Chapter 118

(House Bill 66)

AN ACT concerning

Department of Housing and Community Development – Neighborhood Business Development Program – Microenterprise Loans

FOR the purpose of authorizing certain entities to administer a ~~Microenterprise Loan Program~~ microenterprise loan program under ~~certain~~ standards adopted by the Department of Housing and Community Development under certain circumstances; ~~authorizing~~ requiring the Department to establish certain standards by regulation; exempting microenterprise projects from certain ~~financial funding~~ financing requirements; altering the purposes for which financial assistance may be used under a certain business development program; authorizing the Department to help train certain employees; authorizing the Department to charge and collect certain fees in a certain manner; authorizing the Department to directly fund a loan to a microenterprise under certain circumstances; authorizing the Department to provide financial assistance to a certain entity for the purpose of the entity making a loan to a microenterprise under certain circumstances; altering certain definitions; and generally relating to microenterprise loans and the Neighborhood Business Development Program ~~and the Microenterprise Loan Program~~ in the Department of Housing and Community Development.

BY repealing and reenacting, without amendments,
    Article – Housing and Community Development
    Section 6–301(a) ~~and (e)~~
    Annotated Code of Maryland
    (2006 Volume and 2009 Supplement)

BY repealing and reenacting, with amendments,
    Article – Housing and Community Development
    Section 6–301(e) and (g), 6–306, and 6–307(b)
    Annotated Code of Maryland
    (2006 Volume and 2009 Supplement)

BY adding to
    Article – Housing and Community Development
    Section 6–308.1
    Annotated Code of Maryland
    (2006 Volume and 2009 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article – Housing and Community Development

6–301.

(a)   In this subtitle the following words have the meanings indicated.

(e)   "Microenterprise" means a business with not more than five employees that:

(1)   requires not more than $35,000 in total start–up capital **OR FINANCIAL ASSISTANCE**; and

(2)   does not have access to the traditional commercial banking sector.

(g)   **(1)**   "Project" means a neighborhood business development project that receives financial assistance from the Fund.

(2)   "PROJECT" INCLUDES A MICROENTERPRISE PROJECT THAT RECEIVES FINANCIAL ASSISTANCE FROM THE FUND.

6–306.

(a)   (1)   A small business, nonprofit organization, or microenterprise may apply for financial assistance under the Business Development Program.

(2)   The Department shall review each application.

(b)   An applicant may qualify for financial assistance for a project in a designated neighborhood if the application demonstrates that:

(1)   **EXCEPT FOR A MICROENTERPRISE PROJECT,** the project has significant commitments for financing from other private and nonstate public sources that are sufficient to complete the project with the money from the Fund;

(2)   the financial assistance from the Fund is the minimum amount necessary to make the project financially feasible;

(3)   the project is ready to proceed when it receives financial assistance from the Business Development Program; and

(4)   the political subdivision has adopted a resolution, or its authorized designee has delivered a letter to the Business Development Program, that expresses support for the project.

(c)   Financial assistance under the Business Development Program may be provided to a small business, nonprofit organization, or microenterprise as:

(1)   a grant;

(2)   a loan;

(3)   a reduction in the principal obligation of or interest rate on a loan or portion of a loan;

(4)   a prepayment of interest on a subordinate or superior loan or portion of a loan;

(5)   an assurance;

(6)   a guarantee; or

(7)   any other form of credit enhancement.

6–307.

(b)   Financial assistance under the Business Development Program may be used for:

(1)   a part of the [project] development costs **OF A PROJECT; OR**

(2)   THE DEVELOPMENT COSTS, WORKING CAPITAL, OR BUSINESS EXPENSES OF A MICROENTERPRISE PROJECT.

6–308.1.

(A)   **IF THE DEPARTMENT DETERMINES THAT AN ENTITY IS CAPABLE OF ADMINISTERING A** ~~MICROENTERPRISE LOAN PROGRAM~~ **MICROENTERPRISE LOAN PROGRAM, THE ENTITY MAY ORIGINATE AND ADMINISTER LOANS TO MICROENTERPRISES IN ACCORDANCE WITH STANDARDS THE DEPARTMENT ADOPTS BY REGULATION.**

(B)   (1)   ~~BY REGULATION, THE~~ **THE DEPARTMENT SHALL ADOPT REGULATIONS TO ESTABLISH STANDARDS FOR DETERMINING THE ELIGIBILITY OF AN ENTITY TO ADMINISTER A** ~~MICROENTERPRISE LOAN PROGRAM~~ **MICROENTERPRISE LOAN PROGRAM.**

(2)   **THE STANDARDS SHALL INCLUDE PROVISIONS ON:**

(I) THE SIZE, TRAINING, AND EXPERIENCE OF THE PROFESSIONAL STAFF THAT WOULD ADMINISTER THE ~~PROGRAM~~ PROGRAM; AND

(II) THE CAPABILITY OF THE PROFESSIONAL STAFF TO:

1. DETERMINE FINANCIAL CAPACITY OF A BORROWER;

2. ORIGINATE A LOAN; AND

3. EVALUATE APPLICATIONS FOR ~~PROGRAM~~ PROGRAM LOANS.

(C) THE DEPARTMENT MAY:

(1) HELP TRAIN EMPLOYEES OF AN APPROVED ENTITY TO ADMINISTER A ~~MICROENTERPRISE LOAN PROGRAM~~ MICROENTERPRISE LOAN PROGRAM IN ACCORDANCE WITH STANDARDS THAT THE DEPARTMENT ADOPTS; ~~AND~~

(2) CHARGE AND COLLECT FROM ~~THE~~ A BORROWER:

(I) REASONABLE ORIGINATION, APPLICATION, AND PROCESSING FEES; AND

(II) OTHER CHARGES, FEES, OR REIMBURSEMENTS INCIDENTAL TO MICROENTERPRISE LOANS;

(3) INCLUDE THE FEES AND CHARGES LISTED IN ITEM **(2)** OF THIS SUBSECTION IN THE LOAN AMOUNT; ~~AND~~

(4) PAY ~~THE~~ AN APPROVED ENTITY A REASONABLE ORIGINATION, APPLICATION, AND PROCESSING FEE FOR EACH LOAN ~~IT ORIGINATES~~ TO A MICROENTERPRISE THAT IS ORIGINATED BY THE APPROVED ENTITY;

(5) DIRECTLY FUND A LOAN TO A MICROENTERPRISE THAT IS ORIGINATED BY AN APPROVED ENTITY; AND

(6) PROVIDE FINANCIAL ASSISTANCE TO AN APPROVED ENTITY FOR THE PURPOSE OF THE APPROVED ENTITY MAKING A LOAN TO A MICROENTERPRISE IN ACCORDANCE WITH THIS SUBTITLE.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2010.

Approved by the Governor, April 13, 2010.