
By: **Delegates Harrison and Rawlings**
Introduced and read first time: February 9, 2001
Assigned to: Economic Matters

Committee Report: Favorable
House action: Adopted
Read second time: March 17, 2001

CHAPTER _____

1 AN ACT concerning

2 **Business and Economic Development - Maryland Small Business**
3 **Development Financing Authority**

4 FOR the purpose of adding to the purposes of the Maryland Small Business
5 Development Financing Authority; altering the eligibility criteria for applicants
6 to the Contract Financing Fund program, the Guaranty Fund financing
7 program, and the Equity Participation Investment Program of the Maryland
8 Small Business Development Financing Authority; increasing the dollar amount
9 of a loan that may be guaranteed by the Authority under the Guaranty Fund
10 financing program; and generally relating to the Maryland Small Business
11 Development Financing Authority.

12 BY repealing and reenacting, with amendments,
13 Article 83A - Department of Business and Economic Development
14 Section 5-1002(b), 5-1025(b), 5-1029(a), 5-1043, and 5-1046(f)
15 Annotated Code of Maryland
16 (1998 Replacement Volume and 2000 Supplement)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
18 MARYLAND, That the Laws of Maryland read as follows:

19 **Article 83A - Department of Business and Economic Development**

20 5-1002.

21 (b) The purposes of the Authority are:

1 (1) To assist socially or economically disadvantaged persons to obtain
2 working capital that is adequate to begin, continue, and complete projects, the
3 majority of funding for which is provided by government entities or utilities;

4 (2) To encourage socially or economically disadvantaged persons to seek
5 government and other contracts; [and]

6 (3) To encourage financial institutions to make loans to these persons;
7 AND

8 (4) TO ASSIST SMALL BUSINESSES THAT, BECAUSE THEY DO NOT MEET
9 THE ESTABLISHED CREDIT CRITERIA OF FINANCIAL INSTITUTIONS, ARE UNABLE TO
10 OBTAIN ADEQUATE BUSINESS FINANCING ON REASONABLE TERMS THROUGH
11 NORMAL FINANCING CHANNELS.

12 5-1025.

13 (b) If the applicant is an individual, the applicant shall satisfy the Authority
14 that:

15 (1) The applicant is of good moral character;

16 (2) As determined from creditors, employers, and other individuals who
17 have personal knowledge of the applicant, the applicant has a reputation for financial
18 responsibility;

19 (3) The applicant is a resident of Maryland or the applicant's principal
20 place of business is in Maryland; and

21 (4) The applicant is unable to obtain adequate business financing on
22 reasonable terms through normal lending channels because the applicant:

23 (i) Belongs to a group that historically has been deprived of access
24 to normal economic or financial resources because of race, color, creed, sex, religion, or
25 national origin;

26 (ii) Has an identifiable physical handicap that severely limits the
27 ability of the applicant to obtain financial assistance, but does not limit the ability of
28 the applicant to perform the contract or other activity for which the applicant would
29 be receiving financial assistance; [or]

30 (iii) Has any other social or economic impediment that is beyond the
31 personal control of the applicant, such as lack of formal education or financial
32 capacity or geographical or regional economic distress but that does not limit the
33 ability of the applicant to perform the contract or other activity for which the
34 applicant would be receiving financial assistance; OR

35 (IV) DOES NOT MEET THE ESTABLISHED CREDIT CRITERIA OF AT
36 LEAST ONE FINANCIAL INSTITUTION.

1 5-1029.

2 (a) The Authority may utilize the Guaranty Fund to guarantee up to 80
3 percent of the principal of and interest on a long-term loan made by a financial
4 institution to an applicant only if:

5 (1) The applicant meets the requirements of § 5-1025 and has not
6 violated any provisions of § 5-1031 of this subtitle;

7 (2) The loan amount is not less than \$5,000 and the maximum amount
8 payable by the Authority under its guarantee does not exceed [\$600,000] \$1,000,000;

9 (3) The purposes for which the loan is to be used include:

10 (i) Working capital;

11 (ii) The acquisition and related installation of machinery or
12 equipment;

13 (iii) Necessary improvements to real property leased or owned in fee
14 simple by the applicant; or

15 (iv) The acquisition of real property to be owned in fee simple by the
16 applicant if:

17 1. The real property is to be used in the operation of the
18 applicant's trade or business for which the loan and guarantee are sought; and

19 2. A lien is placed on the real property by the financial
20 institution or the Authority;

21 (4) The loan shall mature in not more than 10 years from the date of
22 closing of the loan; and

23 (5) The rate of interest on the loan is no greater than the rate of interest
24 determined by the Authority to be the monthly weighted average of the prime lending
25 rate, plus 2 percent, prevailing from time to time in the City of Baltimore on
26 unsecured commercial loans.

27 5-1043.

28 The purpose of the Equity Participation Investment Program is:

29 (1) [to] TO encourage and aid in the creation and development of
30 franchises and technology-based businesses, and in the acquisition of existing
31 businesses, in the State by socially or economically disadvantaged persons; AND

32 (2) TO ASSIST SMALL BUSINESSES THAT, BECAUSE THEY DO NOT MEET
33 THE ESTABLISHED CREDIT CRITERIA OF FINANCIAL INSTITUTIONS, ARE UNABLE TO
34 OBTAIN ADEQUATE BUSINESS FINANCING ON REASONABLE TERMS THROUGH
35 NORMAL FINANCING CHANNELS.

1 5-1046.

2 (f) If the applicant enterprise is an individual, the applicant shall satisfy the
3 Authority that:

4 (1) The applicant is of good moral character;

5 (2) As determined from creditors, employers, and other individuals who
6 have personal knowledge of the applicant, the applicant has a reputation for financial
7 responsibility;

8 (3) The applicant is a resident of Maryland or the applicant's principal
9 place of business is in Maryland; and

10 (4) The applicant is unable to obtain adequate business financing on
11 reasonable terms through normal lending channels because the applicant:

12 (i) Belongs to a group that historically has been deprived of access
13 to normal economic or financial resources because of race, color, creed, sex, religion, or
14 national origin;

15 (ii) Has an identifiable physical handicap that severely limits the
16 ability of the applicant to obtain financial assistance, but does not limit the ability of
17 the applicant to perform the contract or other activity for which the applicant would
18 be receiving financial assistance; [or]

19 (iii) Has any other social or economic impediment that is beyond the
20 personal control of the applicant, such as lack of formal education or financial
21 capacity or geographical or regional economic distress but that does not limit the
22 ability of the applicant to perform the contract or other activity for which the
23 applicant would be receiving financial assistance; OR

24 (IV) DOES NOT MEET THE ESTABLISHED CREDIT OR INVESTMENT
25 CRITERIA OF AT LEAST ONE FINANCIAL INSTITUTION.

26 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
27 October 1, 2001.