

# MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

## DIVISION OF NEIGHBORHOOD REVITALIZATION

### MARYLAND LINKED DEPOSIT PROGRAM

#### Fact Sheet

#### PURPOSE OF THE PROGRAM

The Maryland Linked Deposit Program is a statewide initiative designed to stimulate opportunities for certified Minority Business Enterprises (MBEs) by reducing the interest rate on loans they obtain from participating banks. Certified MBEs that notify the Maryland Department of Housing and Community Development prior to obtaining qualifying loans from enrolled financial institutions may be able to receive a 2% discount on their loans. The Linked Deposit Program (LDP) looks to stimulate economic opportunities, enabling a qualified minority business enterprise access to affordable capital in order to grow and expand their business.

#### ELIGIBLE APPLICANTS

To be eligible, a borrower must be certified by the Maryland Department of Transportation as a Minority Business Enterprise and the purpose of the loan must be for a project or activity located in Maryland. Borrowers must apply to the Maryland Department of Housing and Community Development to be eligible for the Linked Deposit Program

#### AMOUNT OF FINANCING AVAILABLE

A participating bank and an MBE may agree to any loan amount they deem appropriate, but for purposes of the Linked Deposit Program, note the amount eligible to be "enrolled" may not exceed \$1 million dollars, or if a business has more than one loan under the Program, the total of all such loans cannot exceed \$1 million.

#### ELIGIBLE LENDERS

Lenders that may participate are those that the Maryland State Treasurer's Office has designated as eligible to participate in the Linked Deposit Program.

#### HOW IT WORKS

- A certified Minority Business Enterprise, or a participating lender, submits a brief application, via the Internet or on a paper form, to the Linked Deposit Program, administered by the Department of Housing and Community Development (DHCD).
- After verifying the MBE's certification, DHCD forwards the application to all banks enrolled in the program. In the cases, where the lender has applied on behalf of the borrower, DHCD notifies the lender that the Borrower is a certified MBE.
- DHCD provides the MBE a list of the participating banks and the MBE contacts participating banks to complete their full application requirements. Participating banks may also contact the MBE applicant directly unless the lender has applied on behalf of the Borrower.
- The bank lenders underwrite the requested loan according to their standard underwriting, with an interest rate that is 2% less than the rate the bank would charge for a loan of similar purpose and term.
- Upon loan approval and acceptance by the MBE, the bank enrolls the loan in the Linked Deposit Program.
- Once a qualifying loan is enrolled, the Maryland State Treasurer's Office deposits an amount equal to the amount of the loan from the bank that issued the loan. The Treasurer accepts an interest rate on that deposit that is 2% less than current market rates.
- Borrowers enrolled in the Program will receive the 2% interest rate reduction benefit for the term of the loan, so long as that borrower remains certified as a MBE.
- Loans enrolled in the Linked Deposit Program are not a debt of the State of Maryland, nor is the State liable to any financial institution for payment of the principal or interest on a loan assisted by a linked deposit.

#### ADDITIONAL BENEFITS OF THE PROGRAM

- The Linked Deposit program encourages banks to expand lending to certified Minority Business Enterprises.
- Linked Deposit Program loans may be combined with other loan programs.
- The Linked Deposit interest rate is available for term loans only or loans with fixed rates with one disbursement.
- Leverages \$50 million of State funds to reduce the cost of capital for certified Minority Business Enterprises.

#### GENERAL RESTRICTIONS

- Loan terms cannot exceed 10 years.
- Loan proceeds must be used for projects located in Maryland.
- Points charged by the lender cannot exceed 1% of the loan amount.
- A loan may not be used for the furtherance of sectarian or religious purposes or instruction

#### FOR ADDITIONAL INFORMATION, PLEASE CONTACT

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