

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.

1 State of Arkansas
2 86th General Assembly
3 Regular Session, 2007

A Bill

HOUSE BILL 2313

4
5 By: Representatives Saunders, Hall
6
7

For An Act To Be Entitled

8
9 AN ACT TO CREATE THE COMMUNITY BANK
10 CAPITALIZATION PROGRAM; TO PERMIT THE DEPOSIT OF
11 STATE FUNDS IN COMMUNITY BANKS TO HELP PROVIDE
12 THE CAPITALIZATION NEEDED TO INVEST IN LOCAL
13 COMMUNITY DEVELOPMENT PROJECTS; AND FOR OTHER
14 PURPOSES.
15

Subtitle

16
17 TO CREATE THE COMMUNITY BANK
18 CAPITALIZATION PROGRAM AND TO PERMIT THE
19 DEPOSIT OF STATE FUNDS IN COMMUNITY
20 BANKS TO HELP PROVIDE THE CAPITALIZATION
21 NEEDED TO INVEST IN LOCAL COMMUNITY
22 DEVELOPMENT PROJECTS.
23
24

25 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
26

27 Section 1. Arkansas Code Title 15, Chapter 5 is amended to add an
28 additional subchapter to read as follows:
29

30 15-5-1601. Title.

31 This subchapter shall be known and may be cited as the "Community Bank
32 Capitalization Program Act".
33

34 15-5-1602. Legislative findings and intent.

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

36 (1) Community banks are critical to local and state economic



1 development through the provision of basic financial services, local job and
 2 business creation, community revitalization, and community development; and

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

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

13
 14 15-5-1603. Definitions.

15 As used in this subchapter:

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

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

24 (3) "Community bank" means a locally chartered insured
 25 depository institution with assets of five hundred million dollars
 26 (\$500,000,000) or less that serves the financial needs of a targeted
 27 geographic area;

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

31 (5) "Community development" means activity designed to improve
 32 the social or economic conditions of low-income or other underserved people
 33 or residents of a distressed community;

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

35 (A) Health care;

36 (B) Child care; or

- 1 (C) Educational, cultural, or social services;
- 2 (7) "Deposit" means funds placed by an individual or
- 3 organization in a depository institution insured by a governmental agency;
- 4 (8) "Discounted revolving loan fund" means a below-market rate
- 5 revolving loan fund to provide additional incentives to attract private
- 6 sector investments toward an identified project or investment area;
- 7 (9) "Distressed community" means a community with poverty rates
- 8 of at least twenty percent (20%) or an unemployment rate at least one and
- 9 one-half (1.5) times the national average according to the most recent census
- 10 information;
- 11 (10) "Economic development" means activities that support the
- 12 development and retention of jobs;
- 13 (11) "Financial product" means a loan, a mortgage, an
- 14 investment, or the result of similar financing activities or investment
- 15 activities;
- 16 (12) "Financial service" means:
- 17 (A) Taking a deposit;
- 18 (B) Cashing or issuing a check, money order, certified
- 19 check, or similar instrument;
- 20 (C) Providing a checking account, savings account,
- 21 investment account, or other account; or
- 22 (D) Providing an automated teller machine, safe deposit
- 23 box service, or any other service provided by a community bank;
- 24 (13) "Homeownership counseling" means assisting borrowers who
- 25 are new or existing homeowners or prospective homeowners to make informed
- 26 decisions about budgeting, selecting a home, types of mortgage insurance,
- 27 homeowner tax benefits, building equity in a home, home maintenance, energy
- 28 conservation, and foreclosure prevention;
- 29 (14) "Individual Development Account" means a matched savings
- 30 account used by a low-income household to purchase a home, seek post-
- 31 secondary education, capitalize a small business, or engage in similar asset-
- 32 building activities;
- 33 (15) "Investment area" means a geographic unit or contiguous
- 34 geographic units that:
- 35 (A) Are entirely located within the geographic boundaries
- 36 of the State of Arkansas; and

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

3 (16) “Low-income targeted population” means an identifiable
 4 group of individuals that lack adequate access to financial products or
 5 financial services in a geographic service area, and who have income below
 6 the median income for the geographic service area; and

7 (17) “Revolving loan fund” means a dedicated loan fund that is
 8 replenished and used to make new loans for a particular purpose as the funds
 9 are paid back.

10
 11 15-5-1604. Community Bank Capitalization Program – Administration –
 12 Authority.

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

16 (b) The Arkansas Development Finance Authority shall:

17 (1) Administer the program;

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

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

22 (4) Employ or engage employees as necessary to implement the
 23 program if funds are authorized and available to employ or engage employees;
 24 and

25 (5) Prepare and present annual reports of program activities to
 26 the board.

27
 28 15-5-1605. Community Bank Capitalization Program Oversight Board.

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

31 (1) One (1) member to be a representative of the Arkansas
 32 Development Finance Authority selected by the President of the authority;

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

36 (3) One (1) member to be an advocate for low-income households

1 to be appointed by the Governor.

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

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

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

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

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

17 (c) The board shall:

18 (1) Review the annual reports presented by the Arkansas
 19 Development Finance Authority annually;

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

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

24
 25 15-5-1606. Eligibility.

26 Eligible community banks include community banks that:

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

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

31
 32 15-5-1607. Financial services and other financial products.

33 The Community Bank Capitalization Program may provide innovative
 34 financial services and other financial products, including without
 35 limitation:

36 (1) Below market rate revolving loan funds to support downtown

1 redevelopment, historic preservation, special development districts, first-
2 time homebuyer funds, and infrastructure redevelopment;

3 (2) Financial services such as:

4 (A) Matching funds for Individual Development Accounts;

5 (B) Alternative check-cashing products;

6 (C) Alternative short-term loan products;

7 (D) Alternative tax refund anticipation loan products;

8 (E) Alternative savings account and checking account
9 products;

10 (F) Financial literacy training; and

11 (G) Home ownership training;

12 (3) Alternative mortgage lending and home rehabilitation lending
13 programs;

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

15 (5) Alternative small business lending programs;

16 (6) Community facilities loans;

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

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

21
22 15-5-1608. State deposits.

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

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

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

30
31 15-5-1609. Sources of state funds.

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