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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2019

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A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- THE FEDERAL SHUTDOWN
AFFECTED EMPLOYEES LOAN PROGRAM

Introduced By: Senator Stephen R. Archambault

Date Introduced: January 31, 2019

Referred To: Senate Commerce

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 42 of the General Laws entitled "STATE AFFAIRS AND
2 GOVERNMENT" is hereby amended by adding thereto the following chapter:

3 CHAPTER 128.3

4 THE FEDERAL SHUTDOWN AFFECTED EMPLOYEES LOAN PROGRAM

5 **42-128.3-1. Short title.**

6 This chapter shall be known and may be cited as the "The Federal Shutdown Affected
7 Employees Loan Program".

8 **42-128.3-2. Definitions.**

9 As used in this chapter, the following words and terms shall have the following meanings
10 unless the context shall clearly indicate another or different meaning or intent:

11 (1) "Affected employee" means a federal employee who, during a federal government
12 shutdown, is:

13 (i) A resident of this state; and

14 (ii) Required to work as a federal employee without pay or furloughed as a federal
15 employee without pay;

16 (2) "Bank" means a bank or an out-of-state bank, as defined in § 19-7-1;

17 (3) "Commission" means the Rhode Island housing resources commission;

18 (4) "Credit union" means a Rhode Island credit union as defined in § 19-5-1 or a federal

1 credit union;

2 (5) "Department" means the department of business regulations;

3 (6) "Eligible financial institution" means a bank or credit union that has a physical
4 presence in this state and is in good standing;

5 (7) "Good standing", with respect to a bank or credit union, means that the bank or credit
6 union is not subject to:

7 (i) A formal agreement with the federal Office of the Comptroller of the Currency;

8 (ii) A consent order or cease and desist order issued by the Federal Deposit Insurance
9 Corporation;

10 (iii) A consent order or cease and desist order with the department;

11 (iv) A letter of understanding and agreement or consent order issued by the National
12 Credit Union Administration; or

13 (v) A finding by the department that the bank or credit union has failed to comply with a
14 provision of this chapter;

15 (8) "Grace period" means the ninety (90) day period after an affected employee's federal
16 agency is funded; and

17 (9) "Shutdown" means that period of time where a partial government shutdown has been
18 declared during any federal fiscal year.

19 **42-128.3-3. Authority of the commission.**

20 (a) The commission shall administer a federal shutdown affected employee loan program
21 to guarantee the repayment of loans made by an eligible financial institution to an eligible
22 affected employee pursuant to this chapter. Subject to the cessation of new claim approvals under
23 § 42-128.3-6(d), the commission shall submit all approved claims to the general treasurer, who
24 shall pay from the general fund any and all claims submitted by the commission.

25 (b) Any bank or credit union may apply to the department to participate in the loan
26 guarantee program. Not later than one business day after receiving the application, the department
27 shall determine whether the financial institution is an eligible financial institution, and
28 immediately notify the bank or credit union and the commission of its determination. Any eligible
29 financial institution may make loans to affected employees in accordance with this chapter.

30 (c) Each eligible financial institution that makes a loan pursuant to this chapter, shall
31 notify the commission in writing not later than one business day after making the loan, specifying
32 any and all information about the borrower as the commission may request.

33 **42-128.3-4. Loan eligibility.**

34 An eligible financial institution may make a loan to an affected employee, provided:

1 (1) The affected employee has provided to the financial institution:

2 (i) Proof of the employee's status, income and residence in this state; and

3 (ii) The amount of unemployment compensation benefits under chapter 44 of title 28, the
4 employee has received and has been deemed eligible to receive during the shutdown. Such proof
5 may include a paystub or bank statement, a federal employee identification card, the federal tax
6 identification number of the employee's employer and a sworn affidavit from such employee
7 indicating that such employee:

8 (A) Is currently a federal employee residing in this state;

9 (B) May be eligible to receive back-pay when the shutdown ends; and

10 (C) Is not receiving a loan from any other financial institution pursuant to this section.

11 (2) The amount of the loan shall not exceed the lesser of five thousand dollars (\$5,0000),
12 or the amount of the affected employee's most recent monthly after-tax pay, minus four (4) times
13 the amount, if any, the affected employee has reported to the institution under subsection (1) of
14 this section, related to any weekly unemployment compensation benefits the employee has
15 received or has been deemed eligible to receive during the shutdown.

16 (3) The loan is made in accordance with the eligible financial institution's underwriting
17 policy and standards; provided, further, that the affected employee's creditworthiness shall not be
18 a factor used for the purposes of determining eligibility.

19 (4) The loan agreement shall not require repayment during the grace period, or charge
20 interest on the principal amount before or during the grace period or for one hundred eighty (180)
21 days after the grace period; provided, after the one hundred eighty (180) day period, the eligible
22 financial institution may charge interest or fees in accordance with the financial institution's
23 lending policy and the terms of the underlying loan agreement.

24 (5) The loan agreement shall require that the affected employee repay the loan in full not
25 later than one hundred eighty (180) days after the end of the grace period. The loan agreement
26 shall not contain a fee or penalty for the prepayment or early payment of the loan.

27 (6) The eligible financial institution shall:

28 (i) Refer the affected employee to the United Way of Rhode Island 2-1-1 Infoline; and

29 (ii) Offer credit counseling services or refer the employee to nonprofit credit counselors.

30 **42-128.3-5. Additional loans.**

31 An affected employee who has received a loan pursuant to §§ 42-128.3-3 or 42-128.3-4
32 may apply to the same eligible financial institution for an additional loan for each thirty (30) day
33 period the employee remains an affected employee; provided, no affected employee may receive
34 more than three (3) loans under the program, and each affected employee shall be required to

1 update the institution as to the amount of unemployment compensation benefits under chapter 44
2 of title 28 the employee has received, and has been deemed eligible to receive during the
3 shutdown. Each additional loan shall be made in accordance with § 42-128.3-4.

4 **42-128.3-6. Collection.**

5 (a) On and after one hundred eighty (180) days from the end of the grace period, an
6 eligible financial institution that has made a good-faith effort to collect the outstanding principal
7 from a loan issued pursuant to this chapter may make a claim to the commission for recovery of
8 an amount equal to the outstanding principal for such loan. Prior to the commission's approving
9 and submitting a claim to the general treasurer, an eligible financial institution shall demonstrate
10 to the satisfaction of the commission that the eligible financial institution has made a good-faith
11 effort to collect the outstanding principal from the eligible employee in accordance with the
12 financial institution's loan servicing and collection policies. Upon payment of a claim, the loan
13 shall be assigned to the state, and the commission shall have the right to continue collection
14 efforts on the loan.

15 (b) The commission shall maintain records in the regular course of administration of the
16 loan guarantee program, including a record of loans issued and of payments made to honor loan
17 guarantees issued under this chapter. The commission shall regularly review the records to
18 determine total loans issued and identify duplicative applications. The commission shall report to
19 the department of labor and training the names of the affected employees who have received a
20 loan under the program, and the department of labor and training shall provide to the commission
21 information concerning such employees' unemployment compensation benefits. If the
22 commission determines that an affected employee misrepresented unemployment compensation
23 benefits, the affected employee may be deemed ineligible for additional loans under § 42-128.3-4.

24 (c) The commission may terminate any loan guarantee if the financial institution
25 misrepresents any information pertaining to the guarantee, or fails to comply with any
26 requirements of this section in connection with the guarantee of the underlying loan.

27 (d) If the amounts expended to honor loan guarantees under the program exceed ten
28 percent (10%) of total loans issued, the commission shall immediately cease to approve claims,
29 and shall notify the general treasurer and each eligible financial institution of the total amount of
30 payments made, and that the commission has ceased honoring loan guarantees.

31 (e) Any interest deferred or not charged related to a loan issued pursuant to this chapter
32 shall be exempt from all state taxes that may be applicable to such interest amounts as they relate
33 to an affected employee. Eligible financial institutions shall disclose to affected employee
34 borrowers in the signed affidavit or loan documents that there may be federal tax consequences to

1 the program loans.

2 (f) No new loan applications shall be submitted under the program after the shutdown
3 ends. The program shall expire upon the repayment of all loans made under the program and, for
4 all loans in default, the repayment of claims made under the program, or the cessation of new
5 claim approvals under subsection (d) of this section.

6 **42-128.3-7. Unemployment benefits.**

7 Upon the passage of federal legislation or the issuance of federal guidance from the
8 United States Department of Labor or another federal agency which allows an affected employee
9 to receive benefits under chapter 44 of title 28, an affected employee may be eligible for
10 unemployment benefits pursuant to said chapter, and any federal legislation or guidance during
11 the period of the shutdown. If the shutdown ends and an affected employee is paid by the federal
12 government for any period of time the affected employee worked without pay during the
13 shutdown, the affected employee shall reimburse the employment security fund in an amount
14 equal to the unemployment benefits the affected employee received for the period of the
15 shutdown.

16 **42-128.3-8. Tax deferment.**

17 (a) Notwithstanding any other provision of the general or public laws, or of any special
18 law, charter, special act charter, home-rule ordinance, local ordinance or other local law, any
19 municipality, or any subdivision of a municipality, may, by a vote of its council, establish a
20 deferment program to defer the due date of taxes on real property, personal property or motor
21 vehicles, or water or sewer rates, charges or assessments, owed by affected employees.

22 (b) Upon establishment of a deferment program, a municipality or subdivision thereof
23 shall not charge or collect interest on any tax, rate, charge or assessment or part thereof that is
24 payable by an affected employee and which became due during the period when such individual
25 was an affected employee.

26 (c) Eligibility shall be determined by the municipality. Evidence of eligibility for a
27 deferment may include the proof set forth in § 42-128.3-4(1). Individuals need not receive
28 unemployment benefits or participate in the federal shutdown affected employee loan program for
29 purposes of being an affected employee. Municipalities may require individuals to recertify
30 eligibility on a periodic basis of not less than thirty (30) days.

31 (d) Each tax, rate, charge or assessment deferred under a program established pursuant to
32 this section shall be due and payable without interest or penalty not later than sixty (60) days after
33 the date on which an individual is no longer an affected employee. Thereafter, any portion of the
34 tax, rate, charge or assessment or installment or portion thereof which remains unpaid, and all

1 interest and penalties otherwise provided by law shall apply retroactively to the original due date
2 for the tax, rate, charge or assessment or installment or portion thereof. All provisions of the
3 general or public laws relating to continuing, recording and releasing property tax liens and the
4 precedence and enforcement of taxes, rates, charges and assessments shall remain applicable to
5 any deferred tax, rate, charge or assessment or installment or portion thereof.

6 (e) Nothing in this chapter shall affect interest or penalties on, or lien rights or collection
7 of, any tax, rate, charge or assessment due before the date in which a federal government shut
8 down has been declared, or after the date on which an individual is no longer an affected
9 employee.

10 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- THE FEDERAL SHUTDOWN
AFFECTED EMPLOYEES LOAN PROGRAM

1 This act would establish a new program which would assist federal employees who have
2 been affected by a federal government shutdown by making available state-backed loans in an
3 amount not to exceed five thousand dollars (\$5,000).

4 This act would take effect upon passage.

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