



HB 829 – Economic Development – Small Business Financing – Loan Loss Reserve (Maryland Capital Access Program)

**House Economic Matters Committee
February 24, 2021**

Support

The Maryland Bankers Association represents FDIC-insured community, regional and nation-wide banks that employ more than 26,000 Marylanders and have over 1,400 branches across our State. The Maryland banking industry serves about 6 million customers across the State and provides an array of financial services including business lending, residential mortgage lending, business banking, estates and trust services, consumer banking and more.

MBA supports HB 829 and we applaud the bill sponsor on their leadership on this issue. Similar to an existing, successful program in California, HB 829 creates a loan loss reserve program to benefit qualifying Maryland small businesses, held by the Department of Commerce, for financial institutions making qualified loans. Generally speaking, a loan loss reserve fund is a form of credit enhancement, or a type of insurance, that helps lenders control for some of the risks associated with making the loan. Under the program established by HB 829, each time a qualifying loan is made to a small business, a percentage of the loan amount is deposited into the loan loss reserve account by the lender, the borrower, and the State. The loan loss reserve account can provide up to 100% coverage on certain loan defaults. The intent of the legislation is to encourage lending to small businesses that have difficulty obtaining financing for a variety of reasons, such as a insufficient collateral or not enough time in businesses. Based on feedback from our members, loan loss reserve programs are helpful in helping offset these risks and can act as a form of credit enhancement, or type of insurance that helps lenders control for some of the risks associated with making the loan. Maryland banks stand by their clients and communities and are committed to serving as a source of strength and stability, especially during times of need, such as the pandemic. This bill will provide additional tools to help lenders support Maryland small businesses.

Banks are in the business of lending and working with their customers and business clients to meet their current and developing needs. For example, in round one of the federal Paycheck Protection Program, a brand new small business grant program created by the Federal CARES package, Maryland banks immediately rolled up their sleeves to work round the clock with the Small Business Administration, Treasury and Maryland small businesses. The result – by August 8, small businesses and nonprofits, across Maryland, received over 86,000 forgivable loans totaling more than \$10 billion. Maryland banks deployed almost 90% of the PPP loans. These loans helped support more than 950,000 in Maryland and helped sustain the State's businesses and nonprofits.

And this support and commitment from Maryland banks remains strong. In the first two weeks of PPP round two, 14,645 PPP round two loans have been made in Maryland worth \$1.45 billion. This is just one example of the ways Maryland banks are working to support small businesses, help the economy and support Maryland jobs and employment.

This is just one example of the ways Maryland banks work to help support Maryland small businesses. We look forward to continuing to work with the bill sponsor and the other stakeholders on this important bill and urge a favorable committee report.