

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

## SENATE BILL

No. 10

Session of  
1997

INTRODUCED BY ROBBINS, HART, MUSTO, SALVATORE, O'PAKE, HELFRICK,  
COSTA, WHITE, KUKOVICH, THOMPSON, AFFLERBACH AND MADIGAN,  
JANUARY 29, 1997

SENATOR PUNT, COMMUNITY AND ECONOMIC DEVELOPMENT, AS AMENDED,  
JUNE 2, 1997

## AN ACT

1 ~~Providing for a capital access program in the Department of~~ <—  
2 ~~Community and Economic Development; providing for a loan~~  
3 ~~program for industrial, commercial and agricultural purposes;~~  
4 ~~prescribing powers and duties of the Department of Community~~  
5 ~~and Economic Development; establishing a Capital Reserve Fund~~  
6 ~~and Capital Access Fund; and making an appropriation.~~

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15 AMENDING THE ACT OF JUNE 29, 1996 (P.L.434, NO.67), ENTITLED "AN <—  
16 ACT TO ENHANCE JOB CREATION AND ECONOMIC DEVELOPMENT BY  
17 PROVIDING FOR AN ANNUAL FINANCING STRATEGY, FOR OPPORTUNITY  
18 GRANTS, FOR JOB CREATION TAX CREDITS, FOR SMALL BUSINESS  
19 ASSISTANCE AND FOR THE SMALL BUSINESS ADVOCACY COUNCIL;  
20 CONFERRING POWERS AND DUTIES ON VARIOUS ADMINISTRATIVE  
21 AGENCIES AND AUTHORITIES; FURTHER PROVIDING FOR VARIOUS  
22 FUNDS; AND MAKING REPEALS," FURTHER DEFINING "FINANCING  
23 PROGRAMS"; AND PROVIDING FOR THE COMMUNITY DEVELOPMENT BANK  
24 GRANT AND LOAN PROGRAM.  
25 The General Assembly of the Commonwealth of Pennsylvania  
26 hereby enacts as follows:  
27 ~~Section 1. Short title.~~ <—  
28 ~~This act shall be known and may be cited as the Capital~~  
29 ~~Access Program Act.~~  
30 ~~Section 2. Definitions.~~

~~The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:~~

~~"Affiliate." When describing a relationship with the lender, shall refer to the same relationship as the relationship between an affiliate and an institution as defined in section 102 of the act of November 30, 1965 (P.L.847, No.356), known as the Banking Code of 1965.~~

~~"Amount" or "proceeds." When used in connection with a loan or loans, only the amount covered under the loan agreement.~~

~~"Borrower." The recipient of a loan which has been or will be filed by the lender for enrollment under the Capital Access Program created under section 3.~~

~~"Capital Access Fund." The fund created under section 23.~~

~~"Capital Reserve Fund" or "reserve fund." The fund created under section 9.~~

~~"Department." The Department of Community and Economic Development of the Commonwealth.~~

~~"Early loan." An enrolled loan if at the time of enrollment the amount of previously enrolled loans made by the lender under the program was less than \$6,000,000.~~

~~"Eligible loan" or "enrolled loan." A loan enrolled by the Department of Community and Economic Development under the terms of section 8.~~

~~"Lender." A financial institution that has entered into an agreement with the Department of Community and Economic Development to participate in the Capital Access Program.~~

~~"Passive real estate ownership." Ownership of real estate for the purpose of deriving income from speculation, trade or rentals, except that the term does not include:~~

~~(1) the ownership of that portion of real estate being used or intended to be used for the operation of the business of the owner of the real estate; or~~

~~(2) the ownership of real estate for the purpose of construction or renovation.~~

~~"Program." The Capital Access Program created under section 3.~~

~~"Secretary." The Secretary of Community and Economic Development of the Commonwealth.~~

~~Section 3. Capital Access Program.~~

~~There is hereby created a Capital Access Program in the Department of Community and Economic Development. The purpose of this program is to:~~

~~(1) Assist small businesses in meeting their financial obligations and responsibilities by providing greater access to capital through private lending institutions.~~

~~(2) Encourage investment and reinvestment by small businesses in economic opportunities that will provide jobs, stimulate economic growth and encourage more export trade.~~

~~(3) Encourage lending institutions to make lending capital available to small businesses by minimizing the potential risks associated with business loans.~~

~~Section 4. Powers of department.~~

~~The department shall have the power and duty to:~~

~~(1) Administer the program.~~

~~(2) Enter into contracts.~~

~~(3) Inspect, as the department may determine necessary, the files of a lender relating to any loans enrolled under the program during the normal business hours of the lender.~~

~~(4) Market the program to businesses and lending~~

~~institutions within this Commonwealth.~~

~~(5) Develop the program so that the degree of flexibility for the department and the lending institutions is maximized and the State oversight of the individual loans is minimized.~~

~~(6) Promulgate regulations not inconsistent with this act.~~

~~Section 5. Eligible loans.~~

~~An eligible loan includes all of the following:~~

~~(1) A loan made for industrial, commercial or agricultural purposes.~~

~~(2) Refinancing of a loan made for one or more of the purposes in paragraph (1), in accordance with section 8(c).~~

~~(3) A line of credit established between the lender and borrower which is used for any of the purposes of paragraph (1) or (2).~~

~~Section 6. Loan restrictions.~~

~~Eligible loans shall meet all of the following criteria:~~

~~(1) The lender has not made the loan in order to enroll in the program prior debt which is not covered under the program and which is or was owed by the borrower to the lender.~~

~~(2) The proceeds of the loan will not be used for that portion of a project or development devoted to housing.~~

~~(3) The proceeds of the loan will not be used to finance passive real estate ownership.~~

~~(4) The proceeds of the loan will be used to finance industrial, commercial or agricultural products, projects or enterprises manufactured or located within this Commonwealth or products manufactured in Pennsylvania to be sold in~~

~~international markets which will foster economic development  
in this Commonwealth.~~

~~Section 7. Loan provisions.~~

~~An eligible loan agreement may provide for an interest rate,  
fees and other terms and conditions as the borrower and lender  
may agree. If the loan amount to be borrowed is determined by a  
commitment agreement that establishes a line of credit, the  
amount of the loan is the maximum amount available to the  
borrower under the agreement.~~

~~Section 8. Enrollment of loans.~~

~~(a) Enrollment form. To enroll a loan under this program,  
the lender shall file a completed loan enrollment form with the  
department. The lender shall certify all of the following to the  
department as part of the filing:~~

~~(1) The borrower is a corporation, partnership, joint  
venture, sole proprietorship, cooperative or other entity,  
whether profit or nonprofit, which is authorized to do  
business in this Commonwealth, and the proceeds of the loan  
will be used for an endeavor related to industrial,  
commercial or agricultural enterprises.~~

~~(2) The borrower is not an executive officer, director  
or principal shareholder of the lender, or a member of the  
immediate family of an executive officer, director or  
principal shareholder of the lender, or a related interest of  
any such executive officer, director, principal shareholder  
or member of the immediate family. For purposes of this  
paragraph, the terms "executive officer," "director,"  
"principal shareholder," "immediate family" and "related  
interest" shall refer to the same relationship to the lender,  
whether or not the lender is a member bank, as the~~

1 ~~relationship specified for those terms in connection with~~  
2 ~~member banks in 12 CFR Pt. 215 (relating to loans to~~  
3 ~~executive officers, directors, and principal shareholders of~~  
4 ~~member banks).~~

5 ~~(3) The lender has received from the borrower a written~~  
6 ~~representation, warranty, pledge or waiver stating that the~~  
7 ~~borrower does not have a legal, beneficial or equitable~~  
8 ~~interest in the nonrefundable premium charges, determined in~~  
9 ~~accordance with section 10, or any other moneys credited to~~  
10 ~~the reserve fund established to cover losses sustained by the~~  
11 ~~lender on enrolled loans.~~

12 ~~(4) The lender has complied with all Federal and State~~  
13 ~~laws, rules and regulations pertaining to the making of the~~  
14 ~~loan.~~

15 ~~(5) Premium charges, determined in accordance with~~  
16 ~~section 10, required of the borrower and lender have been~~  
17 ~~deposited in the lender's capital reserve fund account.~~

18 ~~(b) Filing schedule. The lender shall file the loan~~  
19 ~~enrollment form not later than five business days after the~~  
20 ~~lender makes the loan. The date on which the lender makes a loan~~  
21 ~~is the date on which the lender first disburses proceeds of the~~  
22 ~~loan to the borrower or an earlier date on which the loan~~  
23 ~~documents have been executed and the lender has obligated itself~~  
24 ~~to disburse the proceeds of the loan. The filing date of a loan~~  
25 ~~enrollment form is the date on which the lender delivers the~~  
26 ~~required documentation to the department or mails it to the~~  
27 ~~department by certified mail.~~

28 ~~(c) Department procedures. When the department receives the~~  
29 ~~loan enrollment form, the department shall enroll the loan and~~  
30 ~~shall deliver to the lender within five business days of receipt~~

~~an acknowledgment of enrollment, signed by the secretary,  
including documentation of the amount being transferred to the  
lender's capital reserve fund account.~~

~~(d) Amount covered. When filing a loan enrollment form, the  
lender may specify an amount to be covered under the program.  
The amount may be less than the total amount of the loan.~~

~~(e) Amount covered in refinancing.~~

~~(1) In the case of a loan to refinance a loan previously  
made to the borrower by the lender that was not enrolled  
under the program, the lender may obtain coverage under the  
program for an amount not exceeding the amount of additional  
financing.~~

~~(2) If an enrolled loan is refinanced and the total  
amount to be covered under the program does not exceed the  
covered amount of the loan as previously enrolled, the  
refinanced loan may continue as an enrolled loan without  
payment of an additional premium charge or transfers by the  
department to the lender's capital reserve fund account.~~

~~(3) If an enrolled loan is refinanced in an amount  
exceeding the amount of the loan as previously enrolled, the  
lender may obtain coverage of the amount of the refinanced  
loan that exceeds the amount covered when the loan was  
previously enrolled by refiling the loan for enrollment.~~

~~(4) Fluctuations in the outstanding balance of a line of  
credit, without increasing the enrolled amount under the  
program, are not a refinancing of the loan.~~

~~(f) Termination of enrollment. If the outstanding balance  
of an enrolled loan which is not a line of credit is reduced to  
zero, the loan is no longer an enrolled loan. If an enrolled  
loan which is a line of credit has an outstanding balance of~~



~~zero for a 12 month period, the line of credit is no longer an enrolled loan, unless, before the expiration of the 12 month period, the lender reaffirms in writing to the borrower that the line of credit will remain open and the borrower acknowledges the reaffirmation in writing.~~

~~Section 9. Capital Reserve Fund.~~

~~(a) Capital Reserve Fund. There is hereby established a special account in the State Treasury, to be known as the Capital Reserve Fund, to which shall be credited all required premium charges to be paid by lenders and borrowers and transfers made by the department from the Capital Access Fund.~~

~~(b) Capital Reserve Fund accounts. Within the Capital Reserve Fund, an administrative capital reserve fund account shall be established for each lender participating in the program for the purpose of receiving all required premium charges to be paid by the lender and the borrower on loans made by that lender and transfers made by the department from the Capital Access Fund. Earnings on the moneys held in a lender's capital reserve fund account shall be credited to the lender's account for the purposes of this act.~~

~~Section 10. Premium payments and transfers to Capital Reserve Fund.~~

~~The premium charge payable to the lender's capital reserve fund account by the lender and the borrower in connection with a loan filed for enrollment shall be determined by the lender. The premium paid by the borrower shall not be less than 1.5% nor greater than 3.5% of the amount of the loan. The premium paid by the lender shall be equal to the amount of the premium paid by the borrower. The lender may recover from the borrower the cost of the lender's premium payment, in any manner in which the~~

~~lender and borrower agree. When enrolling a loan, the department shall transfer into the lender's capital reserve fund account from the Capital Access Fund a premium amount determined as follows:~~

~~(1) If the amount of any loan plus the amount of loans previously enrolled by the lender is less than \$2,000,000, the premium amount transferred must be equal to 150% of the combined premiums paid into the lender's capital reserve fund account by the borrower and the lender for each enrolled loan.~~

~~(2) If, prior to the enrollment of the loan, the amount of loans previously enrolled by the lender equal or exceeds \$2,000,000, the premium amount transferred must be equal to the combined premiums paid into the lender's capital reserve fund account by the borrower and the lender for each enrolled loan.~~

~~(3) If the amount of loans previously enrolled by the lender is less than \$2,000,000, but the enrollment of a loan will cause the aggregate amount of all enrolled loans made by the lender to exceed \$2,000,000, the premium amount transferred shall be equal to a percentage of the combined amount paid by the lender and the borrower. The percentage shall be determined by:~~

~~(i) multiplying by 150 that portion of the loan which, when added to the amount of all previously enrolled loans, totals \$2,000,000;~~

~~(ii) multiplying the balance of the loan by 100; and~~

~~(iii) adding the products of the two amounts and dividing the sum by the total amount of the loan.~~

~~Section 11. Limitation of transfers.~~

~~(a) Maximum amount. A maximum premium amount of \$150,000 may be transferred to the capital reserve fund account of each lender participating in the program by the department over any three year period in connection with any one borrower or any group of borrowers among which a common enterprise exists. The maximum premium amount may be exceeded upon the written request by a lender only if the department approved in writing the transfer of an amount in excess of \$150,000.~~

~~(b) Definition. As used in this section, the term "common enterprise" has the meaning given it in 12 CFR Pt. 32 (relating to lending limits).~~

#### ~~Section 12. Pledge of Capital Reserve Fund.~~

~~The department shall pledge to the lender that the money in its capital reserve fund account will be available to pay claims, that the lender will have a first security interest in the money in the capital reserve fund account to pay the claims and that the department will not encumber or pledge the money to any other party.~~

#### ~~Section 13. Reports and records.~~

~~(a) Quarterly reports. The department shall provide to the lender quarterly transaction reports indicating the balance in the reserve fund account, payments and transfers into the reserve fund account, withdrawals from the reserve fund account and interest or income earned on money credited to the reserve fund account.~~

~~(b) Location of records. The records of the department with respect to all payments and transfers into the lender's reserve fund account, withdrawals from the reserve fund account and interest or income earned on the money credited to the reserve fund account shall be available to the lender at the offices of~~

~~the department during normal business hours.~~

~~Section 14. Claims by lender to Capital Reserve Fund.~~

~~(a) Claim process. If the lender charges off all or part of an enrolled loan, the lender may file a claim with the department.~~

~~(b) Elements of claim. The lender's claim may include, in addition to the amount of principal charged off plus accrued interest, one half of the documented out of pocket expenses incurred in pursuing its collection efforts, including preservation of collateral. The amount of principal and accrued interest included in the claim may not exceed the principal amount covered under the program upon enrollment, plus accrued interest attributable to the covered principal amount.~~

~~(c) Charge off determination. The lender shall determine when and how much to charge off on an enrolled loan in a manner consistent with its normal method for making these determinations on similar loans which are not enrolled loans.~~

~~(d) Multiple claims. If the lender files two or more claims contemporaneously and there are insufficient funds in its capital reserve fund account at that time to cover the entire amount of the claims, the lender may designate the order of priority in which the department shall pay the claims.~~

~~Section 15. Disbursement of Capital Reserve Fund.~~

~~(a) Procedure. Upon receipt by the department of a claim filed by the lender, the department shall, within 20 business days, pay from the lender's capital reserve fund account the amount of the claim as submitted, unless the information provided by the lender was known by the lender to be false at the time the loan was filed for enrollment.~~

~~(b) Insufficient reserves. If there is insufficient money~~

~~in the lender's capital reserve fund account to cover the entire amount of the lender's claim, the department shall pay to the lender an amount equal to the current balance in the capital reserve fund account, and the following shall apply:~~

~~(1) If the enrolled loan for which the claim has been filed is not an early loan, the payment fully satisfies the claim and the lender has no right to receive any additional amount from its capital reserve fund account with respect to that claim.~~

~~(2) If the loan is an early loan, the partial payment does not satisfy the lender's claim, and, at any time that the remaining balance of the claim is not greater than 75% of the balance in the lender's capital reserve fund account at the time of the loss, the department, upon request of the lender, shall pay the remaining balance of the claim.~~

~~Section 16. Recovery by lender subsequent to claim.~~

~~(a) Payment to department. If, subsequent to payment of a claim by the department, the lender recovers from a borrower any amount for which payment of the claim was made, the lender shall promptly pay to the department for deposit in its capital reserve fund account the amount recovered, less one half of any documented out of pocket expenses incurred. The lender shall have first priority to fully recover its loss on an enrolled loan. Any amount in excess of the amount of full recovery shall be paid to the department by the lender for deposit in the lender's capital reserve fund account.~~

~~(b) Computing loss. For the purposes of this section, the lender's loss on an enrolled loan includes any losses on the loan including principal, accrued interest and one half of the documented out of pocket expenses attributable to principal~~

~~amounts in excess of that amount covered under the program or the principal amount included in the claim.~~

~~Section 17. Technical assistance.~~

~~When a borrower becomes 60 days delinquent in the payments of an enrolled loan or before a lender files a claim with the department, the lender shall notify the department of the delinquency. The department, after notification, shall inform the borrower of the technical assistance providers in the borrower's area that may assist in solving any business or management problems experienced by the borrower.~~

~~Section 18. Subrogation of claims.~~

~~The department may exercise the right of subrogation under this section if the department determines, in the department's discretion, that the lender has not exercised reasonable care and diligence in its collection activities with respect to the loan or that there is a reasonable basis for believing that the lender will not exercise reasonable care and diligence in the future with respect to the collection activities.~~

~~Section 19. Assignment of rights.~~

~~If the payment of a claim has fully covered the lender's loss on an enrolled loan or if the payment of a claim when combined with any recovery from the borrower has fully covered the lender's loss, the department upon request, is subrogated to the rights of the lender with respect to any collateral, security or other right of recovery in connection with the loan that has not been realized by the lender. The lender thereafter shall assign to the department any right or interest in any collateral, security or other right of recovery in connection with the loan.~~

~~Section 20. Recovered funds.~~

~~Any money received by the department as a result of~~

~~enforcement actions taken with respect to any security or other rights of recovery must be promptly deposited by the department in the lender's capital reserve fund account, less any out-of-pocket expenses incurred by the department in taking the enforcement actions.~~

~~Section 21. Excess capital reserve funds.~~

~~(a) Reports. The lender shall file quarterly reports with the department indicating the number and aggregate outstanding balance of all enrolled loans as of the end of each quarter. A quarterly report is not required for any quarter that ends with a balance in the lender's capital reserve fund account of zero, except that a calendar year end report must be filed. In computing the aggregate outstanding balance of all enrolled loans, the balance of any loan may not be greater than the covered amount of the loan as enrolled.~~

~~(b) Withdrawal of excess reserve funds. If reports filed under this section indicate that for the immediately preceding 24 month period the balance in the lender's capital reserve fund account continually exceeded the aggregate outstanding balance of all enrolled loans, the department may withdraw from the lender's capital reserve fund account, on or before the last day of the month for which a report is due, an amount not greater than the amount by which the lender's capital reserve fund account balance exceeded the aggregate outstanding balance of all enrolled loans as of the most recent report, unless the lender has provided to the department adequate documentation that, at some time during the 24 month period, the aggregate outstanding balance of all enrolled loans exceeded the balance then in its reserve fund account. Any amounts withdrawn under this section from the lender's capital reserve fund account~~

1 ~~shall be transferred to the reserve fund.~~

2 ~~(c) Report not filed. If a report required under this~~  
3 ~~section is not filed within 30 days of its original due date,~~  
4 ~~the department may withdraw from the lender's capital reserve~~  
5 ~~fund account based on the department's determination from an~~  
6 ~~inspection of the lender's files an amount not greater than the~~  
7 ~~amount by which the lender's capital reserve fund account~~  
8 ~~balance exceeded the aggregate outstanding balance of all~~  
9 ~~enrolled loans as of the date for which the report was required~~  
10 ~~to be filed.~~

11 ~~Section 22. Termination.~~

12 ~~The department may terminate the obligation to a lender to~~  
13 ~~enroll loans under the program if the department determines that~~  
14 ~~the lender is not in substantial compliance with the~~  
15 ~~requirements of the program. The termination takes effect on the~~  
16 ~~date specified in the notice of termination, except that the~~  
17 ~~termination does not apply to any loan made on or before the~~  
18 ~~date on which the notice of termination is received by the~~  
19 ~~lender. If the department is terminating the enrollment of loans~~  
20 ~~for all participating lenders under the program, the department~~  
21 ~~shall provide notice of at least 90 days to the lender. Any~~  
22 ~~terminations under this section are prospective only and do not~~  
23 ~~apply to any loans previously financed. After termination, the~~  
24 ~~amount covered under the program may not be increased beyond the~~  
25 ~~covered amount as previously enrolled.~~

26 ~~Section 23. Capital Access Fund.~~

27 ~~There is hereby established a special account in the State~~  
28 ~~Treasury, to be known as the Capital Access Fund, to which shall~~  
29 ~~be credited all program appropriations by the General Assembly.~~  
30 ~~The department shall requisition from the fund the amounts as~~



1 ~~may be necessary to provide adequate funds to the Capital~~  
2 ~~Reserve Fund. Earnings on the moneys held in the fund shall also~~  
3 ~~be credited to the fund for the purposes set forth in this act.~~

4 ~~Section 24. Appropriation.~~

5 ~~The sum of \$6,000,000, or as much thereof as may be~~  
6 ~~necessary, is hereby appropriated to the Department of Community~~  
7 ~~and Economic Development for the fiscal year July 1, 1997, to~~  
8 ~~June 30, 1998, to carry out the provisions of this act.~~

9 ~~Section 25. Effective date.~~

10 ~~This act shall take effect July 1, 1997, or immediately,~~  
11 ~~whichever is later.~~

12 SECTION 1. THE DEFINITION OF "FINANCING PROGRAM" IN SECTION <—  
13 103 OF THE ACT OF JUNE 29, 1996 (P.L.434, NO.67), KNOWN AS THE  
14 JOB ENHANCEMENT ACT, IS AMENDED TO READ:

15 SECTION 103. DEFINITIONS.

16 THE FOLLOWING WORDS AND PHRASES WHEN USED IN THIS ACT SHALL  
17 HAVE THE MEANINGS GIVEN TO THEM IN THIS SECTION UNLESS THE  
18 CONTEXT CLEARLY INDICATES OTHERWISE:

19 \* \* \*

20 "FINANCING PROGRAMS." ALL OF THE FOLLOWING PROGRAMS:

21 (1) THE PENNSYLVANIA INDUSTRIAL DEVELOPMENT AUTHORITY.

22 (2) PENNSYLVANIA ECONOMIC DEVELOPMENT FINANCING  
23 AUTHORITY.

24 (3) PENNSYLVANIA MINORITY BUSINESS DEVELOPMENT AUTHORITY  
25 BOARD.

26 (4) THE INFRASTRUCTURE DEVELOPMENT PROGRAM.

27 (5) THE OPPORTUNITY GRANT PROGRAM.

28 (6) THE INDUSTRIAL SITES REUSE PROGRAM.

29 (7) THE CUSTOMIZED JOB TRAINING PROGRAM.

30 (8) THE MACHINERY AND EQUIPMENT LOAN PROGRAM.

(9) THE SMALL BUSINESS FIRST PROGRAM.

(10) JOB CREATION TAX CREDIT.

(10.1) THE COMMUNITY DEVELOPMENT BANK GRANT AND LOAN  
PROGRAM.

(11) ANY OTHER SIMILAR PROGRAM OPERATED BY THE  
DEPARTMENT.

\* \* \*

SECTION 2. THE ACT IS AMENDED BY ADDING A CHAPTER TO READ:

CHAPTER 15

COMMUNITY DEVELOPMENT BANK GRANT

AND LOAN PROGRAM

SECTION 1501. DECLARATION OF PURPOSE.

THE PURPOSE OF THIS CHAPTER IS TO CREATE A PROGRAM TO MORE  
EFFECTIVELY ADDRESS THE CAPITAL NEEDS OF LOCAL COMMUNITY  
DEVELOPMENT AND ECONOMIC DEVELOPMENT INSTITUTIONS BY ENCOURAGING  
AND SUPPORTING THE CREATION, DEVELOPMENT AND OPERATIONS OF  
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS THROUGH A PROGRAM  
OF GRANTS AND LOANS.

SECTION 1502. DEFINITIONS.

THE FOLLOWING WORDS AND PHRASES WHEN USED IN THIS CHAPTER  
SHALL HAVE THE MEANINGS GIVEN TO THEM IN THIS SECTION UNLESS THE  
CONTEXT CLEARLY INDICATES OTHERWISE:

"AUTHORITY." THE PENNSYLVANIA ECONOMIC DEVELOPMENT FINANCING  
AUTHORITY.

"BOARD." THE BOARD OF DIRECTORS OF THE PENNSYLVANIA ECONOMIC  
DEVELOPMENT FINANCING AUTHORITY.

"COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION." A COMMUNITY  
DEVELOPMENT FINANCIAL INSTITUTION CERTIFIED IN ACCORDANCE WITH  
THE COMMUNITY DEVELOPMENT BANKING AND FINANCIAL INSTITUTIONS ACT  
OF 1994 (PUBLIC LAW 103-325, 108 STAT 2163).

1       "COMMUNITY DEVELOPMENT LOAN."   A LOAN FROM A COMMUNITY  
2       DEVELOPMENT FINANCIAL INSTITUTION TO LOW-INCOME INDIVIDUALS,  
3       BUSINESSES AND NONPROFIT ORGANIZATIONS FOR THE PURPOSE OF  
4       REVITALIZING DISTRESSED COMMUNITIES AND BUILDINGS.

5       "DEPARTMENT."   THE DEPARTMENT OF COMMUNITY AND ECONOMIC  
6       DEVELOPMENT OF THE COMMONWEALTH.

7       "ELIGIBLE INSTITUTION."   A COMMUNITY DEVELOPMENT FINANCIAL  
8       INSTITUTION WHICH HAS BEEN ACCREDITED BY THE DEPARTMENT OF  
9       COMMUNITY AND ECONOMIC DEVELOPMENT UNDER SECTION 1506.

10       "PARTICIPATING INVESTORS."   PUBLIC OR PRIVATE ENTITIES WHICH  
11       ELECT TO PARTICIPATE WITH THE AUTHORITY IN THE LOAN PROGRAMS SET  
12       FORTH IN THIS CHAPTER.

13       "PROGRAM."   THE COMMUNITY DEVELOPMENT BANK GRANT AND LOAN  
14       PROGRAM ESTABLISHED UNDER THIS CHAPTER.  
15       SECTION 1503.   ESTABLISHMENT.

16       THERE IS HEREBY ESTABLISHED WITHIN THE PENNSYLVANIA ECONOMIC  
17       DEVELOPMENT FINANCING AUTHORITY, A GRANT AND LOAN PROGRAM TO BE  
18       ADMINISTERED IN ACCORDANCE WITH SECTION 7 OF THE ACT OF AUGUST  
19       23, 1967 (P.L.251, NO.102), KNOWN AS THE ECONOMIC DEVELOPMENT  
20       FINANCING LAW.

21       SECTION 1504.   OPERATION OF PENNSYLVANIA COMMUNITY DEVELOPMENT  
22       BANK.

23       (A)   OPERATION.--THE AUTHORITY SHALL HAVE THE POWER TO  
24       OPERATE THE PROGRAM UNDER THE NAME OF THE PENNSYLVANIA COMMUNITY  
25       DEVELOPMENT BANK.

26       (B)   OPERATIONAL COMMITTEE.--THE AUTHORITY MAY OPERATE THE  
27       PROGRAM BY ESTABLISHING AN 11 MEMBER COMMITTEE OF THE BOARD TO  
28       WHICH THE AUTHORITY MAY DELEGATE ALL OR PART OF ITS POWERS TO  
29       OPERATE THE PROGRAM. THE COMMITTEE SHALL CONSIST OF THE  
30       SECRETARY OF COMMUNITY AND ECONOMIC DEVELOPMENT, WHO SHALL ACT

1 AS CHAIRMAN, THE SECRETARY OF BANKING AND NINE MEMBERS APPOINTED  
2 BY THE GOVERNOR REPRESENTING PARTICIPATING INVESTORS AND MEMBERS  
3 OF THE GENERAL PUBLIC.

4 (C) LIMITATION ON VOTING.--NO REPRESENTATIVE OF AN ELIGIBLE  
5 INSTITUTION MAY SERVE AS A VOTING MEMBER OF THE COMMITTEE.

6 (D) TERMS.--THE MEMBERS SHALL SERVE AT THE PLEASURE OF THE  
7 APPOINTING AUTHORITY.

8 (E) EXPENSES.--THE MEMBERS OF THE COMMITTEE SHALL BE  
9 ENTITLED TO NO COMPENSATION FOR THEIR SERVICES BUT SHALL BE  
10 ENTITLED TO REIMBURSEMENT FOR ALL NECESSARY EXPENSES INCURRED IN  
11 CONNECTION WITH THE PERFORMANCE OF THEIR DUTIES AS MEMBERS OF  
12 THE COMMITTEE.

13 (F) QUORUM.--A MAJORITY OF THE MEMBERS OF THE COMMITTEE  
14 SHALL CONSTITUTE A QUORUM FOR THE TRANSACTION OF ANY PROGRAM  
15 BUSINESS.

16 SECTION 1505. DEPOSITS.

17 (A) SPECIAL ACCOUNTS.--MONEY APPROPRIATED TO THE PROGRAM MAY  
18 BE DEPOSITED BY THE AUTHORITY IN BANKS OR TRUST COMPANIES IN  
19 SPECIAL ACCOUNTS. THE SPECIAL ACCOUNTS MUST BE CONTINUOUSLY  
20 SECURED BY A PLEDGE OF DIRECT OBLIGATIONS OF THE UNITED STATES  
21 OR THE COMMONWEALTH, HAVING AN AGGREGATE MARKET VALUE, EXCLUSIVE  
22 OF ACCRUED INTEREST, AT LEAST EQUAL TO THE BALANCE ON DEPOSIT IN  
23 THE ACCOUNT. THE SECURITIES SHALL BE DEPOSITED WITH THE  
24 AUTHORITY OR BE HELD BY A TRUSTEE OR AGENT APPROVED BY THE  
25 AUTHORITY. BANKS AND TRUST COMPANIES ARE AUTHORIZED TO GIVE  
26 SECURITY UNDER THIS PARAGRAPH.

27 (B) DISBURSEMENTS.--MONEY IN ACCOUNTS UNDER SUBSECTION (A)  
28 SHALL BE PAID OUT ON ORDER OF THE AUTHORITY.

29 SECTION 1506. ACCREDITATION.

30 (A) GENERAL RULE.--THE DEPARTMENT SHALL ACCREDIT COMMUNITY

1 DEVELOPMENT FINANCIAL INSTITUTIONS TO PARTICIPATE IN THE PROGRAM  
2 ESTABLISHED UNDER SECTION 1503. THE DEPARTMENT MAY REVOKE  
3 ACCREDITATION FROM COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS  
4 WHICH NO LONGER MEET ACCREDITATION CRITERIA.

5 (B) CRITERIA.--DEPARTMENT CRITERIA FOR ACCREDITATION SHALL  
6 INCLUDE CERTIFICATION UNDER THE COMMUNITY DEVELOPMENT BANKING  
7 AND FINANCIAL INSTITUTIONS ACT OF 1994 (PUBLIC LAW 103-325, 108  
8 STAT. 2163) AND SUCH OTHER CRITERIA AS THE DEPARTMENT DEEMS  
9 APPROPRIATE.

10 SECTION 1507. GRANTS.

11 THE AUTHORITY MAY ISSUE GRANTS TO ELIGIBLE INSTITUTIONS OR TO  
12 NONPROFIT ORGANIZATIONS WHICH ARE ATTEMPTING TO OBTAIN FEDERAL  
13 CERTIFICATION OR DEPARTMENT ACCREDITATION AS A COMMUNITY  
14 DEVELOPMENT FINANCIAL INSTITUTION. THE AUTHORITY MAY ISSUE  
15 GRANTS FOR THE PURPOSE OF DEVELOPING OR ENHANCING THE ABILITY OF  
16 THE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION OR NONPROFIT  
17 ORGANIZATION TO BE ACCREDITED AS AN ELIGIBLE INSTITUTION AND TO  
18 PARTICIPATE IN THE LOAN PROGRAM ESTABLISHED BY THIS CHAPTER.

19 SECTION 1508. AUTHORITY LOANS.

20 THE AUTHORITY MAY MAKE LOANS TO ELIGIBLE INSTITUTIONS FROM  
21 MONEYS APPROPRIATED TO THE PROGRAM ON SUCH TERMS AND CONDITIONS  
22 AS THE AUTHORITY MAY DETERMINE. ANY SUCH LOANS SHALL BE MADE BY  
23 THE AUTHORITY PURSUANT TO THE ACT OF AUGUST 23, 1967 (P.L.251,  
24 NO.102), KNOWN AS THE ECONOMIC DEVELOPMENT FINANCING LAW. LOANS  
25 TO ELIGIBLE INSTITUTIONS MAY BE MADE BY THE AUTHORITY AS THE  
26 SOLE LENDER OR MAY BE MADE IN COOPERATION WITH PARTICIPATING  
27 INVESTORS PURSUANT TO AGREEMENTS ENTERED INTO IN ACCORDANCE WITH  
28 THIS CHAPTER. LOAN REPAYMENTS SHALL BE USED BY THE AUTHORITY TO  
29 MAKE NEW LOANS TO ELIGIBLE INSTITUTIONS.

30 SECTION 1509. COMMUNITY DEVELOPMENT LOANS.

1     ELIGIBLE INSTITUTIONS THAT RECEIVE LOANS FROM THE AUTHORITY  
2     UNDER SECTION 1508 SHALL MAKE COMMUNITY DEVELOPMENT LOANS  
3     PURSUANT TO GUIDELINES ESTABLISHED BY THE DEPARTMENT. COMMUNITY  
4     DEVELOPMENT PROJECTS WHICH ARE CURRENTLY ASSISTED THROUGH  
5     EXISTING PUBLIC FINANCIAL PROGRAMS SHALL BE INELIGIBLE FOR  
6     ASSISTANCE UNDER THIS CHAPTER.

7     SECTION 1510. AGREEMENTS.

8     THE AUTHORITY MAY ENTER INTO AGREEMENTS AND CONTACTS AS IT  
9     SHALL DETERMINE ARE APPROPRIATE FOR THE EXERCISE OF THE POWERS  
10    GRANTED TO IT BY THIS CHAPTER, INCLUDING AGREEMENTS WITH  
11    PARTICIPATING INVESTORS.

12    SECTION 1511. ADDITIONAL POWERS.

13    IN ORDER TO OPERATE THE PROGRAM, THE AUTHORITY SHALL HAVE ALL  
14    OTHER POWERS GRANTED TO IT PURSUANT TO THE ACT OF AUGUST 23,  
15    1967 (P.L.251, NO.102), KNOWN AS THE ECONOMIC DEVELOPMENT  
16    FINANCING LAW. THE AUTHORITY MAY OPERATE OTHER COMMUNITY  
17    DEVELOPMENT PROGRAMS UNDER THE NAME OF THE PENNSYLVANIA  
18    COMMUNITY DEVELOPMENT BANK, INCLUDING PROGRAMS AUTHORIZED AND  
19    FUNDED UNDER THE FEDERAL RURAL DEVELOPMENT BLOCK GRANTS PROGRAM.

20    SECTION 3. THIS ACT SHALL TAKE EFFECT JULY 1, 1997, OR  
21    IMMEDIATELY, WHICHEVER IS LATER.