

Press Release

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CONTACT KAREN GLENN HOOD | 410.767.6318 | KGLENNHOOD@CHOOSEMARYLAND.ORG | 401 E. PRATT STREET, BALTIMORE, MARYLAND 21202

MARYLAND ECONOMIC DEVELOPMENT SECRETARY JOHANSSON AND U.S. TREASURY ANNOUNCE FUNDING FOR MARYLAND TO SUPPORT \$230 MILLION IN SMALL BUSINESS LENDING, CREATE NEW JOBS

State Small Business Credit Initiative Critical Component of Small Business Jobs Act President Obama Signed into Law Last Week

WASHINGTON – Today, Maryland Department of Business and Economic Development Secretary Christian S. Johansson and the U.S. Department of the Treasury announced the allocation of State Small Business Credit Initiative (SSBCI) funding for Maryland, which will support \$230 million in new small business lending in that state through innovative local programs that help entrepreneurs expand their businesses and create new jobs. These SSBCI funds are a critical component of the Small Business Jobs Act President Obama signed into law last week to help unlock credit and provide targeted tax cuts for small businesses.

“Innovative local initiatives that support small business lending are under extraordinary pressure because of state budget difficulties,” said Treasury Secretary Tim Geithner. “These funds will provide vital support to successful state-level programs that help local entrepreneurs obtain the credit they need to put more Americans back to work. President Obama fought hard for the Small Business Jobs Act because it will help ensure that small businesses continue to strengthen our nation’s recovery and serve as critical engines for job creation.”

Governor Martin O’Malley helped pave the way for the establishment of the SSBCI, rallying the bipartisan support of 28 Governors at a National Governors Association meeting in February to put forth a request to President Obama to help close the credit gap for small businesses by funding state loan guarantee programs. The O’Malley-Brown Administration also worked with U.S. Treasury Secretary Geithner and his team to craft the legislation, which is based, in part, on Maryland’s MIDFA loan guarantee program. In addition, at Governor O’Malley’s request, Secretary Johansson testified before the House Financial Services Committee earlier this year to make the case for the potential of loan guaranty programs like MIDFA and help move the Small Business Jobs Act forward.

“In Maryland, we have been able to help a number of small businesses already by backing a portion of their loans, in many cases enabling them to expand and add jobs,” said Christian S. Johansson, Maryland Department of Business and Economic Development Secretary, who also joined Governor O’Malley at the signing today. “We look forward to using these funds to expand the capacity of Maryland’s program, which currently has more than \$150 million in potential loans in the pipeline.”

Under the SSBCI, states are offered the opportunity to apply for federal funds for programs that partner with private lenders to extend greater credit to small businesses. States are required to demonstrate a minimum “bang for the buck” of \$10 in new private lending for every \$1 in federal funding. Accordingly, the \$23 million funding commitment that the federal government will make in

Maryland for this program is expected to support \$230 million in additional private lending. Nationwide, the program is expected to support \$15 billion in additional private lending.

The SSBCI allows states to build upon existing, successful state-level small business lending programs, including examples such as collateral support programs, Capital Access Programs (CAPs), and loan guarantee programs.

- *Collateral Support Programs for Small Manufacturers*: Collateral support programs help viable businesses that are struggling to get credit because the value of the collateral they hold has fallen, often due to the decline in commercial real estate values. These programs – which set aside funds to augment collateral the borrower already holds – provide banks greater confidence in extending credit to these borrowers, particularly in some of the communities hardest hit by the economic downturn.
- *Capital Access Programs (CAPs)*: CAPs, which are already up and running in over 20 states, are loan portfolio insurance programs in which states provide a matching contribution to bank loan loss reserves when lenders extend credit to qualified small businesses. These reserve enhancements allow lenders to expand credit to new borrowers at a time when many of these lenders might otherwise pull back.
- *Loan Guarantee Programs*: Under loan guarantee programs, states provide partial guarantees on certain small business loans to give lenders greater confidence to extend credit.

If a state does not have an existing small business lending program, officials can establish one in order to access this funding. States must provide plans for utilizing their funding allocations to Treasury for review and approval. The amount of SSBCI funds a state is eligible to apply for is determined based upon formulas in the Small Business Jobs Act that take into account each state's respective unemployment rate and decline in employment relative to other states.

In addition to the State Small Business Credit Initiative, the Small Business Jobs Act includes a number of important provisions to support small business job creation. The Act includes eight new small business tax cuts that went into effect immediately upon becoming law last week; creates a \$30 billion Small Business Lending Fund to help small and community banks provide new loans to small businesses; extends and expands existing Small Business Administration loan programs; and delivers other important benefits for small businesses. For more information on the Small Business Jobs Act, please visit, [link](#).