



State of Rhode Island and Providence Plantations  
Office of the General Treasurer  
State House – Room 102  
Providence, Rhode Island 02903

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General Treasurer

### **Community Deposit Program Guide**

The Community Deposit program is a partnership between Treasury and banks and credit unions that provides state deposits to support loans made by participating financial institutions to qualified Rhode Island businesses. This document describes the requirements for institutions, the loans that qualify for this program, and the reporting requirements associated with the program.

#### **Bank Qualifications**

To be considered as a vendor to the Community Deposit program, a statement that your institution meets the following criteria should be presented at a State Investment Commission (SIC) meeting. If your bank or credit union is already approved to be a depository institution by the SIC, a letter to request inclusion in the Community Deposit Program is all that is necessary.

1. Has existed and operated for at least three years;
2. Has an investment-grade short-term rating from a nationally recognized statistical ratings organization or a minimum grade of Satisfactory from a bank rating service, such as Veribanc.
3. Shows positive return on assets within at least four of the most recent six quarters;
4. The Federal Reserve risk-based minimum capital ratio must be at least 8%; and
5. Non-performing assets as a percentage of total assets may not exceed 3%.

In addition, please include the following information and materials:

6. Bank or Credit Union CRA rating – this will include:
  - a. The most recent CRA public disclosure report by the appropriate regulatory organization(s);
  - b. The most recent Home Mortgage Disclosure Act report;
  - c. Any documents relating to fair lending audits;
7. Letter certifying you have read the Short Term Investment policy;
8. Proof of FDIC or NCUA insurance; and
9. Current audited financials.

These are the standard qualifications for being a depository of state funds, as described in the SIC Short Term Investment Policy document. You can find that document, and all the rest of the SIC policy statements, at <http://data.treasury.ri.gov/dataset/sic-investment-policy-statements>.

Note that deposits made under the Community Deposit Program must be collateralized, according to the collateral rules in the state's short-term investment policy. (See below.)

### **Loan Qualifications**

Qualifying loans are made to small businesses of up to 100 employees, with loan amounts not to exceed \$250,000. Loans can be secured or unsecured, term loans or credit lines. There is no limit on the term of a loan; however, in accordance with State Investment Commission policy, Treasury commitment of deposits is made for a period of one year, at which time there is the option to renew. For loans with a term of more than a year, Treasury 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. The program may be able to support loans of term more than five years, but the lending institution must reapply at that interval.

Loans in certain categories are eligible to receive twice the loan amount in deposits, at the discretion of the lender. Women and minority-owned businesses are eligible for a 2-to-1 match. First-time entrepreneurs – someone who has not owned a business before, and who has started the business receiving the loan less than five years ago – are also eligible.

### **Reporting Requirements**

There are two categories of reporting required to participate in the Community Deposit Program: per-loan information, which is to be filed at the loan closing and annually until the loan is repaid, and aggregate information, which is to be reported annually.

The per-loan information includes the loan amount and term, the closing date, the type of loan (term loan, line of credit, whether the loan is part of the Capital Access Program or other credit support) and the zip code of the borrower. In addition, the application should include an identifying number that can be used to identify the loan to the lending institution. Treasury will not possess or manage the detailed loan information, although this information must be maintained by the lender in a manner in which Treasury representatives or designees can examine it, such as for a program audit.

State Investment Commission policy prohibits Treasury from making investments with maturities longer than 397 days. Therefore, at annual intervals during the term of a loan, the lender must renew the deposit request for the specific loan, providing the same information as at origination, with the currently outstanding loan balance.

At the close of each fiscal year, each participating bank shall provide a report on the loans for which it accepted deposits through this program. The bank shall report data in aggregate and include:

1. The total new dollars loaned through the program during the year, and the amount outstanding.
2. Loan terms, amounts, interest rates, and zip codes from a selection of comparable outstanding business loans that are not part of the program. The number of loans in this comparison group should be equal to or larger than the number of loans enrolled in the Community Deposit Program.

### **Appendix: Collateral rules, adopted by the SIC, May 25, 2016**

In 2010 the Office of the General Treasurer strengthened the collateralization requirements outlined in Chapter 10.1 of Title 35 of the General Laws entitled “Collateralization of Public Deposits” to state that all deposits held by financial institutions on behalf of the State must be fully collateralized at no less than 102% of principal. The only current exceptions are amounts covered by federal deposit insurance (either banks’ Federal Deposit Insurance Corporation or thrifts’ National Credit Union Administration) or held in the Ocean State Investment Pool, which has its own investment mandate determined by the Legislature.

There are two acceptable types of collateral. Debt instruments issued by the United States Treasury or by the following agencies of the US Government: Federal Home Loan Bank, Federal Farm Credit Banks, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association can serve as pledged collateral at the 102% of principal threshold. Such collateral shall be held in custody in one of the following three ways, listed in order of the State’s preference: a) in the custody of an independent third-party institution and evidenced by a written agreement, b) in the custody of the Federal Reserve Bank in an account held in the State’s name and evidenced by a written agreement, or c) in a separate account at the financial institution and evidenced by a written agreement. The State’s custodian at present is BNY Mellon. The value of collateral shall be marked to market on a weekly basis by the custodian, and each depository institution will provide a quarterly report certifying compliance with this requirement, including a detailed listing of the amount and type of collateral held.

Alternatively, the Office of the General Treasurer may place investments with institutions that have obtained a letter of credit for the benefit of the State of Rhode Island from one of the Federal Home Loan Banks. The letter(s) of credit must represent 100% of the value of the state’s investments they are supporting. Letters of credit must be submitted to the Office of the General Treasurer for custody.