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By: **Senators Exum and Kelley**

Introduced and read first time: February 9, 2001

Assigned to: Rules

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A BILL ENTITLED

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:

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

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

27                   (3)       To encourage financial institutions to make loans to these persons;

28 AND

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

5 5-1025.

6 (b) If the applicant is an individual, the applicant shall satisfy the Authority  
7 that:

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

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

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

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

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

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

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

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

30 5-1029.

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

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

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

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

4                   (i)     Working capital;

5                   (ii)    The acquisition and related installation of machinery or  
6 equipment;

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

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

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

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

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

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

21 5-1043.

22     The purpose of the Equity Participation Investment Program is:

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

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

30 5-1046.

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

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

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

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

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

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

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

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

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

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