

DRAFT: Community Deposit Program Policy

The Office of the General Treasurer (Treasury) and the State Investment Commission (SIC) seek to support Rhode Island's economy by linking deposits in Rhode Island banks and credit unions to corresponding small business loans. Investment of these deposits seeks to support the expansion of credit within the state through qualifying institutions while honoring the vital goals of safety, security, and liquidity.

1. Program Funding

The cash manager for the state Treasury is authorized to allocate no more than a set limit of the state's cash balance to such deposits, and no more than \$5 million per institution. The total allocation will conform to the SIC's Short Term Investment Policy (which at program inception, is \$30 million). The overall allocation of funds to the participating banks and credit unions must satisfy the portfolio diversity criteria set by the SIC.

2. Program Policy

Banks or credit unions making a loan that satisfies the criteria below may request the Treasury cash manager to deposit funds equal to the loan balance. The deposits will have similar maturity to term of the loan, up to one year. For loans with a term of more than a year, the cash manager will endeavor to roll over the deposit at yearly intervals, at a value matching the outstanding balance of the loan, for the entire term of the loan. However, the liquidity needs of the state shall take precedence over any pledge made to match deposits to loans through this program.

Some qualifying loans may be matched at a 2-to-1 rate at the option of Treasury with right of refusal for the depository. In the event of such a loan, the declining balance shall be maintained at the same ratio as the initial deposit.

Neither Treasury nor any other component of the state will participate in the underwriting decisions on any loans associated with this program, and these deposits cannot be construed as a guarantee of the loans. In the event of a default on a participating loan, the matching deposit may be withdrawn.

3. Loan Criteria

The Community Deposit Program will support loans in the following categories, in values up to \$250,000, and terms up to five years:

- Loans to small businesses, including credit lines as well as term loans (up to 100 employees);

- Loans to women and minority-owned businesses, limited by the SBA definition of small business (these loans may be matched 2 to 1); and
- Loans made to businesses owned by first-time entrepreneurs (these loans may be matched 2 to 1)

The program will support lines of credit without a set term or longer-term loans, but the lending bank or credit union should submit an application to maintain a linked deposit for a line of credit every five years. Treasury will make no commitment to approve such a renewal, though it is committed to making the program succeed.

4. Qualifying Institutions

Banks and credit unions participating in the program must be qualified using the criteria approved by the SIC for depository institutions.

5. Reporting

Treasury will only maintain records of the loans made through this program, to the extent necessary to maintain appropriate deposit levels and track program performance. The initial application to Treasury for a matching deposit shall contain the loan amount, type, term, closing date, borrower zip code or Census tract, and an identifying number with which the bank or credit union can retrieve a full record of the loan if necessary.

On an annual basis, the participating banks and credit unions will provide Treasury a report containing data on each of the loans made through this program, including but not limited to, the identifying number, payment status (or repayment date), and remaining balance, if any.