

HOUSE BILL 2307

By Fitzhugh

AN ACT to amend Tennessee Code Annotated, Section 4-29-236; Title 9 and Title 45, to enact the "Tennessee Linked Deposit Act".

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 9, Chapter 4, is amended by adding Sections 2 through 11 of this act as a new, appropriately designated part.

SECTION 2. This act shall be known and may be cited as the "Tennessee Linked Deposit Act."

SECTION 3. As used in this part:

(1) "Authorized farm corporation" means a corporation meeting the following standards:

(A) All of its shareholders, other than any estate, or revocable and irrevocable trusts, are natural persons; and

(B) Receives two-thirds (2/3) or more of its total net income from farming as defined in this section;

(2) "Eligible agribusiness" means a person engaged in the processing or adding of value to agricultural products produced in Tennessee;

(3) "Eligible alternative energy consumer" means an individual who wishes to borrow moneys for the purchase, installation, or construction of facilities or equipment related to the production of fuel or power primarily for their own use from energy sources other than fossil fuels, including but not limited to, solar, hydroelectric, wind, and qualified biomass;

(4) "Eligible alternative energy operation" means a business enterprise engaged in the production and sale of fuel or power from energy sources other than fossil fuels,

including but not limited to, solar, hydroelectric, wind, and qualified biomass. Such business enterprise shall conform to the characteristics of subdivisions (8)(A),(B), and (D);

(5) "Eligible beginning farmer" means a farmer who:

- (i) Is a Tennessee resident;
- (ii) Wishes to borrow for a farm operation located in Tennessee;
- (iii) Is at least eighteen (18) years old; and

(iv) In the preceding five (5) years has not owned, either directly or indirectly, farm land greater than fifty percent (50%) of the average size farm in the county where the proposed farm operation is located or farm land with an appraised value greater than four hundred fifty thousand dollars (\$450,000). A farmer who qualifies as an eligible farmer under this subdivision (5)(iv) may utilize the proceeds of a linked deposit loan to purchase agricultural land, farm buildings, new and used farm equipment, livestock, and working capital;

(6) "Eligible entities" means eligible alternative energy consumers, eligible alternative energy operations, eligible beginning farmers, eligible facility borrowers, eligible farming operations, eligible governmental entities, eligible job enhancement businesses, eligible livestock operations, eligible locally owned businesses, eligible marketing enterprises, eligible multitenant development enterprises, eligible residential property developers, eligible residential property owners, eligible small businesses, eligible student borrowers, and eligible water supply systems;

(7) "Eligible facility borrower" means a borrower qualified under Section 11 to apply for a reduced-rate loan under this part;

(8) "Eligible farming operation" means any person engaged in farming in an authorized farm corporation, family farm, or family farm corporation, that has all of the following characteristics:

(A) Is headquartered in this state;

(B) Maintains offices, operating facilities, or farming operations and transacts business in this state;

(C) Employs less than ten (10) employees;

(D) Is organized for profit; and

(E) Possesses not more than sixty percent (60%) equity, where "equity" is defined as total assets minus total liabilities divided by total assets, except that an otherwise eligible farming operation applying for a loan for the purpose of installing or improving a waste management practice in order to comply with environmental protection regulations shall be exempt from this subdivision (8)(E) eligibility requirement;

(9) "Eligible governmental entity" means any political subdivision of the state seeking to finance capital improvements, capital outlay, or other significant programs through an eligible lending institution;

(10) "Eligible higher education institution" means any public or private institution of higher education located in this state that is approved by the treasurer to participate in a program for eligible student borrowers established pursuant to this part;

(11) "Eligible job enhancement business" means a new, existing, or expanding firm operating in Tennessee, or as a condition of accepting the linked deposit, will locate a facility or office in Tennessee associated with such linked deposit, which employs ten (10) or more employees in Tennessee on a yearly average, and which, as nearly as possible, is able to establish or retain at least one (1) job in Tennessee for each fifty

thousand dollars (\$50,000) received from a linked deposit loan, except when the applicant is able to demonstrate significant costs for equipment, capital outlay, or capital improvements associated with the physical expansion, renovation, or modernization of a facility or equipment. The maximum amount of the linked deposit pursuant to this subdivision (11) shall not exceed fifty thousand dollars (\$50,000) per job created or retained plus the initial cost of the physical expansion, renovation, or capital outlay;

(12) "Eligible lending institution" means a financial institution that is eligible to make commercial, agricultural, or student loans, or discount or purchase such loans, is a public depository of state funds or obtains its funds through the issuance of obligations, either directly or through a related entity, eligible for the placement of state funds, and agrees to participate in the linked deposit program;

(13) "Eligible livestock operation" means any person engaged in the production of livestock or poultry in an authorized farm corporation, family farm, or family farm corporation;

(14) "Eligible locally owned business" means any person seeking to establish a new firm, partnership, cooperative company, or corporation that retains at least fifty-one percent (51%) ownership by residents in a county in which the business is headquartered, that consists of the following characteristics:

(A) The county has a median population of twelve thousand five hundred (12,500) or less; and

(B) The median income of residents in the county is equal to or less than the state median income; or

(C) The unemployment rate of the county is equal to or greater than the state's unemployment rate;

(15) "Eligible marketing enterprise" means a business enterprise operating in this state that is in the process of marketing its goods, products, or services within or outside of this state or overseas, which marketing is designed to increase manufacturing, transportation, mining, communications, or other enterprises in this state, which has proposed its marketing plan and strategy to the department of economic and community development and which plan and strategy has been approved by such department for purposes of eligibility pursuant to this part. Such business enterprise shall conform to the characteristics of subdivisions (8)(A), (B) and (D) and also employ less than twenty-five (25) employees;

(16) "Eligible multitenant development enterprise" means a new enterprise that develops multitenant space for targeted industries as determined by the department of economic and community development and approved by such department for the purposes of eligibility pursuant to this part;

(17) "Eligible residential property developer" means an individual who purchases and develops a residential structure of either two (2) or four (4) units, if such residential property developer uses and agrees to continue to use, for at least the five (5) years immediately following the date of issuance of the linked deposit loan, one (1) of the units as the developer's principal residence or if such person's principal residence is located within one-half (1/2) mile from the developed structure and such person agrees to maintain the principal residence within one-half (1/2) mile of the developed structure for at least the five (5) years immediately following the date of issuance of the linked deposit loan;

(18) "Eligible residential property owner" means a person, firm, or corporation who purchases, develops, or rehabilitates a multifamily residential structure;

(19) "Eligible small business" means a person engaged in an activity with the purpose of obtaining, directly or indirectly, a gain, benefit or advantage and which conforms to the characteristics of subdivision (8)(A), (B) and (D), and also employs less than one hundred (100) employees;

(20) "Eligible student borrower" means any person attending, or the parent of a dependent undergraduate attending, an eligible higher education institution in Tennessee who may or may not qualify for need-based student financial aid calculated by the federal analysis called Congressional Methodology Formula pursuant to 20 U.S.C. § 1078;

(21) "Eligible water supply system" means a water system which serves fewer than fifty thousand (50,000) persons and which is owned and operated by:

(A) A water utility district; or

(B) A municipality or other political subdivision;

(22) "Family farm" means an unincorporated farming unit owned or leased by one (1) or more persons residing on the farm or actively engaging in farming;

(23) "Family farm corporation" means a corporation incorporated for the purpose of farming and the ownership of agricultural land in which at least one-half (1/2) of the voting stock is held by and at least one-half (1/2) of the stockholders or members of a family related to each other within the third degree of consanguinity or affinity including the spouses, sons-in-law and daughters-in-law of any such family member according to the rules of the common law, and at least one (1) of whose stockholders is a person residing on or actively operating the farm; provided, that a family farm corporation shall not cease to qualify as a family farm corporation by reason of any gift, devise, or bequest of shares of voting stock. A person actively operating a farm shall include, but not be

limited to, a person who has an ownership interest in the family farm corporation and exercises some management control or direction;

(24) "Farming" means using or cultivating land for the production of agricultural crops, livestock or livestock products, forest products, poultry or poultry products, milk or dairy products, or fruit or other horticultural products;

(25) "Linked deposit" means a certificate of deposit, placed by the treasurer with an eligible lending institution at rates provided in Section 6; provided, the institution agrees to lend the value of such deposit, according to the deposit agreement provided in this part, to eligible agribusinesses, eligible alternative energy consumers, eligible alternative energy operations, eligible beginning farmers, eligible facility borrowers, eligible farming operations, eligible governmental entities, eligible job enhancement businesses, eligible livestock operations, eligible locally owned businesses, eligible marketing enterprises, eligible multitenant development enterprises, eligible residential property developers, eligible residential property owners, eligible small businesses, eligible student borrowers, or eligible water supply systems at below the present borrowing rate applicable to each eligible agribusiness, eligible alternative energy consumer, eligible alternative energy operation, eligible beginning farmer, eligible facility borrower, eligible farming operation, eligible governmental entity, eligible job enhancement business, eligible livestock operation, eligible locally owned business, eligible marketing enterprise, eligible multitenant development enterprise, eligible residential property developer, eligible residential property owner, eligible small business, eligible student borrower, or eligible water supply system at the time of the deposit of state funds in the institution;

(26) "Market rate" means the interest rate tied to federal government securities;

(27) "Professional forester" means any individual who holds a bachelor of science degree in forestry from a regionally accredited college or university with a minimum of two (2) years of professional forest management experience;

(28) "Qualified biomass" means any agriculture-derived organic material or any wood-derived organic material harvested in accordance with a site-specific forest management plan focused on long-term forest sustainability developed by a professional forester and qualified in consultation with the commissioner of agriculture;

(29) "Water system" means the system to provide water by an eligible water supply system; and

(30) "Water utility district" means a utility district incorporated pursuant to title 7 to provide water to its subscribers.

SECTION 4.

(a)

(1) The treasurer may invest in linked deposits; however, the total amount deposited pursuant to this subdivision (a)(1) at any one time shall not exceed, in the aggregate, seven hundred twenty million dollars (\$720,000,000):

(A) No more than three hundred thirty million dollars (\$330,000,000) of the aggregate deposit shall be used for linked deposits to eligible agribusinesses, eligible beginning farmers, eligible facility borrowers, eligible farming operations, eligible livestock operations, and eligible locally owned businesses;

(B) No more than one hundred ten million (\$110,000,000) of the aggregate deposit shall be used for linked deposits to small businesses;

(C) No more than twenty million dollars (\$20,000,000) shall be used for linked deposits to eligible multitenant development enterprises;

(D) No more than twenty million dollars (\$20,000,000) of the aggregate deposit shall be used for linked deposits to eligible residential property developers and eligible residential property owners;

(E) No more than two hundred twenty million dollars (\$220,000,000) of the aggregate deposit shall be used for linked deposits to eligible job enhancement businesses; and

(F) No more than twenty million dollars (\$20,000,000) of the aggregate deposit shall be used for linked deposit loans to eligible water supply systems.

(2) Linked deposit loans may be made to eligible student borrowers, eligible alternative energy operations, eligible alternative energy consumers, eligible governmental entities, and eligible marketing enterprises from the aggregate deposit.

(3) If demand for a particular type of linked deposit exceeds the initial allocation, and funds initially allocated to another type are available and not in demand, the treasurer may commingle allocations among the types of linked deposits.

(b) The minimum deposit to be made by the treasurer to an eligible lending institution for eligible job enhancement business loans shall be ninety thousand dollars (\$90,000). Linked deposit loans for eligible job enhancement businesses may be made for the purposes of assisting with relocation expenses, working capital, interim construction, inventory, site development, machinery and equipment, or other expenses necessary to create or retain jobs in the recipient firm.

SECTION 5.

(a) An eligible lending institution that desires to receive a linked deposit shall accept and review applications for linked deposit loans from eligible entities. The eligible lending institution shall apply all usual lending standards to determine the creditworthiness of each eligible entity. No linked deposit loan to an eligible entity shall exceed a dollar limit determined by the treasurer in the treasurer's best judgment, except as otherwise limited. No eligible lending institution shall charge any additional fees, including, but not limited to, an origination, service, or insurance fee on any loan agreement under this part.

(b)

(1) An eligible residential property owner shall certify on his or her loan application that the reduced-rate loan will be used exclusively to purchase, develop, or rehabilitate a multifamily residential property.

(2) An eligible farming operation, eligible job enhancement business or eligible small business shall certify on its loan application that the reduced-rate loan will be used exclusively for necessary production expenses or the expenses listed in Section 4, subsection (b) or the refinancing of an existing loan for production expenses or the expenses listed in Section 4, subsection (b) of an eligible farming operation, eligible job enhancement business, or eligible small business.

(3) An eligible water supply system shall certify on its loan application that the reduced-rate loan shall be used exclusively to pay the costs of upgrading or repairing an existing water system, constructing a new water system, or making other capital improvements to a water system that are necessary to improve the service capacity of the system.

(4) Any linked deposit loan made to an eligible facility borrower shall be in accordance with the loan amount and loan term requirements in Section 11.

(5) Whoever knowingly makes a false statement concerning a loan application made pursuant to this part is guilty of a Class A misdemeanor.

(c) In considering which eligible farming operations should receive reduced-rate loans, the eligible lending institution shall give priority to those farming operations which have suffered reduced yields due to drought or other natural disasters and for which the receipt of a reduced-rate loan will make a significant contribution to the continued operation of the recipient farming operation.

(d) The eligible lending institution shall forward to the treasurer a linked deposit loan package in the form and manner as prescribed by the treasurer. The package shall include such information as required by the treasurer, including the amount of each loan requested. The institution shall certify that each applicant is an eligible entity and shall, for each such entity, certify the present borrowing rate applicable.

(e)

(1) The eligible lending institution shall be responsible for determining if a student borrower is an eligible student borrower. A student borrower shall be eligible for an initial or renewal reduced-rate loan only if, at the time of the application for the loan, the student is a citizen or permanent resident of the United States, a resident of the state of Tennessee, as defined by the Tennessee higher education commission, is enrolled or has been accepted for enrollment in an eligible higher education institution, and establishes that the student has financial need. In considering which eligible student borrowers may receive reduced-rate loans, the eligible lending institution may give priority to those eligible student borrowers whose income, or whose family income, if the eligible

student borrower is a dependent, is such that the eligible student borrower does not qualify for need-based student financial aid pursuant to 20 U.S.C. § 1078.

The eligible lending institution shall require the eligible student borrower to document that the student has applied for and has obtained all need-based student financial aid for which the student is eligible prior to application for a reduced-rate loan pursuant to this subsection (e). In no case shall the combination of all financial aid awarded to any student in any particular enrollment period exceed the total cost of attendance at the institution in which the student is enrolled.

(2) The eligible lending institution making an initial loan to an eligible student borrower may make a renewal loan or loans to the student. The total of such reduced-rate loans from eligible lending institutions made pursuant to this section to any individual student shall not exceed the cumulative totals established by 20 U.S.C. § 1078. An eligible student borrower shall certify on his or her loan application that the reduced-rate loan shall be used exclusively to pay the costs of tuition, incidental fees, books and academic supplies, room and board, and other fees directly related to enrollment in an eligible higher education institution. The eligible lending institution shall make the loan payable to the eligible student borrower and the eligible higher education institution as co-payees. The method of repayment of the loan shall be the same as for repayment of loans made pursuant to title 49, chapter 4.

(f) In considering which eligible entity will receive reduced-rate loans, the eligible lending institution shall give priority to an entity that has not previously received a reduced-rate loan through the linked deposit program. However, nothing in this section shall prohibit an eligible lending institution from making a reduced-rate loan to any entity

that previously has received such a loan, if such entity otherwise qualifies for such a reduced-rate loan.

SECTION 6.

(a) The treasurer may accept or reject a linked deposit loan package or any portion of such a package.

(b)

(1) The treasurer shall make a good faith effort to ensure that the linked deposits are placed with eligible lending institutions to make linked deposit loans to minority or woman owned businesses that are eligible entities. Results of efforts under this subdivision (b)(1) shall be included in the linked deposit review committee's annual report to the governor.

(2) As used in this subsection (b), minority-owned business or woman-owned business has the same meaning as these terms are defined in § 12-3-802.

(c)

(1) Upon acceptance of the linked deposit loan package or any portion of such package, the treasurer may place linked deposits with the eligible lending institution as follows:

(A) When market rates are five percent (5%) or above, the treasurer shall reduce the market rate by up to three (3) percentage points to obtain the linked deposit rate; and

(B) When market rates are less than five percent (5%), the treasurer shall reduce the market rate by up to sixty percent (60%) to obtain the linked deposit rate; provided, that the linked deposit rate is not below one percent (1%). All linked deposit rates are determined and calculated by the treasurer.

(2) When necessary, the treasurer may place linked deposits prior to acceptance of a linked deposit loan package. The treasurer shall post the current linked deposit rate on the web site maintained by the treasurer.

(d) The eligible lending institution shall enter into a deposit agreement with the state treasurer, which shall include requirements necessary to carry out the purposes of this part. The deposit agreement shall specify the length of time for which the eligible lending institution is authorized to lend funds upon receiving a linked deposit, and the original deposit plus renewals shall not exceed five (5) years, except as otherwise provided in this part. The agreement shall also include provisions for the linked deposit for an eligible entity. Interest shall be paid at times determined by the treasurer.

(e) The period of time for which such linked deposit is placed with an eligible lending institution shall be neither longer nor shorter than the period of time for which the linked deposit is used to provide loans at reduced interest rates. The agreement shall further provide that the state shall receive market interest rates on any linked deposit or any portion thereof for any period of time for which there is no corresponding linked deposit loan outstanding to an eligible entity, except as otherwise provided in this subsection (e). Within thirty (30) days after the annual anniversary date of the linked deposit, the eligible lending institution shall repay the treasurer any linked deposit principal received from borrowers in the previous yearly period and thereafter repay such principal within thirty (30) days of the yearly anniversary date calculated separately for each linked deposit loan, and repaid at the linked deposit rate. Such principal payment shall be accelerated when more than thirty percent (30%) of the linked deposit loan is repaid within a single monthly period. Any principal received and not repaid, up to the point of the thirty percent (30%) or more payment, shall be repaid within thirty (30) days of such payment or principal payment at the linked deposit rate; provided, however,

when the linked deposit is tied to a revolving line of credit agreement between the eligible lending institution and its borrower, the full amount of the line of credit shall be excluded from the repayment provisions of this subsection.

SECTION 7.

(a) Upon the placement of a linked deposit with an eligible lending institution, such institution is required to lend such funds to each eligible entity listed in the linked deposit loan package required by Section 5 and in accordance with the deposit agreement required by Section 6. The loan shall be at a fixed rate of interest reduced by the amount established under Section 6, subsection (c) to each such person or entity as determined pursuant to rules and regulations promulgated by the treasurer in accordance with the uniform administrative procedures act, codified at title 4, chapter 5, including emergency rules issued pursuant to such title and part. In addition, the loan agreement shall specify that the eligible entity shall use the proceeds as required by this part, and that in the event the loan recipient does not use the proceeds in the manner prescribed by this part, the remaining proceeds shall be immediately returned to the eligible lending institution. Any proceeds used by the loan recipient shall be repaid to the eligible lending institution as soon as practicable. All records and documents pertaining to the programs established by this part shall be segregated by the eligible lending institution for ease of identification and examination. A certification of compliance with this section in the form and manner as prescribed by the treasurer shall be required of the eligible lending institution. Any lender or lending officer of an eligible lending institution who knowingly violates this part is guilty of a Class A misdemeanor.

(b) The treasurer shall take any and all steps necessary to implement the linked deposit program and monitor compliance of eligible entities.

SECTION 8.

(a)

(1) There is hereby established the "Linked Deposits Review Committee." The committee shall consist of four (4) appointed members and three (3) ex officio members. The ex officio members shall be the treasurer, the commissioner of economic and community development and the commissioner of agriculture. The appointed members shall be one (1) member of the house of representatives appointed by the speaker of the house; one (1) member of the senate appointed by the speaker of the senate; and two (2) members appointed by the governor, with the advice and consent of the senate, one (1) of whom shall be a banker and one (1) of whom shall be an active farmer. The terms of the members of the general assembly shall be for two (2) years to coincide with their election as a member of the general assembly and such members may be reappointed by their appropriate speakers. The terms of the gubernatorial appointees shall be for four (4) years; provided, that one of the initial appointees shall initially be appointed to serve a two (2) year term and the second member shall be initially appointed for a four (4) year term. Thereafter these appointments shall be for four (4) year terms. Such members may be reappointed by the governor.

(2) All appointments shall be made by February 15, 2013.

(b) Within thirty (30) days after appointment of the committee, the members shall meet and select one (1) of their members as chairman. The committee shall meet as often as necessary to provide timely and appropriate review of the implementation and operation of the linked deposits program established by this part. Meetings shall be held on the call of the chairman or upon the request of four (4) members of the committee. A majority of the committee shall constitute a quorum for the transaction of business. The

committee shall serve in a review and oversight capacity for all matters relating to the linked deposits program established by this part. The committee may examine all aspects of the linked deposits program established by this part, including, but not limited to, the program's administration, operation, and effectiveness. All records of the treasurer's office related to the linked deposits program shall be made available to the committee.

(c) The committee members shall receive no salary for their service on the committee but shall be entitled to reimbursement for travel expense incurred in the performance of their official duties in conformity with comprehensive travel regulations as promulgated by the department of finance and administration and approved by the attorney general and reporter.

(d) The committee shall annually report its findings to the governor, the speaker of the house of representatives, and the speaker of the senate. The first report of the committee shall be made on or before December 31, 2013, and shall cover the period from February 20, 2013, to September 30, 2013. A subsequent report for each year thereafter shall be made on or before December 31 of each year and shall cover the period from October 1 to September 30 of that year.

SECTION 9. The state of Tennessee and the treasurer are not liable to any eligible lending institution in any manner for payment of the principal or interest on the loan to an eligible entity. Any delay in payments or default on the part of an eligible entity does not in any manner affect the deposit agreement between the eligible lending institution and the treasurer.

SECTION 10. The treasurer shall not, after December 31, 2015, invest in any linked deposit the value of which is to be lent to a recipient other than an eligible water supply system or an eligible student borrower. The treasurer shall not, after January 1, 2020, invest in any linked deposit, the value of which is to be lent to any new eligible facility borrower.

SECTION 11.

(a) As used in this section and part:

(1) "Agricultural commodity" means any agricultural product that has been produced for purpose of sale or exchange, except for animals whose principal use may be construed as recreational or as a pet;

(2) "Authority" means any state or local governmental authority created pursuant to general law which is authorized to enter into or negotiate loan agreements to or for an eligible facility borrower;

(3) "Borrower" means any partnership, corporation, cooperative, or limited liability company organized or incorporated under the laws of this state consisting of not less than twelve (12) members for the purpose of owning or operating within this state a development facility or a renewable fuel production facility in which producer members:

(A) Hold a majority of the governance or voting rights of the entity and any governing committee;

(B) Control the hiring and firing of management; and

(C) Deliver agricultural commodities or products to the entity for processing, unless processing is required by multiple entities;

(4) "Development facility" means a facility producing either a good derived from an agricultural commodity or using a process to produce a good derived from an agricultural product;

(5) "Eligible facility borrower" means a development facility or renewal fuel production facility borrower qualified by the authority to apply for a reduced-rate loan as provided in this part; and

(6) "Renewable fuel production facility" means a facility producing an energy source that is derived from a renewable, domestically grown organic compound capable of powering machinery, including an engine or power plant, and any by-product derived from such energy source.

(b) The authority shall accept applications and issue certificates of qualification as an eligible facility borrower to development facilities and renewable fuel production facilities for purposes of applying for reduced-rate loans under this part to finance new costs or refinance existing debt associated with such facilities. The authority may charge for each certificate of qualification a one-time fee in an amount not to exceed the actual cost of issuance of the certificate.

(c) In determining whether a facility will qualify as an eligible facility borrower, the authority shall consider the following factors:

(1) The borrower's ability to repay the loan;

(2) The general economic conditions of the area in which the agricultural property will be or is located;

(3) The prospect of success of the particular project for which the loan is sought; and

(4) Such other factors as the authority may establish by rule.

(d) No reduced-rate loan made to an eligible facility borrower under this part shall:

(1) Exceed seventy million dollars (\$70,000,000) for any single eligible facility borrower;

(2) Exceed seventy percent (70%) of the total anticipated cost of the development facility or renewable fuel production facility or, in the case of

refinancing existing debt, ninety percent (90%) of the fair market value of the development facility or renewable fuel production facility;

(3) Exceed a loan term of five (5) years, except that such loan may be extended up to two (2) additional loan periods of five (5) years each for a maximum total loan term of fifteen (15) years; and

(4) When a banking institution or an eligible lending institution extends credit under this section and provides the lead in underwriting the credit, it may enter into a participation agreement, sell part of the loan to third parties, syndicate the loan, or make other written arrangement with financial intermediaries; provided, that at all times any financial intermediary, participant, purchaser, or other party obtaining a legal or equitable interest in the loan otherwise qualifies for linked deposit loans and fully collateralizes those loans as required by the treasurer.

(e) The treasurer shall promulgate rules to implement the provisions of this section.

SECTION 12. Tennessee Code Annotated, Section 4-29-236, is amended by adding the following language as a new, appropriately designated subdivision:

() Linked deposits review committee created pursuant to Section 8;

SECTION 13. For purposes of promulgating rules and regulations, this act shall take effect upon becoming a law, the public welfare requiring it. For purposes of establishing the linked deposit program as provided in this act, this act shall take effect January 1, 2013.