

## HB 2419 STAFF MEASURE SUMMARY

### House Committee On Economic Development and Small Business

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**Sub-Referral To:** Joint Committee On Ways and Means

**Meeting Dates:** 2/16

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#### **WHAT THE MEASURE DOES:**

Directs State Treasurer to establish linked deposit program. Permits State Treasurer to purchase investment instruments from qualified depository at below-market rates and qualified depository issues below-market rate loans to qualifying entities.

#### **ISSUES DISCUSSED:**

#### **EFFECT OF AMENDMENT:**

No amendment.

#### **BACKGROUND:**

In Oregon banks, credit unions, nonprofit business, government agencies, private equity companies, and others lend money to businesses.

Interest rates offered by a lender are based on the lender's access to money and the lender's risk assessment of a specific borrower. There are cases where the lender would agree to lend at a certain interest rate, but that rate is too expensive for the borrower to accept. Linked deposit programs address this issue by having one party purchase an investment instrument at below the market rate it could otherwise invest and in turn the lender agrees to lend to a linked second party at a rate that reflects the lower rate the first party agreed to. With this access to capital, the second party can elect to borrow money to invest in the business it otherwise would not have borrowed.

House Bill 2419 establishes a linked deposit program allowing the State Treasurer to use up to 5 percent of the average revenues received by the general fund to purchase instruments from a qualified depository that will in turn make qualified loans under the program. A qualified depository is a bank or credit union headquartered or having branch offices in Oregon that is qualified to hold public funds. Qualified loans are loans made to a minority-owned, woman-owned, or service-disabled veteran owned business with average annual gross revenue under five million dollars. They carry a fixed interest rate 200 points below the rate the lender would charge for a loan of similar purpose, are no longer than 25 years, and where fees and other charges don't exceed 1percent of the loan amount.