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Committee Report: Favorable with amendments

House action: Adopted

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CHAPTER \_\_\_\_\_

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 Department of Housing and Community Development for the purpose of  
6 stimulating opportunities for minority business enterprises to have access to  
7 credit by assisting these businesses in obtaining loans at lower than market  
8 interest rates; specifying that certain loans qualify under the Program;  
9 requiring the ~~Treasurer~~ Department to confirm with a certain certification  
10 agency that certain loans are made to certain businesses; requiring the  
11 ~~Treasurer~~ Department to establish certain procedures for a certain notification;  
12 requiring the Department to receive loan applications from minority business  
13 enterprises and forward loan applications to lenders; requiring the Department  
14 to require minority business enterprises to notify the Department concerning  
15 final loan disposition; requiring the Department to report annually to the  
16 Governor, the Treasurer, and the General Assembly on the overall performance  
17 of the Linked Deposit Program; allowing the Treasurer to establish the program  
18 for investment of deposits in certain financial institutions; allowing the  
19 Treasurer to purchase certain certificates of deposit; allowing the Treasurer to  
20 accept a rate that gives a certain preference to the financial institution is a  
21 certain percent below current market rates or a certain index; allowing the  
22 Treasurer to use up to a certain amount to purchase certificates of deposit;  
23 requiring ~~certain financial institutions~~ the Treasurer to reduce a certain loan  
24 amount upon a certain notification; providing that a certain loan is not a debt of  
25 the State or a pledge of the credit of the State; providing that the Treasurer and

1 the State are not liable to certain financial institutions for certain payments of  
2 a loan assisted by a linked deposit; authorizing the Treasurer and the  
3 Department to adopt certain regulations; requiring a certain report; providing  
4 for the termination of this Act; and generally relating to the establishment of a  
5 Linked Deposit Program.

6 BY adding to  
7 Article - State Finance and Procurement  
8 Section 6-211  
9 Annotated Code of Maryland  
10 (2001 Replacement Volume and 2005 Supplement)

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

13 **Article - State Finance and Procurement**

14 6-211.

15 (A) (1) ~~THERE IS A LINKED DEPOSIT PROGRAM IN THE TREASURER'S OFFICE~~  
16 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT.

17 (2) THE PURPOSE OF THE LINKED DEPOSIT PROGRAM IS TO STIMULATE  
18 OPPORTUNITIES FOR MINORITY BUSINESS ENTERPRISES TO HAVE ACCESS TO  
19 CREDIT BY ASSISTING THESE BUSINESSES IN OBTAINING LOANS AT LOWER THAN  
20 MARKET INTEREST RATES.

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

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

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

24 (3) IS MADE TO A MINORITY BUSINESS ENTERPRISE CERTIFIED UNDER  
25 TITLE 14, SUBTITLE 3 OF THIS ARTICLE;

26 (4) HAS AN INTEREST RATE THAT IS 2 PERCENTAGE POINTS BELOW THE  
27 INTEREST RATE THE FINANCIAL INSTITUTION WOULD CHARGE FOR A LOAN FOR A  
28 SIMILAR PURPOSE AND A SIMILAR TERM; AND

29 (5) HAS POINTS OR FEES CHARGED AT LOAN CLOSING NOT EXCEEDING 1  
30 PERCENT OF THE LOAN AMOUNT.

31 (C) ~~THE TREASURER~~ THE DEPARTMENT OF HOUSING AND COMMUNITY  
32 DEVELOPMENT SHALL:

33 (1) CONFIRM WITH THE CERTIFICATION AGENCY DESIGNATED UNDER  
34 TITLE 14, SUBTITLE 3 OF THIS ARTICLE THAT EACH LOAN UNDER THE LINKED

1 DEPOSIT PROGRAM IS MADE TO A BUSINESS THAT IS CERTIFIED AS A MINORITY  
2 BUSINESS ENTERPRISE; ~~AND~~

3 (2) ESTABLISH PROCEDURES FOR NOTIFICATION BY THE  
4 CERTIFICATION AGENCY DESIGNATED UNDER TITLE 14, SUBTITLE 3 OF THIS  
5 ARTICLE IF A BUSINESS THAT HAS AN OUTSTANDING BALANCE OF A LOAN UNDER  
6 THE LINKED DEPOSIT PROGRAM IS NO LONGER CERTIFIED;

7 (3) RECEIVE ELECTRONIC LOAN APPLICATIONS FROM MINORITY  
8 BUSINESS ENTERPRISES;

9 (4) FORWARD LOAN APPLICATIONS TO LENDERS;

10 (5) REQUIRE MINORITY BUSINESS ENTERPRISES TO NOTIFY THE  
11 DEPARTMENT CONCERNING FINAL LOAN DISPOSITION; AND

12 (6) REPORT ANNUALLY TO THE GOVERNOR, THE TREASURER, AND, IN  
13 ACCORDANCE WITH § 2-1246 OF THE STATE GOVERNMENT ARTICLE, THE GENERAL  
14 ASSEMBLY ON OVERALL PERFORMANCE OF THE LINKED DEPOSIT PROGRAM.

15 (D) THE TREASURER MAY ESTABLISH THE LINKED DEPOSIT PROGRAM FOR  
16 INVESTMENT OF DEPOSITS IN ANY FINANCIAL INSTITUTION THAT:

17 (1) THE TREASURER HAS DESIGNATED AS A DEPOSITORY FOR STATE  
18 MONEY; AND

19 (2) MAKES A LOAN IN ACCORDANCE WITH SUBSECTION (B) OF THIS  
20 SECTION.

21 (E) (1) THE TREASURER MAY PURCHASE ~~A CERTIFICATE~~ ONE OR MORE  
22 CERTIFICATES OF DEPOSIT THAT ~~IS~~ ARE EQUAL TO:

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

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

28 (2) IN PURCHASING A CERTIFICATE OF DEPOSIT UNDER THIS  
29 SUBSECTION, THE TREASURER MAY ACCEPT A RATE THAT ~~GIVES A~~ IS 2 PERCENTAGE  
30 ~~POINT PREFERENCE TO THE FINANCIAL INSTITUTION~~ POINTS BELOW CURRENT  
31 MARKET RATES OR AN INDEX SELECTED BY THE TREASURER.

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

35 (F) UPON NOTIFICATION BY ~~THE TREASURER~~ THE DEPARTMENT OF HOUSING  
36 AND COMMUNITY DEVELOPMENT THAT A MINORITY BUSINESS ENTERPRISE

1 PARTICIPATING IN THE LINKED DEPOSIT PROGRAM IS NO LONGER CERTIFIED  
2 UNDER TITLE 14, SUBTITLE 3 OF THIS ARTICLE, THE ~~FINANCIAL INSTITUTION~~  
3 TREASURER SHALL REDUCE THE AMOUNT OF THE ~~LOAN~~ CERTIFICATE OF DEPOSIT  
4 WITH THE PARTICIPATING FINANCIAL INSTITUTION BY THE OUTSTANDING  
5 BALANCE OF THE LOAN MADE UNDER THIS SECTION TO THE ~~DECERTIFIED~~  
6 MINORITY BUSINESS ENTERPRISE.

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

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

12 (H) THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT AND  
13 THE TREASURER MAY ADOPT REGULATIONS TO CARRY OUT THIS SECTION.

14 SECTION 2. AND BE IT FURTHER ENACTED, That, on or before December  
15 31, 2007, the Treasurer shall report to the Governor and, in accordance with § 2-1246  
16 of the State Government Article, to the Economic Matters Committee and the Finance  
17 Committee of the General Assembly on the activities during the previous fiscal year  
18 relating to the establishment of a Linked Deposit Program for investment of deposits  
19 in financial institutions.

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