H-1576.1

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**SUBSTITUTE HOUSE BILL 1415**

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**State of Washington 64th Legislature 2015 Regular Session**

**By** House Business & Financial Services (originally sponsored by Representatives Kirby, Santos, Tarleton, Ryu, Van De Wege, S. Hunt, Kilduff, Ortiz-Self, McBride, and Gregerson; by request of Office of Minority and Women's Business Enterprises)

AN ACT Relating to the linked deposit program; and reenacting and amending RCW 43.86A.060.

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

**Sec.**  RCW 43.86A.060 and 2009 c 385 s 3 and 2009 c 384 s 1 are each reenacted and amended to read as follows:

(1) The state treasurer shall establish a linked deposit program for investment of deposits in qualified public depositaries. As a condition of participating in the program, qualified public depositaries must make qualifying loans as provided in this section. The state treasurer may purchase a certificate of deposit that is equal to the amount of the qualifying loan made by the qualified public depositary or may purchase a certificate of deposit that is equal to the aggregate amount of two or more qualifying loans made by one or more qualified public depositaries.

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

(a) Having terms that do not exceed ten years;

(b) Where an individual loan does not exceed one million dollars;

(c)(i) That are made to a minority or women's business enterprise that has received state certification under chapter 39.19 RCW;

(ii) That are made to a veteran-owned business that has received state certification under RCW 43.60A.190; or

(iii) That are made to a community development financial institution that is: (A) Certified by the United States department of the treasury pursuant to 12 U.S.C. Sec. 4701 et seq.; and (B) using that loan to make qualifying loans under (c)(i) of this subsection;

(d) Where the interest rate on the loan to the minority or women's business enterprise or veteran-owned business does not exceed an interest rate that is two hundred basis points below the interest rate the qualified public depositary would charge for a loan for a similar purpose and a similar term, except that, if the preference given by the state treasurer to the qualified public depositary under subsection (3) of this section is less than two hundred basis points, the qualified public depositary may reduce the preference given on the loan by an amount that corresponds to the reduction in preference below two hundred basis points given to the qualified public depositary; and

(e) Where the points or fees charged at loan closing do not exceed one percent of the loan amount.

(3) In setting interest rates of time certificate of deposits, the state treasurer shall offer rates so that a two hundred basis point preference will be given to the qualified public depositary, except that the treasurer may lower the amount of the preference to ensure that the effective interest rate on the deposit is not less than zero percent.

(4) Upon notification by the state treasurer that a minority or women's business enterprise is no longer certified under chapter 39.19 RCW or that a veteran-owned business is no longer certified under RCW 43.60A.190, the qualified public depositary shall reduce the amount of qualifying loans by the outstanding balance of the loan made under this section to the minority or women's business enterprise or the veteran-owned business, as applicable.

(5) The director of the office of minority and women's business enterprises has the authority to adopt rules to:

(a) Ensure that when making a qualified loan under the linked deposit program, businesses that have never received a loan under the linked deposit program are given first priority;

(b) Limit the total principal loan amount that any one business receives in qualified loans under the linked deposit program over the lifetime of the businesses;

(c) Limit the total principal loan amount that an owner of one or more businesses receives in qualified loans under the linked deposit program during the owner's lifetime;

(d) Limit the total amount of any one qualified loan made under the linked deposit program; ((~~and~~))

(e) Ensure that loans made by community development financial institutions are qualifying loans under subsection (2)(c)(i) of this section;

(f) Ensure that, when making a qualified loan under the linked deposit program, businesses not requesting loans for the purchase or refinancing of real property appraised at a value greater than an amount set by the director are given first priority;

(g) Ensure that, when making a qualified loan under the linked deposit program, businesses not requesting loans for improvements to real property, other than tenant improvements, where the total cost of the improvements is greater than an amount set by the director are given first priority; and

(h) Develop reporting requirements for businesses receiving linked deposit loans, except that the reporting must not require personnel resources exceeding those allocated to the office of minority and women's business enterprises on the effective date of this section.

(6) The director of the office of minority and women's business enterprises shall report to the legislature on December 1, 2016, and annually by December 1st thereafter on the linked deposit program and may provide recommendations on additional rule-making authority for the linked deposit program.

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