

HOUSE BILL 1452

P1

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By: **Delegates Vaughn and Mizeur**

Introduced and read first time: February 21, 2013

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Linked Deposit Program for Small Businesses**

3 FOR the purpose of altering the minimum interest rate that a loan may have in order
4 to qualify under the Linked Deposit Program for Small Businesses; altering the
5 interest rate that the State Treasurer may accept in making certain interest
6 bearing deposits; authorizing the State Treasurer to make certain interest
7 bearing deposits in any financial institution without certain security under
8 certain circumstances; and generally relating to the Linked Deposit Program for
9 Small Businesses.

10 BY repealing and reenacting, with amendments,
11 Article – State Finance and Procurement
12 Section 6–212
13 Annotated Code of Maryland
14 (2009 Replacement Volume and 2012 Supplement)

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

17 **Article – State Finance and Procurement**

18 6–212.

19 (a) (1) There is a Linked Deposit Program for Small Businesses in the
20 Department of Housing and Community Development.

21 (2) The purpose of the Linked Deposit Program for Small Businesses
22 is to stimulate opportunities for small businesses to have access to credit by assisting
23 these businesses in obtaining loans at lower than market interest rates.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (b) A loan qualifies under the Linked Deposit Program for Small Businesses
2 if the loan:

3 (1) satisfies the lending criteria of the financial institution;

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

5 (3) is made to a small business qualified under Title 14, Subtitle 5 of
6 this article;

7 (4) has an interest rate that is **UP TO** 2 percentage points below the
8 interest rate the financial institution would charge for a loan for a similar purpose and
9 a similar term; and

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

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

13 (1) confirm with the Department of General Services that each loan
14 under the Linked Deposit Program for Small Businesses is made to a business that
15 qualifies as a small business;

16 (2) establish procedures for notification by the Department of General
17 Services if a business that has an outstanding balance of a loan under the Linked
18 Deposit Program for Small Businesses no longer qualifies as a small business;

19 (3) require small businesses and lenders to notify the Department of
20 Housing and Community Development concerning final loan disposition; and

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

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

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

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

28 (e) (1) The Treasurer may make one or more interest bearing deposits
29 that are equal to:

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

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

3 (2) In making an interest bearing deposit under this subsection, the
4 Treasurer may accept a rate that is UP TO 2 percentage points below current market
5 rates or an index selected by the Treasurer.

6 (3) The Treasurer may use up to \$50,000,000 to make interest bearing
7 deposits in an amount equivalent to the amount financial institutions loan to qualified
8 small businesses.

9 (4) **NOTWITHSTANDING THE PROVISIONS OF § 6-202 OF THIS**
10 **SUBTITLE, THE TREASURER MAY MAKE AN INTEREST BEARING DEPOSIT UNDER**
11 **THIS SUBSECTION IN ANY FINANCIAL INSTITUTION WITHOUT THE SECURITY**
12 **REQUIRED IN § 6-202 OF THIS SUBTITLE IF:**

13 (I) **THE FUNDS ARE INITIALLY PLACED FOR DEPOSIT WITH**
14 **A FINANCIAL INSTITUTION SELECTED BY THE TREASURER;**

15 (II) **THE FINANCIAL INSTITUTION SELECTED BY THE**
16 **TREASURER ARRANGES FOR THE FURTHER DEPOSIT OF THE MONEY INTO ONE**
17 **OR MORE CERTIFICATES OF DEPOSIT, EACH IN AN AMOUNT OF NOT MORE THAN**
18 **THE APPLICABLE FEDERAL DEPOSIT INSURANCE CORPORATION MAXIMUM**
19 **INSURANCE COVERAGE LIMIT, IN ONE OR MORE FINANCIAL INSTITUTIONS FOR**
20 **THE ACCOUNT OF THE TREASURER;**

21 (III) **AT THE SAME TIME THE MONEY IS DEPOSITED AND THE**
22 **CERTIFICATES OF DEPOSIT ARE ISSUED FOR THE BENEFIT OF THE TREASURER**
23 **BY OTHER FINANCIAL INSTITUTIONS, THE FINANCIAL INSTITUTION SELECTED**
24 **BY THE TREASURER RECEIVES AN AMOUNT OF DEPOSITS FROM CUSTOMERS OF**
25 **OTHER BANKS OR SAVINGS AND LOAN ASSOCIATIONS EQUAL TO THE AMOUNT OF**
26 **MONEY INITIALLY DEPOSITED BY THE TREASURER;**

27 (IV) **EACH CERTIFICATE OF DEPOSIT ISSUED FOR THE**
28 **TREASURER'S ACCOUNT IS INSURED BY THE FEDERAL DEPOSIT INSURANCE**
29 **CORPORATION FOR 100% OF THE PRINCIPAL AND ACCRUED INTEREST OF THE**
30 **CERTIFICATE OF DEPOSIT; AND**

31 (V) **THE FINANCIAL INSTITUTION SELECTED BY THE**
32 **TREASURER ACTS AS CUSTODIAN FOR THE DEPOSITOR WITH RESPECT TO THE**
33 **CERTIFICATES OF DEPOSIT ISSUED FOR THE TREASURER'S ACCOUNT.**

34 (f) (1) Subject to paragraph (2) of this subsection, on notification by the
35 Department of Housing and Community Development that a small business

1 participating in the Linked Deposit Program for Small Businesses no longer qualifies
2 as a small business under Title 14, Subtitle 5 of this article, the Treasurer shall reduce
3 the amount of the interest bearing deposit with the participating financial institution
4 by the outstanding balance of the loan made under this section to the small business
5 that no longer qualifies under Title 14, Subtitle 5 of this article.

6 (2) A small business that loses its qualification due to revenue or
7 employee growth may not be considered unqualified for purposes of paragraph (1) of
8 this subsection.

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

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

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

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
17 July 1, 2013.