
By: **Senators Stoltzfus and Frosh**

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Assigned to: Education, Health, and Environmental Affairs

Reassigned: Budget and Taxation, January 24, 2002

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 20, 2002

CHAPTER _____

1 AN ACT concerning

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

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

- 1 (i) Is eligible to make commercial loans;
- 2 (ii) [Is a public depository of State funds;
- 3 (iii)] Agrees to receive linked deposits under this subtitle; and
- 4 [(iv) Is insured by the Federal Deposit Insurance Corporation.]

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

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

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

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

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

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

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

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

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

26 (c) (±) Upon approval of a linked deposit loan by the lender, the
27 Administration and lender shall enter into an agreement under which the amount
28 and term of, and schedule for payment of principal and interest on, the linked deposit
29 shall be determined.

30 ~~(2) UPON COMPLETION OF THE AGREEMENT, THE ADMINISTRATION~~
31 ~~SHALL TRANSFER TO THE LENDER FUNDS EQUIVALENT TO THE AMOUNT OF THE~~
32 ~~LINKED DEPOSIT LOAN APPROVED AS FOLLOWS:~~

33 ~~(±) IF THE LENDER IS A STATE DEPOSITORY, THE ADMINISTRATION~~
34 ~~SHALL DEPOSIT THE FUNDS IN A COLLATERALIZED CERTIFICATE OF DEPOSIT IN THE~~
35 ~~NAME OF THE STATE; OR~~

1 ~~(H) IF THE LENDER IS AN INSTITUTION OF THE FARM CREDIT~~
2 ~~SYSTEM, THE FUNDS SHALL BE INVESTED IN BONDS, NOTES, DEBENTURES, OR~~
3 ~~OTHER OBLIGATIONS OR SECURITIES ISSUED BY THE FARM CREDIT BANK.~~

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

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

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