

TO: The Honorable Dereck E. Davis, Chair
House Economic Matters Committee

FROM: Elizabeth A. Hafey, Esq.
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Johns Hopkins is pleased to offer testimony in support of **HB 829 – Economic Development – Small Business Financing – Loan Loss Reserve (Maryland Capital Access Program)**. This bill creates a loan loss reserve program, held by the Department of Commerce, for financial institutions making qualified loans. The loan loss reserve account creates a form of loan portfolio insurance for each lending institution which can provide up to 100% coverage on certain loan defaults. Maryland Capital Access Program (“MD CAP”) is based on a proven financing mechanism to help meet the lending needs of small businesses. The Governor will make a one-time appropriation of \$10,000,000 in the annual budget to fund the program; it will be self-sustaining thereafter.

With the creation of Johns Hopkins Technology Ventures in 2014, Johns Hopkins has become increasingly focused on the translation and commercialization of discoveries into accessible technologies, products and services for the benefit of society and, in the meantime, spur meaningful economic activity around the university. Smart, targeted investments in innovation can yield real economic results.

The MD CAP program will stimulate opportunities for small businesses to access affordable capital, especially those that have been unable to or have had difficulty obtaining loans from traditional financial institutions in the past. The loan loss reserve account incentivizes lending institutions to make loans to these small businesses. This is accomplished by lowering risk for the lender of potential losses, which decreases the cost of borrowing money to make a loan (through lower interest rates) and enables lenders to modify underwriting guidelines, to be more flexible on collateral and credit requirements. At JHTV, we have over 160 startup companies in our portfolio; 101 of which are Maryland-based small businesses and account for approximately 800 Maryland jobs. Having local incentives and financing programs are critical to keep these companies local as they raise venture capital (typically from outside of Maryland) and feel the pull into other states, which reduces employment opportunities and the tax revenue base in Maryland.

Johns Hopkins applauds the sponsors of this legislation for recognizing the importance of this program for small businesses. Johns Hopkins urges the House Economic Matters Committee to take action to ensure continued growth to support small businesses by issuing a **favorable committee report on HB 829 – Economic Development – Small Business Financing – Loan Loss Reserve (Maryland Capital Access Program)**.

cc: Delegate Brooke Lierman
Members, Economic Matters Committee