



**William Bush**  
STATE REPRESENTATIVE  
29<sup>th</sup> District

**HOUSE OF REPRESENTATIVES  
STATE OF DELAWARE  
411 LEGISLATIVE AVENUE  
DOVER, DELAWARE 19901**

**COMMITTEES**  
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**House Economic Development/Banking/Insurance & Commerce  
06.06.23**

***This committee meeting has been recorded and may be accessed via [legis.delaware.gov](http://legis.delaware.gov)***

Chair Bush called the meeting to order at 11:00 a.m. Members present included Chair Bush, Rep. Baumbach, Griffith, Matthews, Hensley, Dorsey Walker, Wilson-Anton, Gray, Short, Spiegelman. For a list of guests present, please see the attendance list below.

**SS 1 SB 83, AN ACT TO AMEND TITLE 5 OF THE DELAWARE CODE RELATING TO THE DELAWARE COMMUNITY INVESTMENT VENTURE FUND.**

Chair Bush invited Rep. Dorsey Walker, additional sponsor, to the committee floor.

Rep. Dorsey Walker explained that the bill creates the Delaware Community Investment Venture Fund to develop opportunities for banking organizations and credit unions doing business in Delaware to better serve the needs of low to moderate income tracts in Delaware. Rep. Dorsey Walker stated that Delaware is home to some of the biggest financial services, however, those opportunities are not equally distributed among individuals and small businesses in the state. SS1 SB 83 seeks to unlock the potential for all Delawareans in every zip code by providing access to banking products and services so they can compete, thrive, and contribute to the growth of the state's economy. She further explained that the bill also seeks to improve access to banking for both individuals and businesses and to ensure the access to banking remains in low to moderate income communities. Rep. Dorsey Walker said that the sources for the funds will be transferred from the Delaware State Bank Commissioner Regulatory Revolving Fund established in section 105 titled 5, which currently has an amount in excess of that needed to cover the operating expenses of the Office of the State Bank Commissioner. The initial transfer will be up to \$2.5 million plus an additional \$250,000 for expenses. Thereafter, additional transfers of up to \$500,000 each fiscal year are authorized. No further transfers are authorized after June 30, 2028 unless further legislation is approved by the General Assembly.

Rep. Spiegelman expressed that the bill has potential to be beneficial and referenced a similar program in the past, the Downtown Development Districts (DDD) and how his clients benefited from such initiatives. He commended Rep. Dorsey Walker for being creative with the funding source as it does not rely on the general fund. Rep. Spiegelman asked if there is a mechanism in place to ensure that the funds

are distributed across multiple census tracts and if there is a mechanism for evaluating the program's effectiveness.

Rep. Dorsey Walker invited Robert Glen, State Bank Commissioner, with permission from Chair Bush to the committee floor.

Rep. Dorsey Walker explained that SS 1 SB 83 was a result of the work carried out by the African American Task Force's Economic Empowerment Committee.

Rep. Spiegelman asked how the commissioner plans on ensuring that the funding is distributed across multiple census tracts and whether it would be based on a first come first serve basis or based on the size and viability of the project.

Mr. Glen explained that the administration of the fund would be handled by the Council on Banking, rather than the commissioner. He explained that the Council on Banking is a council composed of seven members who are appointed by the governor for three-year terms. Mr. Glen anticipates that the council will establish guidelines for the distribution of funds and invite applications from banks, credit unions, and community development financial institutions. The council can then consider the applications and distribute the funds to their discretion.

Rep. Spiegelman expressed concerns about the open-ended nature of the bill, indicating that there is no language that specifies what guidelines to follow if there is a single project requesting the entire \$2.5 million allocation. He highlighted the potential concentration of funds to a single project rather than distributed across multiple projects.

Mr. Glen said that the intention of the fund is to aid small businesses and stated that he cannot speak on behalf of the Council on Banking, however, he doubts that the council would allocate all the funds to a single business.

Rep. Spiegelman acknowledged the intent of the bill to focus on assisting small businesses. However, he expressed concern that the language of the bill does not specifically highlight this focus on small businesses and leaves it open ended. Rep. Spiegelman suggested adding some direction in lines 33 to 36 which could provide clarity and align the mission of the bill with the intended support for small businesses in the designated zones.

Rep. Dorsey Walker stated that the language in the bill makes it clear that the intention is to benefit low to moderate income individuals and communities.

Rep. Spiegelman said that the reference to low to moderate income tracts in the bill pertains to the physical location or are designated by the Census Bureau. He added that this criterion does not address the investor or the qualifications of the project itself. He argues that a multibillion-dollar company could invest in a low to moderate income tract and still qualify for the program as currently written. Rep. Spiegelman emphasized that the language in the bill needs to be more specific as to target small businesses rather than focusing on the location of the investment.

Rep. Dorsey Walker said that the goal is to attract financial institutions into low to moderate income communities. Rep. Dorsey Walker acknowledged that these institutions may not fit the definition of small businesses, but their presence in these communities will provide banking services to residents who have been previously underserved.

Rep. Spiegelman raised some concerns about the lack of specific guidelines and directives in the bill. He pointed out that the current language of the bill does not differentiate between larger investors and small businesses. Rep. Spiegelman asked for clarification on whether the intention is to include any investor, regardless of their size, as long as they invest in low to moderate income tracts. Rep. Spiegelman stated that adding some direction to the bill would be beneficial for the regulators who will be creating guidelines for the banking institutions involved.

Rep. Matthews asked if the focus is on establishing new bank branches in areas where there are currently no banks present.

Rep. Dorsey Walker stated that the bill aims to create a range of opportunities using the fund and attracting financial institutions to low to moderate income tracts. She provided an example of the Banking Trust's efforts after Hurricane Katrina, and how the Banking Trust took a chance on individuals who were unbanked and helped them recover from the disaster. Rep. Dorsey Walker emphasized that the objective of the fund is to empower individuals by providing education and access to financial resources, thereby promoting financial literacy and reducing reliance on financial services such as check-cashing establishments.

Rep. Matthews expressed the hope that the Council on Banking can provide regular reports on the progress and impact of the fund. He highlighted the importance of supporting small businesses through micro loans, which provide the most value for the allocated funds. Rep. Matthews expressed preference for directing the funds towards small businesses rather than establishing a bank branch in a census tract. He acknowledged the intentionally vague nature of the bill, which allows for flexibility in implementation of the program. Rep. Matthews expressed his support for the bill and the opportunities it presents.

Rep. Gray asked if the \$2.5 million has been previously allocated for a similar purpose in the past or if it is a new allocation. In addition, Rep. Gray asked about the potential alternative uses for the funds if they are not fully used for the intended program in the bill.

Mr. Glen said that the funds allocated for the program come from the State Bank Commissioner Regulatory Revolving Fund. This fund is specifically established in the banking code to support the operations of the state bank Commissioner's Office. The fund receives contributions from mortgage loan originators licensed in Delaware, who pay a minimum supervisory assessment. Mr. Glen explained that due to the large number of licensed mortgage loan originators and the accumulation of the funds beyond what is needed for the office's operations, there are extra funds available in the regulatory revolving fund.

Rep. Gray expressed his support for the bill.

Rep. Baumbach asked, referencing the last two lines of the bill, why expenditures are exempt from state procurement rules.

Mr. Glen explained that the provision in question was included to increase flexibility and avoid potential burdens for financial institutions applying for access to the funds. He stated that the intention behind the provision is to encourage financial institutions to apply without discouragement. Mr. Glen provided a similar exemption in other provisions of state government in Delaware, such as the Department of State's Division of Arts, where the grant process is exempt from state purchasing requirements.

Rep. Baumbach questioned whether the funds are intended to create a pool of loanable funds or if their primary objective is to bring financial institutions into low to moderate income tracts and support them in establishing in those areas. Rep. Baumbach sought clarification on if the focus of the funds is to help financial institutions develop products to market to low to moderate income tracts, rather than serving as an investment pool.

Mr. Glen explained that the idea is to encourage financial institutions that lend to businesses in low to moderate income areas to partner with venture funds. He added that the fund aims to increase access to funding for small businesses in these communities. Mr. Glen stated that one possible use of the funds could be to support loan loss reserves at the financial institutions, specifically for lending to businesses in low to moderate income tracts. He explained that the program is intended to be flexible and cater to the needs of small businesses that may not qualify for traditional loans based on standard lending criteria at banks or credit unions.

Rep. Baumbach expressed concern about the lack of flexibility in the language of the bill.

Mr. Glen said that the language of the bill is flexible.

Rep. Baumbach asked what part of the language in the bill allows for flexibility regarding loan loss reserves and handling of funds.

Mr. Glen said that the language can be found flexible in section 109c, starting at line 13 which discusses the purpose of the bill. He quoted line 16 of the bill which states, "investing in the development of financial product or financial product underwriting innovations that will enhance access to capital funding and other financial services."

Rep. Baumbach asked if loan loss reserves fall under the umbrella of financial products and underwriting innovations mentioned in the bill.

Mr. Glen confirmed.

Rep. Baumbach asked if the \$250,000 that is available in the first year is a one-time allocation for the initial setup of the program.

Mr. Glen confirmed.

Rep. Baumbach asked if expenses such as accounting, advisory services, third-party services, and marking, would be covered from the \$500,000 mentioned in the bill.

Mr. Glen said that all the funds for the program are coming from the bank Commissioner Regulatory Revolving Fund. He clarified that the initial transfer could be up to \$2.5 million, and an additional \$250,000 could be transferred for expenses, and an additional \$500,000 per fiscal year for the four to five fiscal years. Mr. Glen explained that this would limit the total amount that could be transferred to slightly under \$5 million, unless the General Assembly decides to authorize further funding.

Rep. Baumbach asked if in year two, the administrative costs would be covered by the \$500,000.

Mr. Glen said that it is not completely clear what the administrative costs would be.

Rep. Short asked what the fiscal year income of the Regulatory Revolving Fund is.

Mr. Glen explained that the Regulatory Revolving Fund is primarily funded by financial institutions regulated by the agency. These institutions include banks, non-deposit trust companies, non-bank financial services businesses, and individual mortgage loan originators. He explained that the fund receives funding through minimum assessments on these institutions, which amount to \$500 per institution per year. Additionally, examination fees are assessed on institutions that undergo examinations by the agency. He stated that the fund receives slightly under \$1 million in contamination fees and brings in \$4 to \$5 million a year. Mr. Glen mentioned that the budget for the office is slightly under \$4 million, and over the years, the balance in the fund has accumulated due to the large number of licensed mortgage loan originators.

Rep. Short asked how much is the balance for the fund.

Mr. Glen said close to \$13 million.

Rep. Short said that the \$13 million is an excess and suggested that this might be due to overcharging.

Mr. Glen said that the \$500 supervisory assessment is a statutory minimum. He said that the agency has the authority to increase it, however, due to the large number of mortgage loan originators, the current assessment is sufficient to meet the agency's funding requirements.

Rep. Short expressed concerns about the program and suggested that it may be necessary to reevaluate the approach.

Rep. Spiegelman said that the bill is not primarily focused on creating new physical banks in low to moderate income tracts. Rather, the bill is focused on establishing a fund that banks can utilize to provide loans, which would be available to individuals or businesses that are making economic improvements within low to moderate income tracts. Rep. Spiegelman provided an example where a business owner located in a low to moderate income tract area could apply for a \$50,000 loan to make improvements to

their business, under conditions and eligibility criteria for accessing these funds set by the Council on Banking and approved by the Commissioner.

Rep. Spiegelman provided an example of a business in a low-income tract applying for a loan of \$20,000 to upgrade their HVAC system. Rep. Spiegelman suggested that because the business is in a low-income tract area, the business can potentially qualify for programs through their bank or credit union that could tap into these funds established by the bill; under conditions set forth by the rules and guidelines of the Council on Banking and approval of the Commissioner.

Mr. Glen confirmed that this is how the funds are intended to work.

Rep. Matthews said that making multiple loans of smaller amounts could have a more significant impact than investing in a single brick and mortar bank. Rep. Matthews asked whether the language of the bill prioritizes loans, products, education, and community support, and if the majority of the funds would be directed towards those purposes.

Mr. Glen said that he does not anticipate that any of the funds would be used for the construction of a bank building. He stated that the Council on Banking will be responsible for inviting applications for the use of the funds and can review all applications and make funding decisions based on its discretion, and subject to the approval of the Commissioner.

Rep. Baumbach asked for clarification on where in the bill it specifies the provision for lending.

Mr. Glen stated that loans would be provided by banks, credit unions, or community development financial institutions. He added that the funding could potentially take the form of a subordinated loan to the business.

Rep. Baumbach mentioned that he does not see any language in the bill that allows funds to be used for a specific \$20,000 loan, which was raised by Rep. Spiegelman's scenario. Rep. Baumbach highlighted that he can observe provisions in the bill related to loan loss reserves in a product structure, but not for a revolving loan structure. Rep. Baumbach expressed his concern about the lack of clarity of the bill.

Mr. Glen said that the language in the bill is flexible.

Rep. Wilson-Anton asked what a financial product is.

Mr. Glen said that a financial product is not a defined term and that it is a flexible concept.

Rep. Wilson-Anton stated that the funds allocated in the bill could potentially be used to create the financial products that businesses can utilize.

Rep. Spiegelman clarified that the financial products are available to the banking institutions and credit unions. He stated that it is these financial institutions that will be utilizing the fund, similar to how the SBA or the DDDs operate. Rep. Spiegelman provided an example of a small business owner applying for

a loan to fix their HVAC system through a bank. The business owner may qualify for a program offered by the bank, which utilizes the funds from this program.

Mr. Glen confirmed that Rep. Spiegelman's understanding is correct.

Chair Bush opened the committee floor for any questions from committee members, seeing none, Chair Bush opened the committee floor for public comments.

Robert Overmiller, spoke in support of SS 1 SB 83.

A motion was made by Rep. Spiegelman and seconded by Rep. Wilson-Anton to release SS 1 SB 83 from committee; the motion carried. Yes = 9 (Bush, Dorsey Walker, Griffith, Hensley, Matthews, Wilson-Anton, Gray, Short, Spiegelman): No=0: Not Voting = 1 (Baumbach); Absent= 3 (Carson, Lambert, Smith) The bill was released from committee with a F=3, M=6, U=0.

#### **SB 90, AN ACT TO AMEND TITLE 29 OF THE DELAWARE CODE RELATING TO THE FIRST STATE QUALITY IMPROVEMENT FUND.**

Chair Bush explained that the bill modernizes the First State Quality Improvement Fund (FSQIF) to reflect current industry accepted terminology for the continuous improvement field. In addition, the bill affirms partnership between the Government Efficiency and Accountability Review (GEAR) program and departments of Human Resources, administering the training program that is developed under the FSQIF.

Rep. Matthews expressed thanks for the bill and commended GEAR for its valuable content and the effort.

Chair Baumbach opened the committee floor for public comments.

Mr. Overmiller, spoke in support of SB 90.

A motion was made by Rep. Griffith and seconded by Rep. Dorsey Walker to release SB 90 from committee; the motion carried. Yes = 10 (Bush, Baumbach, Dorsey Walker, Gray, Griffith, Wilson-Anton, Hensley, Short, Matthews, Spiegelman): No=0; Absent= 3 (Lambert, Carson, Smith). The bill was released from committee with a F=2, M=7, U=0.

Chair Baumbach adjourned the meeting at 11:48a.m.

Respectfully submitted by,

Falah Al-Falahi, Legislative Fellow

#### **Attendance List**

- Robert Glen, State Bank Commissioner
- Robert Overmiller