

E2SHB 1015 - S COMM AMD

By Committee on Business, Financial Services & Trade

NOT CONSIDERED 04/26/2021

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** This chapter may be known and cited as
4 the Washington equitable access to credit act.

5 NEW SECTION. **Sec. 2.** (1) Subject to appropriation, the
6 department of commerce shall create and operate the equitable access
7 to credit program. The purpose of the equitable access to credit
8 program is to award grants to qualified lending institutions for the
9 purpose of providing access to credit for historically underserved
10 communities. The equitable access to credit program must be governed
11 by the provisions of this chapter and by any guidelines developed and
12 rules adopted by the department of commerce pursuant to this chapter.

13 (2) The following requirements apply to the operation of the
14 equitable access to credit program:

15 (a) No more than 25 percent of all grants awarded in any calendar
16 year may be awarded to the same grant recipient;

17 (b) Up to 20 percent of an individual grant award may be used by
18 the grant recipient to fund a loan loss reserve, technical
19 assistance, and/or small business training programs;

20 (c) At least 65 percent of the value of all grants awarded in any
21 calendar year must be provided for native community development
22 financial institution grantees or grantees to provide services or
23 invest, or both, in rural counties as defined in RCW 82.14.370; and

24 (d) For the 2021-2023 fiscal biennium, up to five percent of the
25 program revenues may be used for all agencies' staffing and other
26 administrative costs related to the implementation of this act.

27 (3) In order to receive a grant award under the equitable access
28 to credit program, a qualified lending institution must:

29 (a) Be recognized by the United States department of the treasury
30 as:

1 (i) An emerging community development financial institution; or
2 (ii) A certified community development financial institution;
3 (b) Match any grant awarded by the equitable access to credit
4 program on:

5 (i) At least a 20 percent basis, if the institution is recognized
6 by the United States department of the treasury as an emerging
7 community development financial institution;

8 (ii) At least a 50 percent basis, if the institution:

9 (A) Is recognized by the United States department of the treasury
10 as a certified community development financial institution; and

11 (B) Has net assets of fewer than \$3,000,000 at the time of the
12 grant application; or

13 (iii) At least a one-to-one basis, if the institution:

14 (A) Is recognized by the United States department of the treasury
15 as a certified emerging community development financial institution;
16 and

17 (B) Has net assets of \$3,000,000 or more at the time of the grant
18 application;

19 (c) Be registered as a nonprofit organization exempt from
20 taxation under Title 26 U.S.C. Sec. 501(c)(3) of the federal internal
21 revenue code of 1986, as amended, as of the effective date of this
22 section; and

23 (d) Demonstrate a history of lending in Washington.

24 (4) The director must appoint members to an advisory board that
25 will assist the department in ranking applications for the grants.
26 The department is encouraged to seek representation from members with
27 relevant expertise, including those from the banking industry
28 familiar with community development financial institutions, rural
29 economic development professionals, local government representatives,
30 and representatives from federally recognized Indian tribes. The
31 department shall seek, to the greatest extent possible, a fair
32 geographic balance.

33 (5)(a) The following criteria must be considered in ranking
34 applications:

35 (i) The number and total value of loans and investments closed
36 during the previous five-year period by the qualified lending
37 institution in Washington and the percentage of those loans and
38 investments that went to historically underserved communities;

39 (ii) Funds leveraged by the proposed grant award, which may be no
40 less than one-to-one for certified community development financial

1 institutions with net assets of \$3,000,000 or more at the time of the
2 grant application;

3 (iii) Projected loan or investment production with the award over
4 the performance period of the grant;

5 (iv) How the award supports the growth of the qualified lending
6 institution;

7 (v) Past performance of loans and investments made by the
8 qualified lending institution including, where applicable, past
9 performance of loans and investments made using funds from the
10 equitable access to credit program; and

11 (vi) Awards to a diversity of qualified lending institution
12 awardees, including institutions of different sizes or with different
13 target markets or products, access to historically underserved
14 communities, or other differentiators that ensure a broad-base access
15 to capital.

16 (b) The department may also include such additional criteria as
17 it deems helpful in achieving the goal of ensuring access to credit
18 to underserved communities across the state.

19 (6) Grant awards must cease from the equitable access to credit
20 program upon the expiration of this chapter.

21 (7) Once a loan or investment made by a qualified lending
22 institution using funds awarded from the equitable access to credit
23 program has been repaid, the qualified lending institution must
24 reloan the repaid funds consistent with the terms of this chapter for
25 a period of 10 years from the date of the grant award.

26 (8) A qualified lending institution that receives funds from the
27 equitable access to credit program must submit a report to the
28 department of commerce by June 30th of each year that contains the
29 following information:

30 (a) A list of loans and investments made using funds from the
31 equitable access to credit program's grant and associated match,
32 including, on a per-borrower or per-investee basis:

33 (i) The date the loan or investment was originated;

34 (ii) The amount of the loan or investment;

35 (iii) The total cost of the project, including owner equity and
36 leverage;

37 (iv) The interest rate and interest type;

38 (v) The term;

39 (vi) The number of permanent full-time equivalent jobs projected
40 to be created in the business due to this financing;

- 1 (vii) Whether the loan or investment utilized a guarantee
2 program;
- 3 (viii) The North American industry classification system code;
- 4 (ix) The entity structure;
- 5 (x) Whether the investee or borrower is more than 50 percent
6 owned or controlled by:
- 7 (A) One or more minorities;
- 8 (B) One or more women; or
- 9 (C) One or more low-income persons;
- 10 (xi) The race of the primary investee(s) or borrower(s);
- 11 (xii) Whether the primary investee or borrower is Hispanic or
12 Latino; and
- 13 (xiii) The location, by city and county, in which funds from the
14 program will be invested;
- 15 (b) Certification that each loan or investment made using funds
16 from the program was to a historically underserved community; and
- 17 (c) Other information as required by the department of commerce.
- 18 (9) No later than September 15th of each year, beginning in 2021,
19 the department of commerce must submit a report to the appropriate
20 committees of the legislature that contains the following
21 information:
- 22 (a) The list of grant applicants, total value of grants
23 requested, and the location of each applicant;
- 24 (b) The list of grant recipients, total amount of awards, and
25 required match amounts; and
- 26 (c) On an aggregate basis, information on loans and investments
27 as reported under subsection (8) of this section.
- 28 (10) The department may contract for all or part of the
29 administration of this section.
- 30 (11) The department may adopt rules as necessary to implement
31 this section.

32 NEW SECTION. **Sec. 3.** By December 1, 2022, the department of
33 commerce shall complete a program evaluation study of the equitable
34 access to credit program. The study shall also provide
35 recommendations on creating a lending program that serves underserved
36 communities with the most efficient and equitable methods for
37 providing underserved communities with access to capital. The study
38 shall consider best practices in other states, including programs
39 that leverage community development financial institutions. The

1 department shall consult with qualified lending institutions,
2 borrowers, banks, credit unions, and other relevant stakeholders. The
3 study shall include an analysis of the rates and terms provided to
4 borrowers using the equitable access to credit program and consider
5 alternative methods of lending to underserved communities that result
6 in more favorable terms to borrowers.

7 NEW SECTION. **Sec. 4.** The sum of \$16,000,000, or as much thereof
8 as may be necessary, is appropriated for the fiscal biennium ending
9 June 30, 2023, from the general fund—federal appropriation to the
10 department of commerce for the purposes of this act.

11 NEW SECTION. **Sec. 5.** This chapter expires July 1, 2023.

12 NEW SECTION. **Sec. 6.** Sections 1 through 3 and 5 of this act
13 constitute a new chapter in Title 43 RCW."

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14 On page 1, line 2 of the title, after "act;" strike the remainder
15 of the title and insert "adding a new chapter to Title 43 RCW; making
16 an appropriation; and providing an expiration date."

EFFECT: Removes the B&O tax preference. Shifts the fund source to federal funds. Shortens the duration of the program to the 2021-2023 fiscal biennium. Requires the Department of Commerce to do a program evaluation that is due December 1, 2022.

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