

# **SB550 Letter of Support.pdf**

Uploaded by: Amy Hennen

Position: FAV

March 1, 2023

Senate Finance Committee

Chair: Senator Melony Griffith

Senate Bill 550 - Financial Regulation - Maryland Community Investment Venture Fund - Establishment  
(Access to Banking Act)

**Re: Letter of Support**

The Office of the Commissioner of Financial Regulation’s (“OCFR”) goal is to operate a modern regulatory system that promotes respect for consumers, safety and compliance, fair competition, responsible business innovation, and a strong state economy. Included in that mission is the objective of ensuring that all Marylanders and their respective communities have access to financial services.

At the end of 2021 OCFR produced a report on the banking environment in Maryland. The report included research related to “bank deserts” and included references to studies raising an issue as to whether “bank deserts” are purely a geographical issue or driven by other issues within communities. Considering the research, this bill proposes to both (a) encourage the expansion of access to depository institution services to those who do not regularly use them and (b) encourage the continued availability of depository institution services to those Marylanders who currently have access. This bill proposes this to accomplish two specific goals.

First, the bill seeks to promote communities’ access to physical branches of depository institutions. To that end, the bill would change the assessment system for depository institutions to provide an incentive for institutions to establish de novo branches and to retain existing branches in low-to-moderate income (“LMI”) communities.

Current law requires OCFR to assess each banking institution and credit union with a fee to cover the expense of regulating their respective industries. The assessment is based on the institution's asset size and is unrelated to the costs incurred by OCFR. Assessed funds are paid into the Banking Institution and Credit Union Regulation Fund (the “Special Fund”) which is dedicated to use in funding OCFR’s depository supervisory activities. Over time the Special Fund has amassed a surplus and the bill proposes to use a portion of that surplus to provide an assessment credit for banks that provide access to their branches to LMI communities. The credit is in the amount of \$0.06 per \$1,000 of deposits on branches currently existing in LMI communities and, for a period of five years, \$0.12 per \$1,000 of deposits on de novo branches established in LMI communities. The proposed assessment credit for credit unions would be in the amount of \$0.04 per \$1,000 of deposits on branches currently existing in LMI communities and \$0.08 per \$1,000 of deposits on de novo branches established in LMI communities for a period of 5 years. The assessment credit would apply only to branches of banks or credit unions with a composite 1 or 2 rating and would be capped by the average national growth rate in deposits. The legislation would codify implementation of this credit accordingly.

Second, the bill would authorize OCFR to utilize funds from the Special Fund to seed a private fund (the “Venture Fund”). The Venture Fund will leverage a portion of the revenues that have accumulated in the Special Fund in the past four years to foster financial innovation to assist Maryland lenders in reaching

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businesses in LMI communities. In addition to funding the organizational costs, the Special Fund will provide the initial capitalization of \$2.5 million to the Venture Fund which will be last-out capital. As an “encouragement” to banks and credit unions to reinvest the assessment credit received under this bill each year, OCFR would commit to match (from the Special Fund) any amount invested in the Venture Fund by any Maryland State-chartered bank or credit union up to the amount of the assessment credit received by that bank or credit union that year. This commitment would continue for 5 years through FY 2028. For example, if every bank and credit union were to invest the full amount of their assessment credit in the Venture Fund each year, the Special Fund’s match would be approximately \$1.35 million - assuming both an 8% deposit growth rate (which is the average asset growth rate for the past 6 years) and no loss of banks or credit unions from the current assessment base. The Special Fund has a sufficient balance to support such an investment and OCFR’s ongoing operations.

The goal of the Venture Fund will be to find ways to increase lending to small businesses in LMI areas. The Venture Fund will aid in that endeavor. To accomplish that goal, the Venture Fund would invest in “Fintechs” that (1) develop data points and/or data streams that can be utilized to successfully underwrite small (or micro) business credit in LMI communities; or (2) find ways to utilize existing data points for underwriting credit and capital investments for small businesses in LMI communities. As these underwriting capabilities are developed, the Venture Fund would serve as a source of capital for loans to, or investments in, these small businesses as proof of concept.

For example, a potential investment type would be a Fintech creating systematized information streams for relevant underwriting data to be used for developing scoring models. Fintechs have worked to develop non-traditional approaches to consumer. The Venture Fund would provide capital for similar entities to develop comparable approaches with respect to small business lending. In addition to the access to capital, the potential for a Fintech company to leverage any successful developments beyond the state of Maryland would serve as an added incentive for beneficial small business development.

To facilitate the establishment of the Venture Fund, this bill amends section 2-118 of the Financial Institutions Code to allow for the use of the funds from the Special Fund for this purpose. Under current law, funds can only be used for “costs and expenses... relating to the regulation of banking institutions and credit unions.” Current law includes two examples of costs meeting this requirement, and this legislation adds a third to include the Venture Fund. This bill would add new section 2-118.1 that specifies the purpose and duration of the Venture Fund. When the five-year funding period ends, there would be no further authority to invest Special Funds for this purpose without additional approval from the Legislature.

We believe this bill helps all Marylanders, by encouraging access to banking and encouraging investment in a strong state economy. We urge a favorable report.

# House Bill 548 Sponsor Testimony.docx (1).pdf

Uploaded by: Brad Fallon

Position: FAV



WES MOORE,  
GOVERNOR

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TTY USERS CALL VIA MD RELAY

Chair Griffith, Vice Chair Klausmeier, Distinguished Members of the Finance Committee,

On behalf of Governor Moore, I respectfully ask the Committee for a favorable report on Senate Bill 550 - Financial Regulation - Maryland Community Investment Venture Fund - Establishment (Access to Banking Act). Maryland is home to an array of opportunities that make our state a fantastic place to live, work, and raise a family. But these opportunities are not distributed equally across the state. While Marylanders should be proud that our state is home to some of the most prosperous communities in the nation, we should also be deeply troubled that we're home to some of the poorest. Governor Moore, Lieutenant Governor Miller, and their Administration are guided by the mission to diminish these inequities and provide opportunity in an equitable way that truly leaves no one behind.

The Access to Banking Act is one measure that the Governor is proposing to the General Assembly this legislative session in pursuit of the goal of increasing opportunity in an equitable way. This legislation seeks to expand access to capital for both businesses and individuals located in low-to-moderate income (LMI) communities, in two ways. First, the bill seeks to create an assessment credit on bank or credit union branches located within LMI communities. This will help the bottom line of these branches without interrupting the programs within the office of the Commissioner of Financial Regulation (OCFR) that these assessments fund. This incentive seeks to attract and retain branches in communities that would otherwise be at risk of becoming banking deserts. As research has shown that the presence of financial institutions help to create wage stability and increase investment in both individuals and companies, these credits will help address the root causes of some of the economic challenges LMI communities face.

Second, the bill seeks to establish the Maryland Community Investment Venture Fund ("Fund") as an instrumentality of the state driven by the OCFR. The Fund will receive public funding and will be able to receive private investment from private entities. The Fund will invest in financial technology ("FinTech") companies to develop products and services that will enhance access to capital, funding, and other financial services for businesses in LMI communities. These FinTech products and services will be used to develop underlying data points necessary for a bank to underwrite a loan to a business in an LMI community. This will solve the common issue of a lack of data necessary for a line of credit to be provided to a business in an LMI community. Without access to this credit, these businesses must operate at a significant disadvantage and may never be able to significantly grow. Once these products or services are developed, the Fund may then make them available to banks and credit unions free

of charge to develop data points and expand the pool of who financial institutions are able to lend to.

This legislation takes a partnership approach to solving the complex issue of banking deserts. The Moore-Miller Administration proposes that, to unleash the opportunity of Marylanders from every ZIP code, this sort of collaborative effort is necessary. In order to expand investments in a strategic and equitable way, I respectfully ask the committee for a favorable report on House Bill 548.

Sincerely,

Brad Fallon  
Deputy Legislative Officer

# **SB0550 -- Financial Regulation - Maryland Communit**

Uploaded by: Brian Levine

Position: FAV



**Senate Bill 550 -- *Financial Regulation - Maryland Community Investment  
Venture Fund - Establishment (Access to Banking Act)*  
Senate Finance Committee  
March 1, 2023  
Support**

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, supports Senate Bill 550 -- *Financial Regulation - Maryland Community Investment Venture Fund - Establishment (Access to Banking Act)*.

Senate Bill 550 authorizes the establishment of a Community Investment Venture Fund by the Commissioner of Financial Regulation for the purpose of developing opportunities for banking institutions and credit unions to better serve the needs of low-to moderate-income tracts. The Maryland Community Investment Venture Fund is defined as a “private venture fund that is separately chartered equity fund using both public and private investment funds.”

Senate Bill 550 provides incentives for banks to better serve low-income and moderate-income residents by enhancing access to capital, funding, and other financial services. Increasing access to capital and banking services for all Maryland entrepreneurs will benefit economic activity and job creation. MCCC is particularly intrigued by the increased opportunities this bill offers to entrepreneurs in low-to moderate-income tracts that want to enter the federal contracting sector, which continues to provide economic growth opportunities in the Metro Maryland region.

For MCCC members, increased access to capital has long been a priority, especially among our small businesses in the Metro Maryland region that have a more difficult time accessing banking. Building entrepreneurial activity and generational wealth for underserved communities should be top of mind for policymakers and the key to unlocking this potential is greater access to capital for Maryland’s business community. This bill is a great step forward to tackle our most challenging and unmet needs, including eliminating income inequality and knocking down barriers to prosperity.

**For these reasons, the Montgomery County Chamber of Commerce supports Senate Bill 550 and respectfully requests a favorable report.**

*The Montgomery County Chamber of Commerce, on behalf of our nearly 500 members, advocates for growth in 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 a proud Montgomery County Green Certified Business.*

*Brian Levine | Vice President of Government Affairs  
Montgomery County Chamber of Commerce  
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**CDN SB550 FAVORABLE.pdf**

Uploaded by: Claudia Wilson Randall

Position: FAV



**Testimony SB 550**  
**Economic Matters Committee**  
**Finance Committee**  
**March 1, 2023**  
**Position: FAVORABLE**

Dear Chairman Griffith and Members of the Finance 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.

SB 550 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.

The way credit scores are traditionally calculated does not necessarily capture a person's creditworthiness. The major scoring models consider payments for some expenses, while not factoring in regular, on-time payment of others. For example, expenses like mortgages and credit cards are routinely taken into account, while recurring payments like rent are often not reported to the agencies. Unfortunately, the type of expenses that are usually reported do not accurately gauge the credit risk of many consumers, particularly low-income borrowers and borrowers of color (e.g., wealthier households are more likely to have mortgages, while less wealthy households tend to

rent). These traditionally unreported routine payments are considered “alternative” sources of data and, along with rent, can include nonfinancial information. The reporting of rent, utility and telecommunications payments has the potential to create a much more inclusive credit market. Research shows the inclusion of rent, utility and phone payments (whether landline or mobile) can boost scores or create scores for previously “invisible” consumers without weakening the predictive power of the score and without compromising consumer safety.

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. On the state level, Maryland had the third highest proportional losses of bank branches, with 246 bank branches closing, representing a 13.8% loss. 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 can have 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 SB 550.

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

**CE Ball 2023 - SB 550 Access to Banking\_Support.pd**

Uploaded by: County Executive Calvin Ball

Position: FAV



## HOWARD COUNTY OFFICE OF COUNTY EXECUTIVE

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March 1, 2023

Senator Melony Griffith, Chair  
Senate Finance Committee  
Miller Senate Office Building, 3 East  
Annapolis, Maryland 21401

Re: **TESTIMONY OF SUPPORT**: SB 550: Financial Regulation - Maryland Community Investment Venture Fund - Establishment (Access to Banking Act)

Dear Chair Griffith, Vice Chair Klausmeier, and Members of the Committee,

I commend Governor Moore and the many members of the General Assembly for their support of Senate Bill 550: Access to Banking Act. Bold leadership is required to lift the barriers to economic prosperity for all. This legislation would ensure all Marylanders have equal access to banking opportunities and the necessary capital to start a business.

Small businesses are the economic engine of our State and help our communities thrive. In 2021, we established “HoCo Higher,” a program to empower early-stage and historically under-served entrepreneurs to learn about the essentials of business planning, operations, credit building, digital communication, and financial management. Since the program launched, three cohorts of over 60 businesses have graduated with nearly \$300,000 in grant funding for these emerging businesses. In our most recent cohort, 92% of participants were minority or women-led businesses.

During the pandemic, the Howard County Economic Development Authority launched the BRITE Program, which is designed to assist early-stage businesses with coaching and mentoring services. So far, the program has served more than 160 start-ups and nearly 225 entrepreneurs have completed classes at the Kenneth S. Ulman Innovation Hub. The BRITE Program has hosted four pitch competitions that have awarded over \$30,000 to 20 start-up firms. These “shark-tank” style competitions prepare participants for other venture capital funding opportunities that are vital to the success of their businesses, many of which are owned by women and/or people of color.

Howard County will continue to promote initiatives that will expand economic growth and more opportunities for our small businesses. Access to banking is a critical catalyst for transforming communities, but in many neighborhoods throughout our state, these options simply are not available. Senate Bill 550 will provide opportunities to these areas and improve the economic conditions for all Marylanders.

I welcome your support and urge a favorable report on Senate Bill 550.

All the Best,

Calvin Ball  
Howard County Executive

**SB0550 - SUP - GR23.pdf**

Uploaded by: Drew Jabin

Position: FAV



**SB 550 – Financial Regulation - Maryland Community Investment Venture Fund - Establishment (Access to Banking Act)**

**Committee:** Senate Finance Committee

**Date:** March 1, 2023

**Position:** Support

The Maryland Bankers Association (MBA) **SUPPORTS** SB 550 which authorizes the Commissioner of Financial Regulation to establish the Community Investment Venture Fund. This Fund would develop opportunities, including funding for certain innovative advancements, to assist banks in better serving low- and moderate-income communities. The bill also establishes incentives for Maryland chartered institutions in the form of assessment offset credits for branches located in low- to moderate-income tracts in the State.

Our members are partners in their local economies and are directly interested in the economic growth, health, and vitality of communities across the State. Consumer needs and preferences drive the direction of the banking industry and banks are committed to meeting customers' demands for convenience. Banks remain eager to ensure all Marylanders have access to safe, affordable financial products and services that meet their needs in their communities.

MBA supports positive policy initiatives that aim to increase equitable, sustainable, and affordable wealth building opportunities in all communities and accordingly, MBA urges a **FAVORABLE** report on SB 550.

*The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing more than 30,000 Marylanders and holding more than \$181 billion in deposits in over 1,000 branches across our State. The Maryland banking industry serves about 4 million customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.*

# **SB550 – Financial Regulation - Maryland Community**

Uploaded by: John Bratsakis

Position: FAV





MD|DC  
Credit Union Association

March 1, 2023

Chair Melony Griffith  
3 East  
Miller Senate Office Building  
Annapolis, Maryland 21401

**SB550 – Financial Regulation - Maryland Community Investment Venture Fund - Establishment (Access to Banking Act)**

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

**Position:** Support

Chair Griffith, Vice-Chair Klausmeier, and Members of the Committee:

The MD|DC Credit Union Association, on behalf of the 70+ Credit Unions and their 1.9 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 that prioritize the financial well-being of their members. **We support this bill.**

We appreciate the Administration's focus on helping low-income communities have better access to banking. This goal falls directly in line with the mission of credit unions, which is to serve the productive and provident credit needs of individuals of modest means. Most importantly, this bill ensures that the products developed by the venture fund will be safely disseminated to the public through regulated financial institutions. Jurisdictions often miss this vital point when creating these types of programs, leading to unregulated fintech companies impacting people's lives without oversight.

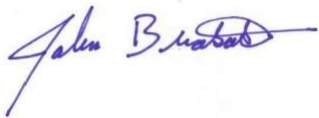
Credit unions have always been focused on finding ways to serve the needs of the underserved. In fact, over 50 percent of credit unions nationwide are low-income designated (LID). To qualify as a low-income credit union, a majority of the credit union's membership (50.01 percent) must meet certain low-income thresholds based on data from the Census Bureau.<sup>1</sup> Additionally, Maryland is home to eleven minority depository institution (MDI) designated credit unions and three community development financial institutions (CDFI) credit unions. Our commitment to serving the underserved is the backbone of the credit union movement.

While the credit union mission and structure ensure that they remain committed to the communities they are chartered to serve, providing assessment offset credits to "sound" institutions<sup>2</sup> that either open de novo branches or maintain branches in low-income areas is a nice incentive. As we understand, the Banking Institution and Credit Union Regulation Fund is in a great position to handle the costs of the credits and capitalize the private venture fund without adding any fees to the regulated institutions.

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<sup>1</sup> "Annual Report, 2021," National Credit Union Administration. Accessed February 16, 2023. <https://www.ncua.gov/files/annual-reports/annual-report-2021.pdf>. <sup>2</sup> CAMEL ratings 1 or 2

Our member credit unions look forward to working with the Commissioner's office and venture fund to see how these products can help lift up the communities they serve. Sincerely,

A handwritten signature in blue ink that reads "John Bratsakis". The signature is fluid and cursive, with a long horizontal stroke at the end.

John Bratsakis  
President/CEO

**SB 550 - Banking - FAV - REALTORS.pdf**

Uploaded by: Lisa May

Position: FAV



**Senate Bill 550** – Financial Regulation - Maryland Community Investment Venture Fund - Establishment (Access to Banking Act)

**Position: Support**

Maryland REALTORS® supports efforts to expand access to local banking institutions, as is proposed in SB 550.

While SB 550 is directed toward small business investment, this legislation can also improve the ability of Maryland residents to gain access to homeownership. Lower-income and minority populations are more likely to be “unbanked” or “underbanked” than other groups. Studies by Brookings and the NAACP show that majority-black neighborhoods have less access to mortgage lending, higher interest rates on loans, and a lesser concentration of bank branches in their areas.

For these residents, this translates into paying higher fees for access to capital and decreases their ability to build a credit profile that allows them to qualify for rental housing or homeownership. By facilitating bank branches in underserved areas, Maryland can assist both with business development and homeownership among these populations.

For this reason, REALTORS® recommends a favorable report for SB 550.

**For more information contact  
lisa.may@mdrealtor.org or christa.mcgee@mdrealtor.org**

## **(2.28) SB 550 - Financial Regulation - Maryland Co**

Uploaded by: Tonaeya Moore

Position: FAV



**SB 550 - Financial Regulation - Maryland Community Investment Venture Fund - Establishment (Access to Banking Act)**

**Senate Finance Committee**

**March 1<sup>st</sup>, 2023**

**SUPPORT**

Chairwoman Griffith, Vice-Chair and members of the committee, thank you for the opportunity to submit testimony in support of Senate Bill 550. This bill will improve access to banking for low-income communities.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

Underbanked is a term used to describe people in an area with insufficient access to banking institutions in their communities. Unbanked is a term used to describe people who are not served by banking institutions. **According to the Federal Deposit Insurance Corporation (FDIC), around 16% of Marylanders are underbanked and 5% of Marylanders are unbanked.** Unfortunately, Maryland's unbanked population has been increasing since 2019. This means there are individuals that do not have sufficient access to traditional banking services. This leads to consumers interacting with more alternative financial services which put them at an increased risk of being scammed. Unbanked and underbanked communities face inconvenient and costly consequences. It can lead to people paying high fines and fees to cash checks or money orders, and it can also be a barrier for people to pay bills or build their credit scores. Black and brown communities are the most affected by the negative impact of being unbanked/underbanked.

CASH is the non-profit administrator for Baltimore City's Guaranteed Income (GI) program. This program serves 200 young parents between the ages of 18- 24. Even though CASH interacted with a small population within Baltimore City, during the onboarding process CASH was able to help around 40 participants open a safe and affordable bank account that meets [Bank On](#) standards. CASH was able to help a small population of young adults open bank accounts, however, many of those bank accounts are with institutions that do not have a branch in their community. This means that many of the participants are still underbanked and will continue to face unnecessary consequences. There are thousands of Marylanders that need access to banking institutions in their communities that range from young adults- needing strong connection to financial institutions to secure their future- to older adults- needing strong protections that banking institutions provide to protect their earnings.

**Thus, we encourage you to return a favorable report for SB 550.**

*Creating Assets, Savings and Hope*