



TO: Senate Finance Committee
FROM: Francesca Ioffreda, Chief Innovation Officer
DATE: January 29, 2026
BILL: Financial Institutions - Maryland Community Investment
Venture Fund and Regulation of Entities - Revisions

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MARYLAND OFFICE OF THE GOVERNOR TESTIMONY ON SENATE BILL 43
OFFICE OF THE GOVERNOR POSITION: Support

Honorable Members of the Senate Finance Committee,

The Office of the Governor is pleased to support Senate Bill 43. This legislation updates the 2023 Access to Banking Act to reinforce and strengthen the Maryland Community Investment Venture (MCIV) Fund, expanding its mandate to support not just small businesses, but the financial health of families in our low- to moderate-income (LMI) communities.

The Governor's Innovation Team is charged with identifying and delivering innovative new solutions to address Maryland's most complex challenges, specifically economic mobility and child poverty. A primary focus of our work with the Office of Financial Regulation centers around 'capital deserts' found in our low- to moderate-income communities. This lack of access stifles small business growth, limits job creation, and prevents families from building sustainable wealth. SB43 provides the necessary updates to scale our solutions and continue addressing these critical challenges.

Over the past year, the Innovation Team partnered with the Office of Financial Regulation (OFR) to operationalize the MCIV Fund, a first-of-its-kind grant initiative to bridge the capital gap for small businesses in LMI communities by supporting state-chartered financial institutions in adopting financial products and services that better meet their needs.

With OFR, the Innovation Team helped spearhead a robust and inclusive process to understand the existing capital landscape and community needs and build a national pipeline of fintechns around them.

Leading with Data and Community Input:

We initiated a rigorous discovery phase to ensure grants provided as part of the MCIV Fund addressed root causes rather than symptoms.

- **Stakeholder Engagement:** We engaged over 150 stakeholders, including small business owners, community leaders, and banking executives.
- **Capital Landscape Analysis:** We performed a statistical analysis of lending outcomes across Maryland, revealing significant geographic and economic disparities. Despite LMI communities comprising 32% of Maryland's neighborhoods, only 20% of small business lending occurs there.

- **The Core Finding:** Our research identified that the barrier to lending is not solely "credit risk," but also operational cost and borrower readiness. Community banks are vital anchors committed to serving their neighborhoods, but they often face structural hurdles related to processing small-dollar loans and serving unbanked customers.

Building the Innovation Pipeline

Leveraging insights from our research and engagement, we helped to build a national pipeline of 160 fintech applicants who could solve these specific friction points. This approach is already yielding results, with several emerging partnerships and three completed applications for our first cohort of pilots. Throughout this initiative, we have seen solutions focusing on three core technology areas:

- **Closing the Data Gap:** Testing technology that utilizes alternative credit data, allowing lenders to approve "viable but invisible" applicants who lack a traditional credit score.
- **Closing the Readiness Gap:** Deploying tools that integrate financial education directly into the banking workflow, helping applicants build creditworthiness over time.
- **Closing the Efficiency Gap:** Utilizing automation to reduce the cost of underwriting micro-loans, making it profitable for banks to serve the smallest businesses.

SB43 scales our early success to serve more Marylanders

While this pilot program is successful, the current statute limits the target users of these fintech solutions to small business owners. SB43 introduces critical updates that allow us to scale:

- **Expanding from Small Businesses to Consumers:** SB43 scales the Fund's potential by expanding its mandate to include consumer financial health, broadening its reach from 63,000 business owners to over 1.3 million Marylanders in LMI communities. This also allows us to deploy solutions for the many unbanked and underbanked Marylanders, particularly those living in LMI communities where the need is highest – focusing on family savings, credit building, and emergency financial stability.
- **Incentivizing "Maryland Opportunity Accounts":** The bill creates a structured incentive for banks and credit unions to offer safe, low-fee accounts to the unbanked. By offering assessment credits for these specific products, we directly support institutions as they bring new customers into the banking system.
- **Operational Stability:** Designating the MCIV Fund as a non-lapsing fund and extending the investment matching deadline to 2030 ensures the program has the long-term stability required to drive sustained, multi-year impact.

SB43 transforms a successful, nationally-recognized model into sustainable, long-term infrastructure for financial inclusion. It allows the State to leverage innovative technology to break down barriers and expand access to opportunities for the Maryland families who need them most.

We respectfully request a **favorable report** on SB43.