



**Empire State  
Development**

# LINKED DEPOSIT PROGRAM YEAR 2022



**ANNUAL REPORT**  
to the Governor and the Legislature

## **Introduction**

Empire State Development (ESD) is New York's chief economic development agency. ESD's mission is to promote a vigorous and growing economy, encourage the creation of new job and economic opportunities, increase revenues to the State and its municipalities, and achieve stable and diversified local economies. Through the use of loans, grants, tax credits and other forms of financial assistance, ESD strives to enhance private business investment and growth to spur job creation and support prosperous communities across New York State.

ESD's Division of Small Business & Technology Development supports the growth of small businesses, providing programs and services that facilitate access to capital, technical assistance, technology assistance, and venture funding.

The Linked Deposit Program (LDP) assists New York State small businesses to undertake investments that improve their performance and competitiveness, leading to a stronger economy for New York State. LDP is an important component in lowering the cost of capital for small businesses, and is one of several ESD initiatives that are helping to ensure New York State's businesses continue to thrive and grow.

## **Overview**

The LDP "linked loan" provides businesses with affordable capital based on interest rates that are supported by state deposits. Eligible businesses can obtain LDP loans from commercial banks, savings banks, savings and loan associations, credit unions, farm credit institutions and Pursuit Lending at an interest rate lower than the prevailing rate on such loans, thereby making borrowing less expensive. Most eligible businesses qualify for up to a 2 percent interest rate reduction, while others like agricultural firms, technology and innovation businesses, certified Minority Women Owned Business Enterprises (MWBEs), certified Service-Disabled Veteran-Owned Businesses (SDVOBs) and those businesses located in highly distressed areas may qualify for up to a 3 percent reduction.

Since the program's inception in 1994, LDP has lowered the interest rate for over 5,900 loans, resulting in \$2.02 billion in lending and leveraging \$4.16 billion in new capital investment by businesses across New York State.

## **Linked Deposit 2022 Legislative Changes**

In April 2022, Governor Hochul signed legislation that allowed Community Development Financial Institutions (CDFIs) to participate in LDP as borrowers. CDFIs provide financial services to MWBEs and socially and economically disadvantaged businesses that lack access to financing and are underserved by traditional commercial banks.

This legislative change allows CDFIs to borrow from a bank or credit union at a reduced rate, then lend those monies to MWBE firms and disadvantaged businesses. Allowing CDFIs to participate in LDP will help lower the cost of borrowing and deliver greatly needed assistance to the MWBE and small business communities.

Then in November 2022, Governor Hochul signed legislation that allowed Certified Service-Disabled Veteran-Owned Businesses (SDVOBs) to qualify for the 3 percent interest rate reduction for financing that is utilized to fulfill a government contract. Expanding the Linked Deposit Program to allow SDVOBs to realize the higher interest rate reduction on these loans will decrease their cost of capital and aid in their ability to grow their businesses.

### **LDP Success Story**

First Healthcare Products of Sanborn, NY, produces mobile computer carts, mounts and hardware solutions for the healthcare, industrial, retail and government industries. Their customers are located in the US, United Kingdom, European Union, and Canada. First Healthcare Products received an LDP supported loan that will help them to finance the purchase of a new building and expand and improve their operations. Their current space is at capacity and the new building has a better layout. It will house a clean room that will support new initiatives and is located on a bus route which will provide a broader recruiting base. LDP’s reduced interest rate will allow First Healthcare Products to add employees and expand and grow their domestic and foreign markets.

### **2021 and 2022 Program Activity Comparison**

LDP activity increased substantially in 2022 compared to 2021 program activity:

- Program, activity decreased in 2021, due to low interest rates, 17 applications were received and 15 approved resulting in \$8.9 million in total for approved loans, generating \$16.38 in private sector investment.
- Comparing 2022 activity to 2021, applications received increased by 147 percent, applications approved increased by 127 percent, the total dollar amount approved increased by 132 percent and private sector investment increased by 61 percent.



Following is an overview of 2022 LDP program activity, including borrower and project information, employment, and other relevant program data.

**I. 2022 Program Performance Details:**

**1. Firms Receiving Linked Loans**

TYPE OF FIRMS	NUMBER OF FIRMS
Agricultural	9
Manufacturing	8
Service Businesses	31
<b>Total</b>	<b>34</b>

**2. Linked Deposit Loan Utilization**

LOAN UTILIZATION	NUMBER OF LOANS
Buyouts	2
Equipment Purchases	12
Expansions	11
Real Estate Purchases	3
Renewed Deposits	6
<b>Total</b>	<b>34</b>

**3. Geographic Distribution of Participating Firms**

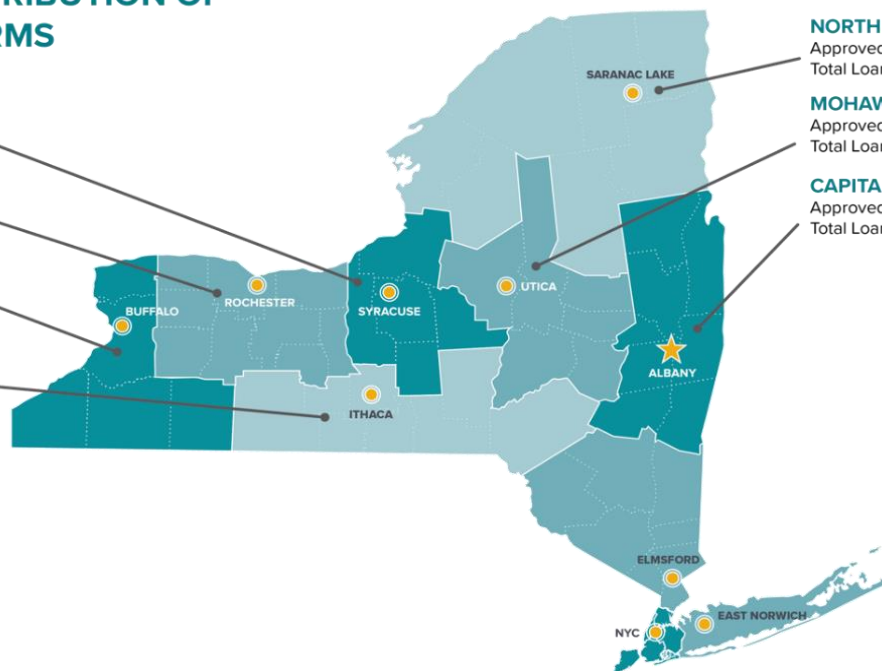
**GEOGRAPHIC DISTRIBUTION OF PARTICIPATING FIRMS**

**CENTRAL NEW YORK:**  
Approved Projects - 2  
Total Loan Amount - \$1,065,508

**FINGER LAKES:**  
Approved Projects - 10  
Total Loan Amount - \$6,301,331

**WESTERN NEW YORK:**  
Approved Projects - 5  
Total Loan Amount - \$7,693,161

**SOUTHERN TIER:**  
Approved Projects - 2  
Total Loan Amount - \$1,078,880



#### 4. Loan Amounts

NUMBER OF LOANS	LOAN AMOUNTS	TOTAL
2 Loans	Under \$100,000	\$136,862
4 Loans	Between \$100,000 and \$199,999	\$583,008
22 Loans	Between \$200,000 and \$999,999	\$9,522,857
2 Loans	Between \$1,000,000 and \$1,999,999	\$2,455,000
4 Loans	for \$2,000,000	\$8,000,000
<b>Total</b>	<b>34 Loans</b>	<b>\$20,697,727</b>

#### 5. Approximate Number of Jobs Created or Retained as a Result of LDP

Approximate Number of Jobs Created and Retained as a Result of LDP	
NYS total jobs at time of application (34 approved projects)	605
NYS jobs to be created (projections made by applicant)	90
NYS jobs to be retained (projections made by applicant)	33

#### 6. The Different Types of Linked Deposit Lenders

Type of Lender	Total Lenders
Commercial Banks	51
Credit Unions	2
Farm Credit Institution	1
Pursuit Lending	1
Savings and Loan Associations	1
Savings Banks	10
<b>Total</b>	<b>66</b>

#### 7. Minority and Women Owned Enterprises (MWBE) LDP Activity

To date LDP has assisted three hundred and forty-seven (347) loans to minority and/or woman owned firms for a total of \$116.06 million, of which eight (8) have reached their lifetime maximum, which currently is \$2 million per borrower. In 2022, no minority or women owned businesses received LDP assistance; however, CDFIs and Credit Unions are now able to participate in the program. Going forward, it is anticipated that these lenders will assist more MWBEs to obtain LDP loans and their program utilization will increase.

## **8. Small Business Participation**

Since the program's inception the majority of businesses assisted by LDP are small businesses, which are defined as companies with 100 or fewer employees. During 2022, 100 percent (34 of 34) of the loans approved benefited small businesses and they received 100 percent of the total \$20.70 million committed by LDP.

## **9. Businesses Eligible for the 3 Percent Interest Rate Reduction**

Of the 34 loans approved during 2022, eleven (11) were eligible for the up to 3 percent interest rate reduction. This includes two (2) loans to technology and innovative businesses and nine (9) loans to agricultural businesses. All were approved for the up to 3 percent reduction for a total loan amount of \$11.55 million; however, the 3 percent reduction was not realized for all the loans for it is limited to the lender's 4-year CD rate and some CD rates were below 3 percent.

Businesses and loans may qualify in more than one category for the 3 percent reduction; see page 1 for a description of the other categories. Some businesses may also receive assistance on more than one loan. The remaining eligible companies and projects qualified for the up to 2 percent interest rate reduction.

## **10. Maximum Lifetime Allowance**

In 2022, four (4) additional companies maxed out their assistance and there are currently 105 borrowers in total that have reached their lifetime maximum. Most added employees, demonstrating the effectiveness of the program and how it supports the growth of the economy.

## **11. Certificate of Deposit Average Interest Rate**

The average 4-year CD\* rate for 2022 was 1.66 percent, compared to the 2021 average of .34, increasing by 388 percent. Even though the program allows a 3 percent reduction, borrowers can only realize a reduction based on the lender's 4-year CD rate, which can lessen the subsidy borrowers can obtain.

\*Credit union's interest rates are based on their 4-year share certificate rates; interest rates referenced in this report reflect both share certificates and CD rates.

## **12. Average Deposit Amount**

The average deposit for 2022 was \$553,086, higher than the 2021 average of \$430,566, an increase of 28 percent.

### 13. Amount of Money on Deposit for Linked Loans

LDP amount on deposit as of 12/31/22: \$82,298,287 (207 deposits)  
Total deposits authorized since 2/11/94: \$2,024,355,431 (5,912 deposits)

### 14. Funding

Funding for this program is authorized at \$560 million. Of that amount, \$516 million has been committed to the program from the Office of the State Comptroller and public authorities.

As of December 31, 2022, \$82.30 million is being utilized on deposit, with two deposits pending for \$264,325 and \$9.95 million approved and scheduled for deposit as loans close during 2023, leaving approximately \$423.74 million available to fund new projects.

### 15. Statement of Cost\* of LDP to the State and to the Public Authorities

Office of the State Comptroller	\$1,081,627.91
Department of Taxation and Finance	\$ <u>225,216.69</u>
<b>Total Cost of LDP for 2022:</b>	<b>\$1,306,844.60</b>

\*Cost is determined by calculating the difference between the average rate on other short-term investments and the average rate of return on funds invested in Linked Deposit CDs.

## II. Additional Information:

### 1. 2022 Promotional and Outreach Activity

Promoting LDP at webinars and in person events slightly increased in 2022 but was still restricted compared to pre-COVID levels of activity. ESD's Division of Small Business & Technology Development staff promoted the program through webinars and attending and staffing booths at the annual MWBE forum held in October and the Service-Disabled Veteran-Owned Business "VetCon" conference held in November.

### 2. 2023 Program Activity

The LDP will continue to be promoted to New York State businesses and minority and women owned firms as the economy continues to recover from the pandemic and the current inflationary pressures.

### 3. How to Request Linked Deposit Assistance

Businesses may contact the LDP office at 518-292-5261 or [linkeddeposit@esd.ny.gov](mailto:linkeddeposit@esd.ny.gov) for information or contact any one of the participating lenders to inquire if their business is eligible, and if their project qualifies for an interest rate subsidy. Lenders make the credit decision and submit the application on behalf of the borrower. The list of participating lenders, the LDP application and other relevant program information can be found on the ESD website at: <http://esd.ny.gov/BusinessPrograms/LinkedDeposit.html>.



**Linked Deposit  
Program**

**LINKED DEPOSIT PROGRAM**  
Albany, NY 12245  
(518) 292-5261  
[Linkeddeposit@esd.ny.gov](mailto:Linkeddeposit@esd.ny.gov)  
[www.esd.ny.gov](http://www.esd.ny.gov)