



TESTIMONY PRESENTED TO THE SENATE BUDGET AND TAXATION COMMITTEE

**SENATE BILL 788 – ECONOMIC DEVELOPMENT – SMALL BUSINESS FINANCING-
LOAN LOSS RESERVE (MARYLAND CAPITAL ACCESS PROGRAM)**

Sponsor – Senators Hester, Feldman, West, Peters, Kramer, and Kagan

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**DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE**

Position: Support

The Greater Baltimore Committee (GBC) supports Senate Bill 788 which would create the Maryland Capital Access Program, a loan loss reserve program managed by the Department of Commerce, to encourage banks and other financial institutions to make loans to small businesses that have difficulty in obtaining financing. Financial institutions making qualifying loans to small businesses would apply to participate in the program, which would act as a form of loan portfolio insurance for each lending institution providing coverage on certain loan defaults.

The 21st Century Cities Initiative at Johns Hopkins University conducted a study on the lending environment in Baltimore City and found that, between 2007 and 2016, the total number of small business loans as well as the total dollar amount loaned fell significantly. In 2007, a total of 17,084 loans were made in the amount of \$457 million compared to 2016 which saw a decrease to 8,274 loans totaling \$307 million. These statistics demonstrate the challenge that small businesses experience in securing access to capital in the traditional financial lending market, as lenders are not willing or able to take on the risk associated with such loans.

Senate Bill 788 providing to a loan loss reserve account will provide lenders (i.e. - credit unions, financial institutions, and community development financial institutions) greater confidence to modify underwriting guidelines and to be more flexible on collateral and credit requirements. Having the assurance that losses can be recovered from the loan loss reserve account can motivate lenders to bank a more diverse group of businesses.

Senate Bill 788 is consistent with the GBC's 2021 *Legislative Priorities* and the Greater Baltimore Committee's COVID-19 Advisory Council recommendations that urge the creation of new programs and initiatives that provided small and minority businesses' with greater access to capital. Senate Bill 788, the creation of a loan loss reserve program is a positive step to stimulate opportunities for small businesses that have had difficult in securing business loan financing.

For these reasons, the Greater Baltimore Committee urges a favorable report on Senate Bill 788.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 66-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.

GREATER BALTIMORE COMMITTEE

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