
By: **Delegates Vaughn, Anderson, Benson, C. Davis, Goodwin, Haynes,
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Introduced and read first time: February 10, 2006

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Linked Deposit Program - State Depository Financial Institutions - Loans to**
3 **Minority Business Enterprises**

4 FOR the purpose of establishing a Linked Deposit Program in the Treasurer's Office
5 for the purpose of stimulating opportunities for minority business enterprises to
6 have access to credit by assisting these businesses in obtaining loans at lower
7 than market interest rates; specifying that certain loans qualify under the
8 Program; requiring the Treasurer to confirm with a certain certification agency
9 that certain loans are made to certain businesses; requiring the Treasurer to
10 establish certain procedures for a certain notification; allowing the Treasurer to
11 establish the program for investment of deposits in certain financial
12 institutions; allowing the Treasurer to purchase certain certificates of deposit;
13 allowing the Treasurer to accept a rate that gives a certain preference to the
14 financial institution; allowing the Treasurer to use up to a certain amount to
15 purchase certificates of deposit; requiring certain financial institutions to
16 reduce a certain loan amount upon a certain notification; providing that a
17 certain loan is not a debt of the State or a pledge of the credit of the State;
18 providing that the Treasurer and the State are not liable to certain financial
19 institutions for certain payments of a loan assisted by a linked deposit;
20 authorizing the Treasurer to adopt certain regulations; requiring a certain
21 report; providing for the termination of this Act; and generally relating to the
22 establishment of a Linked Deposit Program.

23 BY adding to

24 Article - State Finance and Procurement

25 Section 6-211

26 Annotated Code of Maryland

27 (2001 Replacement Volume and 2005 Supplement)

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

1 **Article - State Finance and Procurement**

2 6-211.

3 (A) (1) THERE IS A LINKED DEPOSIT PROGRAM IN THE TREASURER'S
4 OFFICE.5 (2) THE PURPOSE OF THE LINKED DEPOSIT PROGRAM IS TO STIMULATE
6 OPPORTUNITIES FOR MINORITY BUSINESS ENTERPRISES TO HAVE ACCESS TO
7 CREDIT BY ASSISTING THESE BUSINESSES IN OBTAINING LOANS AT LOWER THAN
8 MARKET INTEREST RATES.

9 (B) A LOAN QUALIFIES UNDER THE LINKED DEPOSIT PROGRAM IF THE LOAN:

10 (1) SATISFIES THE FINANCIAL INSTITUTION'S LENDING CRITERIA;

11 (2) HAS A TERM NOT EXCEEDING 10 YEARS;

12 (3) IS MADE TO A MINORITY BUSINESS ENTERPRISE CERTIFIED UNDER
13 TITLE 14, SUBTITLE 3 OF THIS ARTICLE;14 (4) HAS AN INTEREST RATE THAT IS 2 PERCENTAGE POINTS BELOW THE
15 INTEREST RATE THE FINANCIAL INSTITUTION WOULD CHARGE FOR A LOAN FOR A
16 SIMILAR PURPOSE AND A SIMILAR TERM; AND17 (5) HAS POINTS OR FEES CHARGED AT LOAN CLOSING NOT EXCEEDING 1
18 PERCENT OF THE LOAN AMOUNT.

19 (C) THE TREASURER SHALL:

20 (1) CONFIRM WITH THE CERTIFICATION AGENCY DESIGNATED UNDER
21 TITLE 14, SUBTITLE 3 OF THIS ARTICLE THAT EACH LOAN UNDER THE LINKED
22 DEPOSIT PROGRAM IS MADE TO A BUSINESS THAT IS CERTIFIED AS A MINORITY
23 BUSINESS ENTERPRISE; AND24 (2) ESTABLISH PROCEDURES FOR NOTIFICATION BY THE
25 CERTIFICATION AGENCY DESIGNATED UNDER TITLE 14, SUBTITLE 3 OF THIS
26 ARTICLE IF A BUSINESS THAT HAS AN OUTSTANDING BALANCE OF A LOAN UNDER
27 THE LINKED DEPOSIT PROGRAM IS NO LONGER CERTIFIED.28 (D) THE TREASURER MAY ESTABLISH THE LINKED DEPOSIT PROGRAM FOR
29 INVESTMENT OF DEPOSITS IN ANY FINANCIAL INSTITUTION THAT:30 (1) THE TREASURER HAS DESIGNATED AS A DEPOSITORY FOR STATE
31 MONEY; AND32 (2) MAKES A LOAN IN ACCORDANCE WITH SUBSECTION (B) OF THIS
33 SECTION.34 (E) (1) THE TREASURER MAY PURCHASE A CERTIFICATE OF DEPOSIT THAT
35 IS EQUAL TO:

1 (I) THE AMOUNT OF THE LOAN MADE BY THE FINANCIAL
2 INSTITUTION IN ACCORDANCE WITH SUBSECTION (B) OF THIS SECTION; OR

3 (II) THE AGGREGATE AMOUNT OF TWO OR MORE LOANS MADE BY
4 ONE OR MORE FINANCIAL INSTITUTIONS IN ACCORDANCE WITH SUBSECTION (B) OF
5 THIS SECTION.

6 (2) IN PURCHASING A CERTIFICATE OF DEPOSIT UNDER THIS
7 SUBSECTION, THE TREASURER MAY ACCEPT A RATE THAT GIVES A 2 PERCENTAGE
8 POINT PREFERENCE TO THE FINANCIAL INSTITUTION.

9 (3) THE TREASURER MAY USE UP TO \$50,000,000 TO PURCHASE
10 CERTIFICATES OF DEPOSIT IN AN AMOUNT EQUIVALENT TO THE AMOUNT
11 FINANCIAL INSTITUTIONS LOAN TO CERTIFIED MINORITY BUSINESS ENTERPRISES.

12 (F) UPON NOTIFICATION BY THE TREASURER THAT A MINORITY BUSINESS
13 ENTERPRISE IS NO LONGER CERTIFIED UNDER TITLE 14, SUBTITLE 3 OF THIS
14 ARTICLE, THE FINANCIAL INSTITUTION SHALL REDUCE THE AMOUNT OF THE LOAN
15 BY THE OUTSTANDING BALANCE OF THE LOAN MADE UNDER THIS SECTION TO THE
16 MINORITY BUSINESS ENTERPRISE.

17 (G) (1) A LOAN ASSISTED BY A LINKED DEPOSIT IS NOT A DEBT OF THE
18 STATE OR A PLEDGE OF THE CREDIT OF THE STATE.

19 (2) THE TREASURER AND THE STATE ARE NOT LIABLE TO ANY
20 FINANCIAL INSTITUTION FOR PAYMENT OF THE PRINCIPAL OR INTEREST ON A LOAN
21 ASSISTED BY A LINKED DEPOSIT.

22 (H) THE TREASURER MAY ADOPT REGULATIONS TO CARRY OUT THIS SECTION.

23 SECTION 2. AND BE IT FURTHER ENACTED, That, on or before December
24 31, 2007, the Treasurer shall report to the Governor and, in accordance with § 2-1246
25 of the State Government Article, to the Economic Matters Committee and the Finance
26 Committee of the General Assembly on the activities during the previous fiscal year
27 relating to the establishment of a Linked Deposit Program for investment of deposits
28 in financial institutions.

29 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
30 October 1, 2006, and shall remain effective for a period of 15 years and, at the end of
31 September 30, 2021, with no further action required by the General Assembly, this
32 Act shall be abrogated and of no further force and effect.