

Ben Westlund
State Treasurer
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Contact: James Sinks
503-508-0737 (cell)
James.Sinks@state.or.us

State Treasury program providing more than \$100 million to help banks make loans in Oregon communities

Qualifying institutions can receive insured deposits from Short-Term Fund and make more local loans

SALEM – There’s a saying that it takes money to make money -- and with that in mind, the Oregon State Treasury is putting more than \$100 million to work in Oregon communities to help families and to create jobs.

“The State Treasury is putting money to work to build a better Oregon, from Bandon to Beaverton to Baker City,” said Treasurer Westlund. “We want banks to make more loans to help rebuild Oregon’s economy, and at the same time we can generate modest investment returns for the state and for local governments.”

Qualified financial institutions can obtain funds at market rates from the Oregon Short-Term Fund, which safely invests state and local government revenues until the depositors need the money to pay bills. Once banks receive the infusions of capital, the institutions can make more loans to Oregon small businesses and families, which in turn can help finance new opportunities.

As of the January order deadline, which occurred Monday, the Oregon Short-Term Fund is now depositing roughly \$110 million in banks that do business in Oregon, and there’s more available.

For instance, the Timed Certificate of Deposit program can supply as much as \$200 million. The Oregon State Treasury secures CDs from banks in one-, two- and three-month durations. When the CDs mature, the institutions repay the money, plus interest, to the Oregon Short-Term Fund.

Government entities collect most of their revenue at tax time, but need to cut paychecks and cover other expenses over the course of the entire year. The \$11 billion Oregon Short-Term Fund provides a place for the state and local governments to safely keep money until needed, and also earn a return. The fund was ranked by an independent third-party as the top state pool in 2008.

Public funds that are deposited with banks are protected in the event of a bank failure, because the financial institutions must either insure the money through the FDIC or else post collateral to ensure repayment. The institutions are evaluated based on the security of their portfolios of loans and deposits. Only qualified banks that do business in Oregon can participate.

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