

SENATE BILL 51

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C8

2003 Regular Session  
3lr0955

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By: **Senators Exum, Astle, Britt, Conway, Della, Gladden, Grosfeld, Hooper,  
Kelley, Klausmeier, Lawlah, and Teitelbaum**

Introduced and read first time: January 17, 2003

Assigned to: Finance

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A BILL ENTITLED

1 AN ACT concerning

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

4 FOR the purpose of authorizing the Maryland Small Business Development  
5 Financing Authority to utilize its Guaranty Fund to guarantee up to a certain  
6 amount the principal and interest of certain loans used to refinance existing  
7 debt; and generally relating to the use of the Guaranty Fund of the Maryland  
8 Small Business Development Financing Authority to guarantee loans.

9 BY repealing and reenacting, with amendments,  
10 Article 83A - Department of Business and Economic Development  
11 Section 5-1029  
12 Annotated Code of Maryland  
13 (1998 Replacement Volume and 2002 Supplement)

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

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

17 5-1029.

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

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

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

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

26 (i) Working capital;

- 1 (II) REFINANCING EXISTING DEBT OF THE APPLICANT;
- 2 [(ii)] (III) The acquisition and related installation of machinery or  
3 equipment;
- 4 [(iii)] (IV) Necessary improvements to real property leased or owned  
5 in fee simple by the applicant; or
- 6 [(iv)] (V) The acquisition of real property to be owned in fee simple  
7 by the applicant if:
- 8 1. The real property is to be used in the operation of the  
9 applicant's trade or business for which the loan and guarantee are sought; and
- 10 2. A lien is placed on the real property by the financial  
11 institution or the Authority;
- 12 (4) The loan shall mature in not more than 10 years from the date of  
13 closing of the loan; and
- 14 (5) The rate of interest on the loan is no greater than the rate of interest  
15 determined by the Authority to be the monthly weighted average of the prime lending  
16 rate, plus 2 percent, prevailing from time to time in the City of Baltimore on  
17 unsecured commercial loans.
- 18 (b) A guarantee shall contain such terms and conditions as the Authority may  
19 deem appropriate.
- 20 (c) (1) The Authority may not approve a guarantee pursuant to this section  
21 unless the Authority considers the economic impact of the loan sought to be  
22 guaranteed to be substantial.
- 23 (2) To determine the economic impact of a project, the Authority may  
24 consider:
- 25 (i) The amount of the guarantee obligation;
- 26 (ii) The terms of the loan to be guaranteed;
- 27 (iii) The number of new jobs that will be created by the loan; and
- 28 (iv) Any other factor that the Authority considers relevant.
- 29 (d) In addition to the granting of a loan guarantee, the Authority may for the  
30 benefit of an applicant provide an interest subsidy which may be for the life of the  
31 loan, not to exceed 4 percent, to a financial institution issuing a loan guaranteed by  
32 the Authority pursuant to this section which:
- 33 (1) Is payable quarterly;

1                   (2)       Shall not exceed the difference between the rate of interest requested  
2 by the financial institution to make the loan, which rate shall not exceed the rate of  
3 interest determined by the Authority to be the monthly weighted average of the prime  
4 lending rate, plus 2 percent, prevailing from time to time in the City of Baltimore on  
5 unsecured commercial loans, and the discount rate of interest employed by the  
6 Federal Reserve Bank of the United States, the difference to be determined by the  
7 Authority as of the date of closing of the loan for which the guarantee is given; and

8                   (3)       Is payable during the term of the loan, excluding any period in which  
9 the Authority determines that the loan is in default.

10       SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
11 July 1, 2003.