

February 22, 2021

**FAVORABLE VOTE**  
***HB829/SB788 Capital Access Program***

The Howard County Chamber (Chamber) is an organization dedicated to the advancement of a vibrant and thriving business community with a positive economic climate. To help achieve these goals, we look for public policies that help businesses of all sizes to be successful. Unfortunately, after a difficult 2020, many small businesses are struggling to keep their doors open. However, we believe HB829/SB788 the Maryland Capital Access Program (MD CAP) can be the assistance they need to help them back on their feet. The MD CAP encourages banks and other financial institutions to make loans to small businesses that have difficulty obtaining financing. This bill is important as it will stimulate opportunities for small businesses to access affordable capital, especially those that have been unable to or have had difficulty obtaining loans from traditional financial institutions in the past.

Passing HB829/SB788 will create a loan loss reserve program, managed by the Department of Commerce, for financial institutions making qualified loans. Each time a qualifying loan is made to a small business, a percentage of the loan amount will be deposited into the loan loss reserve account by the lender, the borrower, and the State. The loan loss reserve account then creates a form of loan portfolio insurance for each lending institution which can provide up to 100% coverage on certain loan defaults. This will give lenders the confidence to modify underwriting guidelines and be more flexible on collateral and credit requirements. Further, particularly for CDFIs, the loan loss reserve account can decrease the cost of borrowing money. The program motivates lenders to bank a wider band of businesses with the assurance that losses can be recovered from the loan loss reserve account.

As an advocate for businesses, the Chamber is constantly looking for opportunities and policies that will keep Maryland attractive to businesses. Having the MD CAP, which is based on a proven financing mechanism to help meet the lending needs of small businesses, we can collectively keep more businesses open in Maryland.

For the reasons outlined above, the Chamber asks the committee to vote in favor of HB 829/SB788. Should there be any questions concerning the Chamber's position, I can be reached at 443-878-1234.