

SENATE BILL 769

By Yarbro

AN ACT to amend Tennessee Code Annotated, Title 9 and Title 45, relative to the Bank Local Community Deposit Program.

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

SECTION 1. Tennessee Code Annotated, Title 9, Chapter 4, Part 3, is amended by adding the following as a new section:

(a) The state treasurer is authorized to make deposits consistent with this part to facilitate the bank local community deposit program, which aims to support local financial institutions making qualifying loans to small businesses in this state.

(b) Banks chartered by the state of Tennessee and any national banks headquartered in the state of Tennessee are eligible to participate in the community deposit program upon being designated a state depository pursuant to § 9-4-107 and approved by the state treasurer. All state cash deposits made pursuant to this section must be fully collateralized and fully insured by the Federal Deposit Insurance Corporation, and any participating financial institution shall be required to comply with the procedures for the handling of state deposits established pursuant to this part.

(c)

(1) The state treasurer is authorized to make matching deposits pursuant to this section in amounts equal to qualified loans made by participating financial institutions to small businesses in this state. A loan will qualify for state deposit matching if it is made to a small business physically located in this state that employs up to and including one hundred (100) employees and does not exceed two hundred fifty thousand dollars (\$250,000).

(2) Qualifying loans can be secured or unsecured, term loans, or credit lines. There shall be no limit on the term of a qualifying loan, but the state's deposit shall be made for a period of one (1) year with the option to renew for additional one-year periods at the discretion of the state treasurer.

(3) The state treasurer is authorized to roll over the deposit at annual intervals, at a value matching the outstanding balance of the loan. In making such renewal determinations, the liquidity needs of the state must take precedence over any renewals made pursuant to this section.

(4) Qualifying loans made to businesses certified as Tennessee small businesses or diversity business enterprises pursuant to § 12-3-1103 shall be eligible to receive matching deposits in an amount equal to twice the value of the loan.

(5) No state entity or official shall play any role in the evaluation or oversight of the loan process of participating financial institutions.

(d) Subject to the liquidity needs of the state and the cash management policies of the state funding board, the state treasurer is authorized to deposit up to forty million dollars (\$40,000,000) of state funds in participating financial institutions pursuant to this section, subject to the general appropriations act.

(e) At the close of each fiscal year, each participating financial institution must provide an aggregate report on the loans for which it accepted deposits pursuant to this section, as well as the terms, amounts, interest rates, and zip codes for a comparable selection of outstanding business loans that do not qualify for this program.

(f) The state treasurer is authorized to promulgate rules pursuant to the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, as well as policies and guidelines relative to any application procedures, qualifications for participating financial institutions, and any reporting or other requirements associated with the program.

SECTION 2. This act shall take effect July 1, 2019, the public welfare requiring it.