

HOUSE BILL 1554

C8

9lr0226

By: **Chair, Economic Matters Committee (By Request – Departmental – Housing and Community Development)**

Rules suspended

Introduced and read first time: March 10, 2009

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Linked Deposit Program – Loans to Minority Business Enterprises**

3 FOR the purpose of altering the process for certain minority business enterprises to
4 apply directly to certain financial institutions for a certain program; prohibiting
5 a minority business enterprise from being considered decertified for purposes of
6 a certain program loan under certain circumstances; providing for the
7 termination of this Act; and generally relating to the Linked Deposit Program.

8 BY repealing and reenacting, with amendments,
9 Article – State Finance and Procurement
10 Section 6–211
11 Annotated Code of Maryland
12 (2006 Replacement Volume and 2008 Supplement)

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

15 **Article – State Finance and Procurement**

16 6–211.

17 (a) (1) There is a Linked Deposit Program in the Department of Housing
18 and Community Development.

19 (2) The purpose of the Linked Deposit Program is to stimulate
20 opportunities for minority business enterprises to have access to credit by assisting
21 these businesses in obtaining loans at lower than market interest rates.

22 (b) A loan qualifies under the Linked Deposit Program if the loan:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (1) satisfies the financial institution's lending criteria;

2 (2) has a term not exceeding 10 years;

3 (3) is made to a minority business enterprise certified under Title 14,
4 Subtitle 3 of this article;

5 (4) has an interest rate that is 2 percentage points below the interest
6 rate the financial institution would charge for a loan for a similar purpose and a
7 similar term; and

8 (5) has points or fees charged at loan closing not exceeding 1 percent
9 of the loan amount.

10 (c) The Department of Housing and Community Development shall:

11 (1) confirm with the certification agency designated under Title 14,
12 Subtitle 3 of this article that each loan under the Linked Deposit Program is made to a
13 business that is certified as a minority business enterprise;

14 (2) establish procedures for notification by the certification agency
15 designated under Title 14, Subtitle 3 of this article if a business that has an
16 outstanding balance of a loan under the Linked Deposit Program is no longer certified;

17 [(3) receive electronic loan applications from minority business
18 enterprises;

19 (4) forward loan applications to lenders;]

20 [(5)] (3) require minority business enterprises **AND LENDERS** to
21 notify the Department concerning final loan disposition; and

22 [(6)] (4) report annually to the Governor, the Treasurer, and, in
23 accordance with § 2-1246 of the State Government Article, the General Assembly on
24 overall performance of the Linked Deposit Program.

25 (d) The Treasurer may establish the Linked Deposit Program for investment
26 of deposits in any financial institution that:

27 (1) the Treasurer has designated as a depository for State money; and

28 (2) makes a loan in accordance with subsection (b) of this section.

29 (e) (1) The Treasurer may purchase one or more certificates of deposit
30 that are equal to:

1 (i) the amount of the loan made by the financial institution in
2 accordance with subsection (b) of this section; or

3 (ii) the aggregate amount of two or more loans made by one or
4 more financial institutions in accordance with subsection (b) of this section.

5 (2) In purchasing a certificate of deposit under this subsection, the
6 Treasurer may accept a rate that is 2 percentage points below current market rates or
7 an index selected by the Treasurer.

8 (3) The Treasurer may use up to \$50,000,000 to purchase certificates
9 of deposit in an amount equivalent to the amount financial institutions loan to
10 certified minority business enterprises.

11 (f) **(1) [Upon] SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, ON**
12 notification by the Department of Housing and Community Development that a
13 minority business enterprise participating in the Linked Deposit Program is no longer
14 certified under Title 14, Subtitle 3 of this article, the Treasurer shall reduce the
15 amount of the certificate of deposit with the participating financial institution by the
16 outstanding balance of the loan made under this section to the decertified minority
17 business enterprise.

18 **(2) A MINORITY BUSINESS ENTERPRISE THAT LOSES ITS**
19 **CERTIFICATION DUE TO REVENUE OR EMPLOYEE GROWTH MAY NOT BE**
20 **CONSIDERED DECERTIFIED FOR PURPOSES OF PARAGRAPH (1) OF THIS**
21 **SUBSECTION.**

22 (g) (1) A loan assisted by a linked deposit is not a debt of the State or a
23 pledge of the credit of the State.

24 (2) The Treasurer and the State are not liable to any financial
25 institution for payment of the principal or interest on a loan assisted by a linked
26 deposit.

27 (h) The Department of Housing and Community Development and the
28 Treasurer may adopt regulations to carry out this section.

29 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
30 October 1, 2009. It shall remain effective for a period of 12 years and, at the end of
31 September 30, 2021, with no further action required by the General Assembly, this Act
32 shall be abrogated and of no further force and effect.