

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

INTERIM STUDY PROPOSAL 2007-051

State of Arkansas

As Engrossed: H3/19/07

86th General Assembly

A Bill

Regular Session, 2007

HOUSE BILL 2313

By: Representatives Saunders, Hall

Referred to
Insurance & Commerce- House
by the House of Representatives
on 03/29/2007

For An Act To Be Entitled

AN ACT TO CREATE THE COMMUNITY BANK
CAPITALIZATION PROGRAM; TO PERMIT THE DEPOSIT OF
STATE FUNDS IN COMMUNITY BANKS TO HELP PROVIDE
THE CAPITALIZATION NEEDED TO INVEST IN LOCAL
COMMUNITY DEVELOPMENT PROJECTS; AND FOR OTHER
PURPOSES.

Subtitle

TO CREATE THE COMMUNITY BANK
CAPITALIZATION PROGRAM AND TO PERMIT THE
DEPOSIT OF STATE FUNDS IN COMMUNITY
BANKS TO HELP PROVIDE THE CAPITALIZATION
NEEDED TO INVEST IN LOCAL COMMUNITY
DEVELOPMENT PROJECTS.

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

Section 1. Arkansas Code Title 15, Chapter 5 is amended to add an
additional subchapter to read as follows:

15-5-1601. Title.

This subchapter shall be known and may be cited as the "Community Bank

1 Capitalization Program Act".

2
3 15-5-1602. Legislative findings and intent.

4 (a) The General Assembly finds and declares that:

5 (1) Community banks are critical to local and state economic
6 development through the provision of basic financial services, local job and
7 business creation, community revitalization, and community development; and

8 (2) The ability of community banks to fully support the
9 provision of basic financial services, local job and business creation,
10 community revitalization, and community development, particularly in
11 relatively distressed banking markets, is limited by inadequate access to
12 capitalization for investment in these activities.

13 (b) It is therefore the intent of this subchapter to create access to
14 capitalization for the provision of basic financial services, local job and
15 business creation, community revitalization, and community development by
16 enabling deposits of state funds into community banks to support local
17 community and economic development activities.

18
19 15-5-1603. Definitions.

20 As used in this subchapter:

21 (1) "Capitalization" means making funds available to engage in
22 core banking activities, including loans and other financial products and
23 services;

24 (2) "Certificate of Deposit Account Registry Service" means the
25 deposit-matching service offered by Promontory Interfinancial Network that
26 assists banks in offering their customers insurance on deposits up to twenty-
27 five million dollars (\$25,000,000) through the Federal Deposit Insurance
28 Corporation;

29 (3) "Community bank" means a locally chartered insured
30 depository institution with assets of five hundred million dollars
31 (\$500,000,000) or less that serves the financial needs of a targeted
32 geographic area;

33 (4) "Community-based organization" means a local organization
34 whose purpose is to improve the economic and social well-being of community
35 residents;

36 (5) "Community development" means activity designed to improve

1 the social or economic conditions of low-income or other underserved people
2 or residents of a distressed community;

3 (6) "Community facility" means a facility that provides:

4 (A) Health care;

5 (B) Child care; or

6 (C) Educational, cultural, or social services;

7 (7) "Deposit" means funds placed by an individual or
8 organization in a depository institution insured by a governmental agency;

9 (8) "Discounted revolving loan fund" means a below-market rate
10 revolving loan fund to provide additional incentives to attract private
11 sector investments toward an identified project or investment area;

12 (9) "Distressed community" means a community with poverty rates
13 of at least twenty percent (20%) or an unemployment rate at least one and
14 one-half (1.5) times the national average according to the most recent census
15 information;

16 (10) "Economic development" means activities that support the
17 development and retention of jobs;

18 (11) "Financial product" means a loan, a mortgage, an
19 investment, or the result of similar financing activities or investment
20 activities;

21 (12) "Financial service" means:

22 (A) Taking a deposit;

23 (B) Cashing or issuing a check, money order, certified
24 check, or similar instrument;

25 (C) Providing a checking account, savings account,
26 investment account, or other account; or

27 (D) Providing an automated teller machine, safe deposit
28 box service, or any other service provided by a community bank;

29 (13) "Homeownership counseling" means assisting borrowers who
30 are new or existing homeowners or prospective homeowners to make informed
31 decisions about budgeting, selecting a home, types of mortgage insurance,
32 homeowner tax benefits, building equity in a home, home maintenance, energy
33 conservation, and foreclosure prevention;

34 (14) "Individual Development Account" means a matched savings
35 account used by a low-income household to purchase a home, seek post-
36 secondary education, capitalize a small business, or engage in similar asset-

1 building activities;

2 (15) "Investment area" means a geographic unit or contiguous
3 geographic units that:

4 (A) Are entirely located within the geographic boundaries
5 of the State of Arkansas; and

6 (B) Meet at least one (1) of the criteria of a distressed
7 community;

8 (16) "Low-income targeted population" means an identifiable
9 group of individuals that lack adequate access to financial products or
10 financial services in a geographic service area, and who have income below
11 the median income for the geographic service area; and

12 (17) "Revolving loan fund" means a dedicated loan fund that is
13 replenished and used to make new loans for a particular purpose as the funds
14 are paid back.

15

16 15-5-1604. Community Bank Capitalization Program – Administration –
17 Authority.

18 (a) There is established the Arkansas Community Bank Capitalization
19 Program to provide state funds for community banks to support local community
20 and economic development activities.

21 (b) The Treasurer of State shall:

22 (1) Administer the program;

23 (2) Develop and promulgate in consultation with the Community
24 Bank Capitalization Program Oversight Board all rules necessary or desirable
25 to implement the program;

26 (3) Ensure compliance with the rules of the program;

27 (4) Employ or engage employees as necessary to implement the
28 program if funds are authorized and available to employ or engage employees;
29 and

30 (5) Prepare and present annual reports of program activities to
31 the board.

32

33 15-5-1605. Community Bank Capitalization Program Oversight Board.

34 (a) The Community Bank Capitalization Program Oversight Board is
35 created and shall consist of the following members:

36 (1) One (1) member to be the Treasurer of State or his or her

1 desi gnee;

2 (2) Four (4) members to be representatives of community banks to
3 be appointed by the Governor, one (1) from each of the state's four (4)
4 congressional districts; and

5 (3) One (1) member to be an advocate for low-income households
6 to be appointed by the Governor.

7 (b)(1) The Governor shall call the first meeting of the board within
8 sixty (60) days after the effective date of this subchapter.

9 (2) At the first meeting, a majority of the members appointed by
10 the Governor shall elect a chair who shall serve a one-year term.

11 (3) Within thirty (30) days after election of the chair, the
12 chair shall call a meeting at which the appointed members shall draw lots so
13 that two (2) appointed members serve two-year terms, and three (3) appointed
14 members serve three-year terms.

15 (4) If a vacancy occurs within an appointed position, the
16 vacancy shall be filled for the unexpired term by an appointment made in the
17 same manner as the original appointment.

18 (5) A member of the board shall continue to serve on the board
19 until he or she no longer wishes to serve, no longer meets the qualifications
20 to serve the board member's position, or is replaced by the Governor with or
21 without cause.

22 (c) The board shall:

23 (1) Review the annual reports presented by the Treasurer of
24 State at least annually;

25 (2) Conduct hearings regarding problems that may arise in the
26 administration or operation of programs under this subchapter; and

27 (3) Recommend to the authority methods for improving the
28 administration and operation of programs under this subchapter.

29
30 15-5-1606. Eligibility.

31 Eligible community banks include community banks that:

32 (1) Operate in small rural communities with a population base of
33 twelve thousand (12,000) or less; or

34 (2) Are located in distressed communities willing to provide
35 innovative financial services and other financial products.

36

1 15-5-1607. Financial services and other financial products.
2 The Community Bank Capitalization Program may provide innovative
3 financial services and other financial products, including without
4 limitation:

5 (1) Below market rate revolving loan funds to support downtown
6 redevelopment, historic preservation, special development districts, first-
7 time homebuyer funds, and infrastructure redevelopment;

8 (2) Financial services such as:

9 (A) Matching funds for Individual Development Accounts;

10 (B) Alternative check-cashing products;

11 (C) Alternative short-term loan products;

12 (D) Alternative tax refund anticipation loan products;

13 (E) Alternative savings account and checking account

14 products;

15 (F) Financial literacy training; and

16 (G) Home ownership training;

17 (3) Alternative mortgage lending and home rehabilitation lending
18 programs;

19 (4) Post-secondary education and computer loans;

20 (5) Alternative small business lending programs;

21 (6) Community facilities loans;

22 (7) Loans to nonprofit corporations or organizations; and

23 (8) Partnerships with community-based organizations and
24 nonprofit corporations or organizations to better serve the needs of low-
25 income populations and markets.

26
27 15-5-1608. State deposits.

28 (a) Eligible community banks are not required to match a deposit of
29 state funds.

30 (b) Eligible community banks shall fully secure state deposits by
31 participating in the Certificate of Deposit Account Registry Service Program.

32 (c) Deposits of state funds may be recalled by the state according to
33 the length and terms of the deposit under the rules of the Community Bank
34 Capitalization Program.

35
36 15-5-1609. Sources of state funds.

1 All unrestricted state funds are eligible for deposit and use by the
2 Community Bank Capitalization Program.

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/s/ Saunders, et al

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