

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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HOUSE BILL 1084

Short Title: Linked Deposit Act.

(Public)

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Sponsors: Representatives McAllister; Barnhill, Beall, Beard, Cunningham, Dial, Easterling, Ethridge, Fitch, Fletcher, Gottovi, Green, Hardaway, Hensley, Sam Hunt, H. Hunter, James, Jeralds, Jones, Kahl, Luebke, Michaux, Oldham, Redwine, Wainwright, and Warner.

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Referred to: Commerce.

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April 24, 1991

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH THE NORTH CAROLINA LINKED DEPOSIT ACT.

The General Assembly of North Carolina enacts:

Section 1. Chapter 53 of the General Statutes is amended by adding the following new Article to read:

**"ARTICLE 21.**

**"NORTH CAROLINA LINKED DEPOSIT ACT.**

**"§ 53-260. Purpose.**

The purpose of this Article is to provide incentives for banks to strengthen their capacity for meeting the credit needs of North Carolina communities. The provisions of this Article serve the following specific objectives:

- (1) Invest surplus local and State deposits in banks that in the opinion of the Commissioner do at least a satisfactory job of reinvesting deposits to meet community credit needs, as determined by federal or State regulators under the Community Reinvestment Act.
- (2) Generate information on the extent to which banks are providing developmental loans, which serve high-priority needs for economic development in North Carolina.
- (3) Reward those banks with the strongest records of developmental lending and provide a stimulus for other banks to improve their record

1 of developmental lending, through selection of depositories and  
2 through public information.

3 **"§ 53-261. Definitions.**

4 As used in this Article, unless the context requires otherwise:

- 5 (1) 'Bank' means any financial institution chartered by the State of North  
6 Carolina or by the United States of America, including commercial  
7 banks and trust companies with banking powers that are owned by  
8 interstate holding companies.
- 9 (2) 'CRA' or 'Community Reinvestment Act' means the Community  
10 Reinvestment Act or Title VIII of the Housing and Community  
11 Development Act of 1977 (as amended) or any North Carolina law  
12 which encourages financial institutions to help meet the credit needs of  
13 the local communities in which they are chartered consistent with the  
14 safe and sound operation of such institutions.
- 15 (3) 'Commissioner' means the North Carolina Commissioner of Banks.
- 16 (4) 'Developmental loan' means a loan that will further the economic and  
17 community development of a low and/or moderate income community  
18 including a loan to a minority-owned business, small farm, nonprofit  
19 community-based development organization, and an intermediary  
20 organization focusing on community borrowers; or loans in  
21 conjunction with the public sector or in designated economically  
22 distressed areas.
- 23 (5) 'Treasurer' means the State Treasurer of North Carolina.

24 **"§ 53-262. Linked deposit requirements.**

25 Before the Treasurer or the finance officer of a unit of local government or public  
26 authority may deposit public funds for a term of six months or more in a bank, the bank  
27 shall certify that it has disclosed to the Commissioner of Banks the information on  
28 developmental loans under this Article, and has either:

- 29 (1) Received a public rating of 'satisfactory' or 'outstanding' under the  
30 CRA; or
- 31 (2) Not yet received a public rating under the CRA.

32 **"§ 53-263. Disclosure of developmental loans.**

33 Before a bank may certify that it has disclosed the information on developmental  
34 loans, the bank shall provide the following information to the Commissioner:

- 35 (1) A copy of the bank's current CRA statement.
- 36 (2) A copy of the bank's most recent public CRA rating and evaluation or  
37 a statement that the bank has received no public CRA rating.
- 38 (3) A completed form that discloses developmental loans made by the  
39 bank in the previous calendar year in the following categories:
- 40 a. Loans to minority-owned small businesses, small farms  
41 focusing on sustainable agriculture and family farms.
- 42 b. Loans to or made in conjunction with a nonprofit community-  
43 based development organization.

- 1           c.     Loans to or made in conjunction with a nonprofit intermediary  
2                 organization that links community borrowers with sources of  
3                 funding and technical assistance, including the Community  
4                 Investment Corporation of North Carolina, the North Carolina  
5                 Agricultural Finance Authority, the Coalition of Farms and  
6                 Rural Families Project, the Microbusiness Loan Fund, and the  
7                 Self-Help Credit Union.
- 8           d.     Loans or investments made in conjunction with a consortium of  
9                 banks that meet community credit needs under the Community  
10                Reinvestment Act.
- 11           e.     Loans to any applicant for community development purposes  
12                 within an economically distressed county as defined by the  
13                 Department of Economic and Community Development under  
14                 G.S. 143B-437A.
- 15           f.     Loans to small businesses or small farms that are insured or  
16                 guaranteed by the U.S. Small Business Administration or other  
17                 State or federal programs.
- 18           g.     Any other loan for community development made in  
19                 conjunction with State or local government.

20 **"§ 53-264. Role of the Commissioner.**

21     Each calendar year, the Commissioner shall:

- 22           (1)    Provide to the following officials or persons a list of all banks that  
23                 have disclosed information on CRA statements, CRA evaluation  
24                 reports, and developmental loans under this Article.
- 25                a.    State Treasurer.
- 26                b.    Chief finance officer of a unit of local government or public  
27                 authority.
- 28                c.    Any person who requests the list.
- 29           (2)    Provide to the General Assembly a report on the developmental loan  
30                 information that banks disclose under this Article including:
- 31                a.    For each bank, the total number and amount of developmental  
32                 loans in each category under this Article.
- 33                b.    For each bank, a loan-to-deposit ratio of total developmental  
34                 loans under this Article to total deposits from within the State.
- 35                c.    A list of banks, which are ranked in the order of their  
36                 developmental loan-to-deposit ratio under this section such list  
37                 shall reflect the size of each institution based on total deposits,  
38                 with at least three, but not more than four groupings based on  
39                 size."

40           Sec. 2. This act becomes effective October 1, 1991.