

HOUSE BILL 601

C8

5lr2247

By: **Delegates Phillips, Amprey, Boyce, Conaway, Crutchfield, Pasteur, Patterson, Pena-Melnyk, Roberson, Ruff, Simmons, Taveras, Toles, Wells, White Holland, and Woods**

Introduced and read first time: January 23, 2025

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Economic Development – Small Business Guaranty Fund – Alterations**

3 FOR the purpose of providing that a guaranty under the Small Business Guaranty Fund
4 may be supported by the full faith and credit of the State of Maryland or approved
5 in a certain other manner; and generally relating to the Small Business Guaranty
6 Fund.

7 BY repealing and reenacting, with amendments,
8 Article – Economic Development
9 Section 5–540(a)
10 Annotated Code of Maryland
11 (2024 Replacement Volume and 2024 Supplement)

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

14 **Article – Economic Development**

15 5–540.

16 (a) (1) The Authority may use the Fund to guarantee up to 80% of the principal
17 of and interest on a long-term loan made by a financial institution to an applicant only if:

18 (i) the applicant meets the requirements under § 5–541 of this
19 subtitle and has not violated § 5–545 of this subtitle;

20 (ii) the loan amount is \$5,000 or more and the maximum amount
21 payable by the Authority under the guaranty does not exceed \$2,000,000;

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(iii) the loan is used for:

1. working capital;
2. refinancing the applicant's existing debt;
3. acquisition and installation of equipment;
4. making necessary improvements to real property that the applicant leases or owns in fee simple; or
5. acquiring real property that the applicant will own in fee simple if the property is to be used in the applicant's trade or business for which the guaranty is sought and the financial institution or the Authority places a lien on the property;

(iv) the loan matures within 10 years after the closing date of the loan; and

(v) the interest rate does not exceed the monthly weighted average of the prime lending rate prevailing in Baltimore City on unsecured commercial loans, plus 2%, as determined by the Authority.

(2) A GUARANTY PROVIDED UNDER THIS SECTION MAY:

(I) BE SUPPORTED BY THE FULL FAITH AND CREDIT OF THE STATE OF MARYLAND; OR

(II) BE APPROVED IN ONE OF THE FOLLOWING FORMS:

1. AN IRREVOCABLE LETTER OF CREDIT;
2. AN OFFICIAL TREASURER'S CHECK;
3. FUNDS ON DEPOSIT IN AN ESCROW OR OTHER DEPOSITORY ACCOUNT; OR
4. ANY OTHER LEGAL INSTRUMENT PROMISING A FINANCIAL INSTITUTION RESTITUTION OR REIMBURSEMENT FOR ITS LOAN LOSSES.

(3) ANY TERMS AND CONDITIONS GOVERNING THE INSTRUMENTS DESCRIBED UNDER PARAGRAPH (2)(II) OF THIS SUBSECTION MAY NOT BE SO ONEROUS AS TO DISCOURAGE THE FINANCIAL INSTITUTION FROM OFFERING THE LOAN.

1 **[(2)] (4)** (i) The Authority may only approve a guaranty under this
2 section if the Authority determines that the loan to be guaranteed will have a substantial
3 economic impact.

4 (ii) To determine the economic impact of a loan, the Authority may
5 consider:

- 6 1. the amount of the guaranty obligation;
- 7 2. the terms of the loan to be guaranteed;
- 8 3. the number of new jobs that the loan will create; and
- 9 4. any other factor that the Authority considers relevant.

10 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
11 October 1, 2025.