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HOUSE BILL 1829

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State of Washington

61st Legislature

2009 Regular Session

By Representatives Santos and Nelson

Read first time 01/30/09. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to establishing the financial services  
2 intermediary; and adding a new chapter to Title 43 RCW.

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

4 NEW SECTION. **Sec. 1.** The legislature finds that many residents in  
5 the state do not have access to the mainstream financial products and  
6 services that are available to the general public. Despite efforts to  
7 address these inequities, a significant number of people remain  
8 unbanked or underbanked. New and innovative approaches need to be  
9 created to encourage asset building, strengthen economic prosperity,  
10 and ensure the sustainability of these communities.

11 The legislature intends to establish a framework that will provide  
12 access to capital and services to low-income individuals through a  
13 network of community-based organizations, financial institutions,  
14 consumers, and local and state governments. The creation of this state  
15 framework will allow state-chartered and tribal financial institutions  
16 and credit unions to provide essential financial products and services  
17 to low-income clients. These include, but are not limited to: Earned  
18 income tax credit services, individual development accounts, short-term  
19 loans, wire transmitting services, check cashing, mortgage loan

1 assistance, career counseling, and financial literacy training to  
2 educate the client on the importance of savings, investing, and  
3 borrowing.

4 NEW SECTION. **Sec. 2.** The definitions in this section apply  
5 throughout this chapter unless the context clearly requires otherwise.

6 (1) "Individual development account" or "account" means an account  
7 established by contract between a low-income individual and a  
8 sponsoring organization for the benefit of the low-income individual  
9 and funded through periodic contributions by the low-income individual  
10 that are matched with contributions by or through the sponsoring  
11 organization as provided in RCW 43.31.450 through 43.31.485.

12 (2) "Low-income individual" means a person whose household income  
13 is equal to or less than either:

14 (a) Eighty percent of the median family income, adjusted for  
15 household size, for the county or metropolitan statistical area where  
16 the person resides; or

17 (b) Two hundred percent of the federal poverty guidelines updated  
18 periodically in the federal register by the United States department of  
19 health and human services under the authority of 42 U.S.C. Sec.  
20 9902(2).

21 NEW SECTION. **Sec. 3.** (1) The department of financial institutions  
22 and the department of community, trade, and economic development shall  
23 jointly establish the financial services intermediary. The director of  
24 the department of financial institutions and the director of the  
25 department of community, trade, and economic development, or their  
26 designees, shall convene and serve as cochairs of the intermediary.  
27 The intermediary shall consist of ten members, or their designees, as  
28 provided in this subsection.

29 (a) The director of the department of financial institutions;

30 (b) The director of the department of community, trade, and  
31 economic development;

32 (c) The state treasurer;

33 (d) The executive director of the Washington state investment  
34 board;

35 (e) The director of the department of revenue;

36 (f) The executive director of the housing finance commission;

1 (g) The executive director of the higher education coordinating  
2 board;

3 (h) The executive director of the Washington state microenterprise  
4 association;

5 (i) A member of the state board for community and technical  
6 colleges; and

7 (j) A member of the financial literacy public-private partnership.

8 (2) Staff support for the financial services intermediary shall be  
9 provided by the department of financial institutions and the department  
10 of community, trade, and economic development or a person or nonprofit  
11 entity as provided in subsection (3) of this section.

12 (3) The financial services intermediary may contract with a person  
13 or a nonprofit entity to administer the financial services intermediary  
14 who has relationships with the financial services sector and experience  
15 working with nonprofit programs involving asset accumulation for low-  
16 income individuals.

17 (4) The financial services intermediary, in cooperation with the  
18 department of financial institutions and the department of community,  
19 trade, and economic development, shall report to the legislature  
20 November 15th of each year on:

21 (a) Whether programs of the financial services intermediary have  
22 resulted in broader access to and use of mainstream financial services  
23 and products by low-income individuals; and

24 (b) From the perspective of financial institutions, whether low-  
25 income clients who have participated in programs of the financial  
26 services intermediary are better informed about the financial services  
27 and products available to them.

28 (5) The financial services intermediary is established to:

29 (a) Improve the ability of low-income individuals to access and use  
30 mainstream financial products offered by financial institutions;

31 (b) Identify strategies to make more mainstream financial products  
32 available to low-income individuals;

33 (c) Coordinate with financial institutions to leverage the  
34 financial resources of low-income individuals served by community-based  
35 asset building coalitions to offer mainstream financial services to  
36 those individuals;

37 (d) Consult and cooperate with organizations and government

1 agencies that are already engaged in asset building and financial  
2 literacy activities, such as the financial literacy public-private  
3 partnership established in RCW 28A.300.450;

4 (e) Enter into memoranda of agreement with community-based asset  
5 building coalitions and financial institutions as provided in section  
6 4 of this act; and

7 (f) Perform other duties as deemed appropriate by the intermediary.

8 NEW SECTION. **Sec. 4.** (1) Financial institutions and community-  
9 based asset building coalitions choosing to participate in the programs  
10 of the financial services intermediary shall enter into and comply with  
11 the terms of memoranda of agreement with the financial services  
12 intermediary.

13 (2)(a) Memoranda of agreement between financial institutions and  
14 the financial services intermediary shall require that financial  
15 institutions:

16 (i) Offer mainstream financial products and services to low-income  
17 individuals who are party to a contract as provided in subsection (3)  
18 of this section;

19 (ii) Cooperate with and provide feedback to the financial services  
20 intermediary, community-based asset building coalitions, and other  
21 organizations and governmental agencies that are offering financial  
22 literacy programs;

23 (iii) Provide information to the financial services intermediary to  
24 assist in meeting its reporting requirements in section 3(4) of this  
25 act; and

26 (iv) Meet other requirements as established through the memoranda  
27 of agreement with the financial services intermediary.

28 (b) Memoranda of agreement between community-based asset building  
29 coalitions and the financial services intermediary shall require that  
30 community-based asset building coalitions:

31 (i) Offer individual development account programs as provided in  
32 RCW 43.31.450 through 43.31.485;

33 (ii) Offer financial literacy programs, approved by the financial  
34 services intermediary, for low-income individuals;

35 (iii) Provide information to the financial services intermediary to  
36 assist in meeting its reporting requirements in section 3(4) of this  
37 act; and

1 (iv) Meet other requirements as established by the financial  
2 services intermediary.

3 (3) Low-income individuals who participate in the programs of the  
4 financial services intermediary shall:

5 (a) Adhere to rules and procedures for individual development  
6 accounts as established in RCW 43.31.450 through 43.31.485;

7 (b) Participate in financial literacy programs approved by the  
8 financial services intermediary; and

9 (c) Meet other requirements as established by the financial  
10 services intermediary.

11 NEW SECTION. **Sec. 5.** (1) The department of financial institutions  
12 shall track and monitor financial institutions' participation in the  
13 programs of the financial services intermediary and share this  
14 information with the intermediary.

15 (2) Participation by banks in the programs of the financial  
16 services intermediary shall be considered by the director of financial  
17 institutions when he or she assesses the bank's performance record in  
18 meeting community credit needs as provided in RCW 30.60.010.

19 NEW SECTION. **Sec. 6.** Sections 1 through 5 of this act constitute  
20 a new chapter in Title 43 RCW.

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