



**Testimony HB 548**  
**Economic Matters Committee**  
**February 22, 2023**  
**Position: FAVORABLE**

Dear Chairman Wilson and Members of the Economic Matters Committee:

The Community Development Network of Maryland (CDN) is the voice for Maryland’s community development sector and serves nearly 200 member organizations. CDN focuses on small affordable housing developers, housing counseling agencies and community-based non-profits across the state of Maryland. The mission of CDN is to promote, strengthen and advocate for the community development sector throughout Maryland’s urban, suburban and rural communities. CDN envisions a state in which all communities are thriving and where people of all incomes have abundant opportunities for themselves and their families.

**HB 548** establishes of a Community Investment Venture Fund by the Commissioner of Financial Regulation for purposes of developing opportunities for banking institutions and credit unions to better serve the needs of low-to moderate-income tracts; providing for certain assessment offset credits for certain banking institutions and credit unions that establish de novo branches or maintain branches in certain areas; authorizing the use of the Banking Institution and Credit Union Regulation Fund for certain purposes; etc.

Access to credit is a cornerstone of financial security and a critical asset-building tool. Being able to borrow money under reasonable terms supports long-term household savings and facilitates purchases that contribute to wealth building. But many Marylanders are “credit invisible,” meaning they have no or low credit scores, preventing them from accessing affordable credit products. The issue is particularly pronounced for households of color and low-income families.

According to Prosperity Now, a national organization committed to creating opportunity economic justice, Black and Hispanic households are nearly twice as likely to be credit invisible or “unscorable” than White families and while the median FICO score for those who live in majority-White communities is around 720, the median score for neighborhoods whose populations are primarily people of color is about 650.

During the Covid-19 pandemic, banks have been doubling the rate of branch closures. According to the National Community Reinvestment Coalition (NCRC) report. [The Great Consolidation of Banks and Acceleration of Branch Closures Across America](#),” the Baltimore metropolitan area lost 14% of its bank branches between 2017 and 2021. Only the Portland, Oregon, experienced a higher rate of closures, with nearly 20% of its bank branches shuttered during that five-year period. Small businesses depend on in-person banking services despite the proliferation of online alternatives. The shrinking of branch networks threatens local economic activity that is key to wealth-building in marginalized communities. Mergers and acquisitions have driven most branch closures, along with the shift to internet-based transactions.

According to the report, two-thirds of banking institutions have disappeared since the early 1980s, declining from nearly 18,000 in 1984 to fewer than 5,000 in 2021.

Finally, this bill is in line with the recommendations of the Maryland Senate report on Equity and Inclusion released in 2021. African Americans and Hispanics face greater challenges than their nonminority counterparts in getting credit and getting favorable loan terms for mortgages and business start-up. Financial institutions offer residents the ability to access loans, establish deposit accounts, and avoid high transaction fees for check cashing and other services. Closure of financial institutions' branches have had serious effects on the surrounding communities, exacerbating the number of underbanked or unbanked individuals.

A recent report from The Center for Responsible Lending shows that over 90% of small minority-owned firms did not receive funds through the federal Paycheck Protection Program, a response to the economic downturn caused by COVID-19, indicating the difficulty in minority firms accessing financial support programs. Further, Black-owned business application rates for new funding are 10 percentage points higher than White-owned firms, but their approval rates are 19 percentage points lower.

Our state has a unique opportunity to look at alternative models to level the playing field to improve community health and revitalization, and take action to close the divide in access to capital for black, Hispanic and low - and moderate- income Marylanders. This is critical to creating more opportunity for people throughout our state.

We respectfully request a favorable report for HB 548

Claudia Wilson Randall, Executive Director, Community Development Network of Maryland