF STATE FUNDS INSURED BY
2 THE FEDERAL DEPOSIT INSURANCE CORPORATION; OR

3 2. IS AN INSTITUTION OF THE FARM CREDIT SYSTEM
4 ORGANIZED UNDER THE FARM CREDIT ACT OF 1971, AS AMENDED.

5 (3) "Linked deposit" means a deposit OR INVESTMENT that is placed by
6 the Administration with a lender and earns income below the prevailing market rate
7 for equivalent deposits made with the lender at the time of the deposit.

8 (4) "Linked deposit loan" means a loan from a lender to a borrower that:

9 (i) Is used for the purposes of § 9-1605(d)(6) or § 9-1605.1(d)(7) of
10 this subtitle; and

11 (ii) Is provided at an interest rate below the prevailing market rate
12 to the same extent income earned on the linked deposit is below income paid on
13 equivalent deposits.

14 (5) "Linked Deposit Program" means a program established by the
15 Administration whereby a linked deposit is placed with a lender based on the
16 agreement of the lender to provide a linked deposit loan to a borrower.

17 (b) (1) A borrower desiring to acquire a linked deposit loan shall apply to a
18 lender.

19 (2) The Administration shall certify to a lender that a borrower is eligible
20 for a linked deposit loan consistent with § 9-1605(d)(6) or § 9-1605.1(d)(7) of this
21 subtitle.

22 (c) (1) Upon approval of a linked deposit loan by the lender, the
23 Administration and lender shall enter into an agreement under which the amount
24 and term of, and schedule for payment of principal and interest on, the linked deposit
25 shall be determined.

26 (2) UPON COMPLETION OF THE AGREEMENT, THE ADMINISTRATION
27 SHALL TRANSFER TO THE LENDER FUNDS EQUIVALENT TO THE AMOUNT OF THE
28 LINKED DEPOSIT LOAN APPROVED AS FOLLOWS:

29 (I) IF THE LENDER IS A STATE DEPOSITORY, THE ADMINISTRATION
30 SHALL DEPOSIT THE FUNDS IN A COLLATERALIZED CERTIFICATE OF DEPOSIT IN THE
31 NAME OF THE STATE; OR

32 (II) IF THE LENDER IS AN INSTITUTION OF THE FARM CREDIT
33 SYSTEM, THE FUNDS SHALL BE INVESTED IN BONDS, NOTES, DEBENTURES, OR
34 OTHER OBLIGATIONS OR SECURITIES ISSUED BY THE FARM CREDIT BANK.

35 (d) On receiving a linked deposit from the Administration, the lender shall
36 execute a loan commitment with the borrower.

1 (e) A linked deposit loan is not a debt of the State or a pledge of the credit of
2 the State.

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
4 October 1, 2002.