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HOUSE BILL 2843

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State of Washington

55th Legislature

1998 Regular Session

By Representatives L. Thomas, Wolfe and Wood

Read first time 01/21/98. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to the linked deposit program; amending RCW  
2 43.86A.060; and adding a new section to chapter 43.86A RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 43.86A.060 and 1993 c 512 s 30 are each amended to  
5 read as follows:

6 (1) The state treasurer shall establish a linked deposit program  
7 for investment of deposits in qualified public depositories. As a  
8 condition of participating in the program, qualified public  
9 depositories must make qualifying loans as provided in this section.  
10 The state treasurer may purchase a certificate of deposit that is equal  
11 to the amount of the qualifying loan made by the qualified public  
12 depository or may purchase a certificate of deposit that is equal to  
13 the aggregate amount of two or more qualifying loans made by one or  
14 more qualified public depositories.

15 (2) Qualifying loans made under this section are those that:

16 (a) Are loans that have terms that do not exceed (~~ten~~) five  
17 years;

18 (b) Are made to a minority or women's business enterprise that has  
19 received state certification under chapter 39.19 RCW;

1 (c) Are made to minority or women's business enterprises that are  
2 considered a small business as defined in RCW ((43.31.025)) 19.85.020;

3 (d) Are made where the interest rate on the loan to the minority or  
4 women's business enterprise does not exceed an interest rate that is  
5 two hundred basis points below the interest rate the qualified public  
6 depository would charge for a loan for a similar purpose and a similar  
7 term; and

8 (e) Are made where the points or fees charged at loan closing do  
9 not exceed one percent of the loan amount.

10 (3) In setting interest rates of time certificate of deposits, the  
11 state treasurer shall offer rates so that a two hundred basis point  
12 preference will be given to the qualified public depository.

13 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.86A RCW  
14 to read as follows:

15 (1) The state treasurer shall deposit half of the funds available  
16 for the linked deposit program in qualified public depositories at  
17 market interest rates. The qualified public depository shall remit two  
18 hundred basis points of interest on each deposit to entities that have  
19 (a) received funding during the previous two years for business loans  
20 from one of the following federal sources: (i) Department of housing  
21 and urban development under 42 U.S.C. Sec. 3535(d) and 5300-5320 et  
22 seq.; (ii) small business administration under 15 U.S.C. Sec. 633 et  
23 seq.; (iii) economic development administration under 42 U.S.C. Sec.  
24 3243; (iv) department of agriculture under 7 U.S.C. Sec. 1932 and 1989;  
25 and (v) the treasury department through the community development  
26 financial institution fund under 12 U.S.C. Sec. 4701 et seq.; (b) been  
27 in continuous operation for a minimum of three years; (c) losses  
28 averaging less than ten percent of outstanding loans for the previous  
29 three years; and (d) no more than fifty percent of capital funding from  
30 a single source. The public depository shall pay the remainder of the  
31 interest on each deposit to the state treasurer. As a condition of  
32 receiving the remittance of two hundred basis points of interest, the  
33 entity receiving the remittance must make qualifying loans as provided  
34 in this section.

35 (2) Qualifying loans made under this section are those that:

36 (a) Have terms that do not exceed five years;

37 (b) Are made to business enterprises that are owned by persons  
38 qualified as low-income households under RCW 43.185A.010; and

1 (c) Incur points or fees charged at loan closing that do not exceed  
2 two percent of the loan amount.

3 (3) In addition to making loans under subsection (2) of this  
4 section, the entity receiving the remittance may use the remittance for  
5 technical assistance.

6 (4) The remittance of two hundred basis points of interest on each  
7 deposit must be approved by the department of community, trade, and  
8 economic development as being made to qualifying entities eligible to  
9 participate in this program. The qualifying public depository  
10 providing the remittance has no obligation to the qualifying entity,  
11 legal or otherwise, other than providing the remittance.

12 (5) Participation of a qualified public depository in this program  
13 contributes toward meeting the credit needs of the communities it  
14 serves as set forth under chapter 30.60 RCW for state banks, chapter  
15 32.40 RCW for state savings banks, and the federal community  
16 reinvestment act of 1977 for federal savings banks, federal savings and  
17 loan associations, and national banks.

18 (6) In setting interest rates for funds deposited under this  
19 program, the state treasurer shall offer rates that are commensurate  
20 with other similar deposits made by the treasurer.

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