

# **MD SBDC - SB788 CAP Written Testimony - PDF.pdf**

Uploaded by: Bardack, Paul

Position: FAV



**Lead Center**  
**7761 Diamondback Drive**  
**College Park, MD 20742**

**TO:** Senate Finance Committee  
Senator Delores G. Kelley, Chair  
Senator Brian J. Feldman, Vice Chair

Senate Committee on Budget and Taxation  
Senator Guy Guzzone, Chair  
Senator Jim Rosapepe, Vice Chair

**CC:** Senators Hester, West, Peters, Kramer, Kagan

**FROM:** Maryland Small Business Development Center  
Ruth Chavez, Business Consultant  
Paul Bardack, Executive Director

**DATE:** March 16, 2021

**SUBJECT:** SB 788 – Maryland Capital Access Program – **FAVOR**

---

The Maryland Small Business Development Center (SBDC) wishes to go on record as favoring the enactment of SB 788.

The Maryland SBDC, as you may know, provides confidential management and financial consulting to entrepreneurs at no cost to them. We also offer group training to people running well established companies at one end of the spectrum, to people simply thinking of bringing their business ideas to reality at the other.

Just last year, we served over 9,000 business owners, helped them raise more than \$148 million, supported nearly 54,000 Maryland jobs, and even – in the midst of these terrible times – helped 267 entrepreneurs start new companies. In so doing, we proved ourselves to be the premiere organization in Maryland helping the most vulnerable small businesses to weather the pandemic.

Despite our best efforts, however, many of our clients were – and continue to be – unable to obtain the capital their businesses need to survive and, perhaps, even grow.

The reason we wholeheartedly support the enactment of SB 788, therefore, is that the bill would incentivize small lenders to provide capital to precisely those entrepreneurs who typically face challenges accessing private financing.

Capital, as many of you have heard from your constituents, is essentially inaccessible to a substantial portion of Maryland's established and aspiring entrepreneurs, many of whom are members of minority communities. Nearly 80% of small business applications to commercial lenders are rejected, in fact. That high rejection rate is due in large part to current bank lending practices – most notably lender risk tolerance – far more than it is due to the perceived viability of the business whose owner is seeking a bank loan.

SB 788 directly addresses this problem by reducing the risk tolerance of prospective lenders when considering loan applications from prospective borrowers. It incentivizes lenders to make loans to entrepreneurs who would typically be denied capital were this bill not to become law. And it would help businesses receive the capital they need to pivot as needed to overcome the many challenges they confront when seeking money for such purposes as working capital, equipment acquisition, store improvements, and the like.

To cite just one example: many of Maryland's restaurant owners, and owners of retail companies, will need to add significant e-commerce capabilities to survive current economic conditions. The websites needed to permit this addition are often quite expensive to develop to meet customer expectations; costs can be as much as \$10,000 or more. Without this legislation, many of those business owners will be unable to engage in the e-commerce they require to survive, because they cannot get the financing needed to augment their current operations. And those that do get the capital they need from alternative, even underground, sources may be required to repay those loans with interest rates as high as 400%.

We support this legislation, therefore, because it would stimulate in Maryland the flow of much needed capital to smaller companies – just as the program it is based upon has stimulated the flow of much needed capital to smaller companies in other states. That would give hope to entrepreneurs throughout our state, both during the current pandemic and beyond.

## **SB0788 - 03.16.21--Economic Development Small Bus**

Uploaded by: Fry, Donald

Position: FAV



**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**

**March 16, 2021**

**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 21<sup>st</sup> 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**

111 South Calvert Street • Suite 1700 • Baltimore, Maryland • 21202-6180

(410) 727-2820 • [www.gbc.org](http://www.gbc.org)

# **SB 788 Kopp Testimony (FAV).pdf**

Uploaded by: Kopp, Nancy

Position: FAV



**MARYLAND STATE TREASURER**  
**Nancy K. Kopp**

**Written Testimony of State Treasurer Nancy K. Kopp**

**SB 788 – Economic Development – Small Business Financing – Loan Loss Reserve  
(Maryland Capital Access Program)**

**Before the  
Senate Finance and Budget & Taxation Committees**

**March 16, 2021**

Thank you to the bill's sponsors for inviting me to comment on Senate Bill 788, and also to Chairs Kelley and Guzzone and the members of the Finance and Budget & Taxation Committees.

SB 788 seeks to provide small businesses with increased access to capital, while simultaneously allowing lending institutions to feel confident in their investments. Lenders are able to issue financing on their own terms and, because of shared contributions to a loss reserve fund, with the knowledge that the State is similarly invested in a borrower's success. While the State's participation in the guarantee program would provide lenders some additional security, those lending institutions would still have significant "skin in the game" to warrant applying prudent lending requirements in the transactions.

At a time when so many of our citizens and small businesses are struggling to manage the economic effects of the pandemic, SB 788 and its House counterpart could provide an important bridge to connect borrowers with those lenders most willing and able to assist and effectively expand access to critical capital for small businesses. The health of Maryland's small businesses is an important piece of the State's recovery from the pandemic induced economic downturn; I believe carefully supporting these businesses to aid in our collective recovery is a goal we all share.

The sponsors of SB 788 and HB 829 consulted with the State Treasurer's Office on the bill's concept prior to the 2021 session and we appreciate that comments that we think further strengthen the program were incorporated. I believe a favorable report on SB 788 could lead to significant support for growing small businesses and to strengthen essential links between the businesses and a range of community lending institutions.

## **GR 21 - SB 788 - Small Business - Loan Loss Reserv**

Uploaded by: Lehman, Mindy

Position: FAV





**SB 829 – Economic Development – Small Business Financing – Loan Loss Reserve  
Maryland Capital Access Program)**

**Senate Finance Committee  
March 16, 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 SB 788 and we applaud the bill sponsor on their leadership on this issue. Similar to an existing, successful program in California, SB 788 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 SB 788, 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 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 few weeks of PPP round two, 35,700 PPP loans have been made to Maryland businesses totaling \$2.95 billion. This totals over 120,000 PPP loans in less than a year. 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.

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.

## **SB788- MDDCCUA- Economic Development – Small Busin**

Uploaded by: Murray, Rory

Position: FAV



MD|DC

Credit Union Association

Chairwoman Delores Kelley  
3 East  
Miller Senate Office Building  
Annapolis, MD 21401

**SB788:** Economic Development – Small Business Financing – Loan Loss Reserve (Maryland Capital Access Program)

**Testimony on Behalf of:** MD|DC Credit Union Association

**Position:** Support

Chairwoman Kelley, Vice-Chair Feldman and Members of the Committee:

The MD|DC Credit Union Association, on behalf of the 77 Credit Unions and their 2.2 million members that we represent in the State of Maryland, appreciates the opportunity to testify on this legislation. Credit Unions are member-owned, not-for-profit financial cooperatives whose mission is to educate and help members achieve financial well-being. We support this bill.

Credit unions were founded on principles of member economic participation and concern for the community and take great pride in being able to serve those who have been historically unbanked or underbanked. Of the 77 Credit Unions headquartered in Maryland, 50 are specifically designated to serve traditionally disadvantaged populations. Thirty-six of these credit unions are low-income designated,<sup>1</sup> twelve are Minority Depository Institutions,<sup>2</sup> and two are Community Development Financial institutions.<sup>3</sup> As stated in the bill, the program's purpose is to "stimulate opportunities for small businesses that may have difficulty obtaining business financing to have access to credit by establishing a loan loss reserve program." This is an important goal. Importantly, this program does not require or state an expectation that a financial institution modifies underwriting standards. Safety and soundness must always come first. Current standards are thoughtfully created to provide supportive, prudent, and reliable sources of business financing for the community.

As always, we appreciate the ability to have our voices heard and look forward to a continued partnership. Please reach out to me at [jbratsakis@mddccua.org](mailto:jbratsakis@mddccua.org) or our VP of Advocacy, Rory Murray, at [rmurray@mddccua.org](mailto:rmurray@mddccua.org) with comments or questions.

Thank you!

Sincerely,

John Bratsakis  
President/CEO, MD|DC Credit Union Association

---

<sup>1</sup> a majority of the credit union's membership (50.01 percent) must meet certain low-income thresholds designated by the NCUA and Congress

<sup>2</sup> a majority of its current members, its board of directors, and the community it services, as designated in its charter, fall within any of the eligible minority groups

<sup>3</sup> specialized organizations that provide financial services in low-income communities and to people who traditionally lack access to financing

# **SB788\_FAV\_MRA.pdf**

Uploaded by: Price, Sarah

Position: FAV



**SB788 Economic Development – Small Business Financing – Loan Loss Reserve  
(Maryland Capital Access Program)  
Finance and Budget and Taxation Committees  
March 16, 2021**

**Position:** Favorable

**Background:** Establishing a Capital Access Program in the Department of Commerce for the purpose of stimulating opportunities for small businesses that may have difficulty in obtaining business financing to have access to credit by establishing a loan loss reserve program; specifying that certain loans qualify under the Program; requiring a lender to enroll a qualifying loan not more than 30 days after the date of the first disbursement; authorizing a lender to enroll all or a portion of a qualifying loan in an amount not more than \$250,000; etc.

**Written Comments:** The Maryland Retailers Association is supportive of capital access programs. This program would target small businesses with \$10 million in seed money that caps out at \$250,000 per loan. This program would be helpful to lenders by mitigating risk factors for traditional lending and helps businesses that may not qualify for other lending products. Unfortunately, left with no choice, businesses that cannot access traditional lending products will often find that only predatory online lenders remain as their option which results in a cycle of debt they are unable to escape.

It is for these reasons we urge a favorable report.

# **SB788 - MoCo Chamber - Maryland Capital Access Pro**

Uploaded by: Swanson, Tricia

Position: FAV



*To Lead, Advocate and Connect as the Voice of Business*

## **Senate Bill 788 - Maryland Capital Access Program**

Finance Committee

March 16, 2021

### **SUPPORT**

The Montgomery County Chamber of Commerce (MCCC), as the voice of Montgomery County business, supports Senate Bill 788. This bill would establish a Capital Access Program in the Department of Commerce for the purpose of stimulating opportunities for small businesses that may have difficulty in obtaining business financing to have access to credit by establishing a loan loss reserve program. Businesses could qualify up to \$250,000 in a qualifying loan.

The Chamber advocates for policies that promote strategic investment, a positive business climate and balanced tax reform to further the success of our members and to affirm Maryland's place as relevant and competitive in the regional and global marketplace. To compete, Maryland must retain existing businesses, encourage the formation of new businesses, and even attract businesses from other locations to come here. This helps to expand access to opportunities for our residents and grow the tax base through more jobs and greater economic activity.

One of the many challenges that businesses face is access to capital. Through programs such as the Maryland Capital Access Program, capital can be put toward qualified entities to support their growth.

In 2020, two reports were commissioned to analyze the future of economic development in Montgomery County and Metro Maryland. Both reports ([An Economic Roadmap to Recovery & Long-Term Success](#) and James Chung, "Montgomery County at a Crossroads") spoke to the immense need for future investments through Venture Capital and capital gains, particularly in our Biotech, Quantum Computing, and Hospitality sectors. Montgomery County, and thereby the state, could see investments comparable to Boston and Silicon Valley but the state must pass policies that support this investment. In sum, the Chamber supports efforts to encourage more business activity, in this case among emerging businesses, by infusing them with capital investment.

For the aforementioned reasons, **the Chamber supports Senate Bill 788 and respectfully urges a favorable report.**

*The Montgomery County Chamber of Commerce (MCCC) accelerates the success of our nearly 500 members by advocating for increased business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and is proud to be a Montgomery County Green Certified Business.*

# **SB 788\_Maryland Capital Access Program\_LOI.pdf**

Uploaded by: Schulz, Kelly

Position: INFO





Larry Hogan | Governor  
Boyd Rutherford | Lt. Governor  
Kelly M. Schulz | Secretary of Commerce

**DATE:** March 16, 2021  
**BILL NO:** Senate Bill 788  
**BILL TITLE:** Economic Development - Small Business Financing - Loan Loss Reserve (Maryland Capital Access Program)  
**COMMITTEE:** Senate Finance and Budget & Taxation

## Statement of Information

Senate Bill 788 establishes a loan loss reserve program, administered by the Maryland Department of Commerce (Commerce), as an inducement for lenders to extend credit to small businesses that may have difficulty in obtaining financing. In fiscal year 2023, the legislation requires the Governor to include an appropriation of \$10 million to the program. It notes the intent of the General Assembly that \$50,000,000 of financial assistance provided by the federal government to the State in response to the coronavirus pandemic on or after January 1, 2021, be distributed to capitalize the program, if the purpose of the program is a permissible use of the financial assistance.

The legislation stipulates participating lenders would establish their lending criteria. Qualifying loans could not exceed \$250,000; must have a term of ten years or less; and the lender must enroll the loan in the program not more than 30 days after the date of the first disbursement. The lender and borrower would make prescribed payments to the program, the aggregate of which Commerce would be required to match. Lenders could draw on the program as partial reimbursement of loan losses.

Lenders and their small business borrowers would bear significant costs to participate in the program. For example, the legislation requires payment to the program by the lender and borrower when a loan is made, which serves to increase the loan amount by a minimum of 4% to 7% and possibly greater. A lender would pass its cost to the borrower. The result for the small business borrower is more interest expense and future principal payments. Lack of participation by the lenders would result in state funds required by the legislation to go unutilized.

The amount of additional staff needed to administer the program is uncertain due to unknown demand among potential lenders and their borrowers. At a minimum Commerce would require one new program manager.

Several small business financing programs with the capacity to provide individual loans up to \$250,000 are already in existence and see active utilization. The Maryland Department of Housing and Community Development's Neighborhood BusinessWorks provides flexible business lending programs, and it possesses a loan loss reserve program capability. Additionally, the Small, Minority and Women-Owned Business Account - Video Lottery Terminal Fund (VLT) small business lending program is well funded and its local fund managers are a proven and effective distribution channel. The Maryland Industrial Development Financing Authority remains available to stimulate bank lending through its collateral deficiency guarantee but it sees little interest among lenders, despite Commerce's efforts marketing the program through county economic development officials and lenders.

## **SB 788 Sm Bus Financing-Loan Loss Reserve (Hester)**

Uploaded by: Wilkins, Barbara

Position: INFO

LARRY HOGAN  
Governor

BOYD K. RUTHERFORD  
Lieutenant Governor



DAVID R. BRINKLEY  
Secretary

MARC L. NICOLE  
Deputy Secretary

## **SENATE BILL 788 Economic Development - Small Business Financing - Loan Loss Reserve (Hester, et al)**

### **STATEMENT OF INFORMATION**

**DATE: March 16, 2021**

**COMMITTEE: Senate Finance**

**SUMMARY OF BILL:** SB 788 creates a Capital Access Program in the Department of Commerce that is designed to stimulate opportunities for small businesses that have difficulty in obtaining business financing and, therefore, have access to credit by establishing a Loan Loss Reserve Program. The bill mandates an appropriation in the amount of \$10 million in FY 2023. Further, the bill expresses legislative intent that \$50 million of federal COVID-19 relief funding provided on or after Jan 1, 2021, be distributed to capitalize the State guarantee under the Capital Access Program.

**EXPLANATION:** The enactment of SB 496 RELIEF Act provides the following business assistance: (1) \$10 million for \$9,000 grants to businesses that do not engage in a business activity that requires the business to collect sales and use tax; (2) \$22 million for \$12,000 grants to businesses that are Restaurants and Other Eating Places; (3) \$10 million for \$25,000 grants to businesses that are Hotels (except Casino Hotels) and Motels or Bed-and-Breakfast Inns; (4) \$8 million to provide grants to private commuter and shuttle bus operators, including entities that provide commuter and shuttle bus services contractually to government entities and locally operated transit systems, that lost State or local funding as a result of the COVID-19 pandemic; (5) \$10 million for grants to live entertainment venues or promoters of live performances; (6) \$5 million for grants to assist artists, art districts, or arts organizations; (7) \$2 million to help preserve the State's main street economies; and (8) \$500,000 for grants to businesses in distressed communities to assist the businesses in setting up an online sales framework and offering employees telework opportunities. **Total \$67.5 million**

Previously, the Coronavirus Relief Fund Maryland has provided: \$189 million in business relief through the Department of Commerce, \$7 million for the Layoff Aversion Program; \$41 million through the Department of Housing and Community Development for a non-profit recovery initiative; and \$8.2 million for agriculture through MARBIDCO. **Total \$245.2 million**

The \$250 million withdrawn from the Rainy Day Fund provided assistance to businesses and non-profits through the Departments of Commerce, Housing and Community Development, and Labor, as well as TEDCO. **Total \$250 million**

Through the CARES Act, Federal Fund Information for States (FFIS) estimates that the State received almost **\$29 billion** through the Paycheck Protection Program, UI assistance, and direct payments to health providers.

The COVID-19 Relief Act passed by Congress in December 2020, according to FFIS, could provide Maryland another **\$7.1 billion** in business assistance.

It is incumbent upon us to allow the impact of this unprecedented relief package, and any additional pandemic stimulus that may yet be enacted, to take effect on the State's economy. The Administration continues to evaluate the myriad of impacts associated with the ongoing pandemic and we are sensitive to the need for a rapid economic recovery.

**For additional information, contact Barbara Wilkins at  
(410) 260-6371 or [barbara.wilkins1@maryland.gov](mailto:barbara.wilkins1@maryland.gov)**