

Description of the Legislation (SB 826/HB 1242) to Establish and Fund the “Maryland Watermen’s Micro Loan Program”
Under the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO)

Why the need for the Fund?

- For generations Maryland watermen have labored to harvest delicious fish and shellfish products from the Chesapeake Bay for the benefit of consumers in this State and around the country and world.
- Maryland’s iconic seafood industry has contributed greatly to Maryland’s economy and stature as a wonderful tourist destination, and a great place to live.
- Maryland watermen – now a rapidly aging cohort – have historically had a difficult time accessing affordable commercial capital and credit.
- Maryland’s generational watermen have faced many challenges in recent years and were especially hard-hit during the COVID-19 pandemic due to the loss of markets (particularly restaurants).

How would the Program work?

- The Program would be managed by MARBIDCO, an independent economic development financial intermediary organization that has a lot of experience in managing small agribusiness revolving loan funds.
- Funding would be provided for in the State Budget – \$750,000 for each of two years starting in FY 2024 – to help capitalize the program.
- Funding is provided in the proposed legislation to help MARBIDCO recover its costs of administering the program.
- MARBIDCO would have a total of about \$700,000 available to lend each year for the first two years.
- Approximately 50 to 100 loans could be made each year from the Fund (during FY 2024 and FY 2025).
- **During the first two years of the Program, a loan could only be made to a “Generational Waterman” (as defined in the statute).** Thereafter, once the initial loans are being repaid and principal is revolving back into the program, the program would be expanded to include both Generational Watermen and Beginner Watermen (also as defined in the statute). Seafood Processing Businesses could also be eligible too then.
- After the first two years MARBIDCO would have the ability to structure new loans in a way that best meets the programmatic needs of commercial watermen and the seafood industry at that time.

How would a loan be structured by MARBIDCO during the first two years that the Program is operational?

- Only a “Generational Waterman” could receive a loan.
- The minimum loan amount is \$7,000 and the maximum loan amount is \$15,000.
- The interest rate to be charged would be 3.00% (similar to that charged in the Shellfish Aquaculture Financing Program (initially), but less than the rate other MARBIDCO unsecured lending programs).
- These loans would be unsecured (uncollateralized), but personal guarantees would be required.
- MARBIDCO anticipates using the following loan structuring:
 - o During the first 6 months after the loan is made would require interest-only payments only.

- o The interest-only period would be followed by 4 years of amortizing payments.
- o If all the payments are made as agreed by a borrower, the final (4th) year of the term of the loan would be forgiven by MARBIDCO. For example:
 - For a \$7,000 loan, the total amount of debt to be forgiven in the 4th Year is: \$1,859.
 - For a \$15,000 loan, the total amount of debt to be forgiven in the 4th Year is: \$3,984.