

HOUSE BILL 1554

C8

9lr0226

By: Delegate Vaughn, Chair, Economic Matters Committee (By Request - Departmental - Housing and Community Development), and Delegates Barkley, Braveboy, Burns, Feldman, Haddaway, Harrison, Hecht, Impallaria, Jameson, King, Kirk, Krysiak, Love, Manno, Mathias, McHale, Miller, Minnick, Rudolph, Stifler, Taylor, and Walkup

Rules suspended

Introduced and read first time: March 10, 2009

Assigned to: Rules and Executive Nominations

Re-referred to: Economic Matters, March 16, 2009

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 24, 2009

CHAPTER _____

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.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



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

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

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

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

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

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

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

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

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

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

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

23 [(3) receive electronic loan applications from minority business
24 enterprises;

25 (4) forward loan applications to lenders;]

26 [(5)] (3) require minority business enterprises **AND LENDERS** to
27 notify the Department concerning final loan disposition; and

28 [(6)] (4) report annually to the Governor, the Treasurer, and, in
29 accordance with § 2-1246 of the State Government Article, the General Assembly on
30 overall performance of the Linked Deposit Program.

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

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

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

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

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

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

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

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

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

24 **(2) A MINORITY BUSINESS ENTERPRISE THAT LOSES ITS**
25 **CERTIFICATION DUE TO REVENUE OR EMPLOYEE GROWTH MAY NOT BE**
26 **CONSIDERED DECERTIFIED FOR PURPOSES OF PARAGRAPH (1) OF THIS**
27 **SUBSECTION.**

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

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

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

HOUSE BILL 1554

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

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.