



# Linked Deposit Program

*“Providing Affordable financing for Veteran and Servicemember Owned Businesses”*

## **Program Overview and Background**

Washington State, with its history of strong support for our veterans and returnees, has initiated number of new programs and services to ensure veterans and their families are cared for. In 2008, the Washington State Legislature took steps to provide additional economic opportunities by including Veteran and Servicemember Owned Businesses in the expansion of the Linked Deposit Program. The goal is to help the men and women who return home after serving their country start or expand their own business.

The law directs the Washington State Department of Veterans Affairs, the Office of the State Treasurer ("OST"), the Office of Minority and Women's Business Enterprises ("OMWBE"), and the Department of Community, Trade, and Economic Development ("CTED") to operate a program that links the deposit of state funds to loans made by participating financial institutions to qualified veteran and servicemember owned businesses. The deposit of state funds is made at below market rates. The savings are then passed on by the bank to the Linked Deposit borrowers in the form of an interest rate reduction not to exceed two percent (2%).

## **Program Eligibility**

Any firm currently certified by the Washington State Department of Veterans Affairs (WDVA) as a Veteran or Servicemember Owned Business is entitled to the Linked Deposit benefit. Any business related loan carried by a certified firm, and made by a participating lender, is eligible for enrollment in the program. A firm must be certified by WDVA before their business loan can be enrolled in the program.

*For Veteran Business Owners:* WDVA is partnering with the Federal Center for Veterans Enterprise and their [VetBiz](#) registry. Veteran Owned Businesses must register on VetBiz and the WDVA Veteran/Servicemember Owned Business Registry in order to complete the certification process.

*For Servicemember Business Owners:* Call WDVA at 1-800-562-0132 option '1' to find out more about the certification process.

To learn more about certification and eligibility criteria visit the [WDVA Veteran and Servicemember Owned Business Registration Page](#).

*Please note:* The Linked Deposit Program is not a loan or loan guarantee, and the State cannot help a firm obtain a business loan. Firms must satisfy their bank's financing/loan criteria. The Linked Deposit Program allows a certified firm to receive an interest rate reduction on existing business loans made by a participating lender. For loan eligibility, contact your financial institution.

## How the Program Works

The State Treasurer is authorized to use up to \$15 million of the State's short-term surplus funds to purchase certificates of deposit in an amount equivalent to the amount financial institutions loan to certified veteran or servicemember owned businesses.

The Linked Deposit Program "links" the State's surplus fund deposits to the commercial loans that financial institutions make to certified veteran or servicemember owned businesses. Two percent (2%) of the interest that is earned on the State's certificate of deposit is used to reduce the interest rate that would otherwise be charged to a certified business for its loan or other financing. If the interest rate returns earned by the State on the CDs fall below 2%, banks are allowed to reduce the interest rate reduction passed onto the firms by an equivalent amount.

Effectively, the State buys certificates of deposit equal to the amount lent to certified firms. The State then forgoes 2% of the interest it would earn on the CDs and the banks transfer the savings to the certified firms in the form of an interest rate reduction.

## Terms

- Businesses participating in the Linked Deposit Program must be certified by [WDVA](#)
- Businesses must satisfy their bank's lending criteria
- Qualifying loans include:
  - Lines of credit
  - Financing of accounts receivable
  - Working capital
  - Equipment purchases
  - Real property acquisition
  - Other business related financing
- \$1 million per-loan maximum; no limit on the number of loans a firm may have
- Interest rate: Up to two percent (2%) below the market rate for a similar loan
  - If the effective return on the timed CD is less than 2%, the interest rate reduction passed onto the firm can be reduced by an equivalent percentage.
- Loan term: Up to 10 years
- Participants decertified by WDVA will have their loans removed from the program, at which time they will lose the interest rate reduction.