



TO: Honorable President and Members of the City Council  
Attention: Natawna Austin, Executive Secretary

FROM: William H. Cole, President and CEO  
Baltimore Development Corporation

DATE: September 26, 2018

SUBJECT: City Council Bill No. 18-0103R  
The Decline of Small Business Lending in Baltimore

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The Baltimore Development Corporation (BDC) has been asked to comment on City Council Bill No. 18-0103R for the purpose of inviting representatives from banking institutions doing business in Baltimore for an informational hearing to discuss the decline of small business lending in Baltimore City, and to discuss ways in which the trend can be reversed.

It is important to note that local government has no regulatory control or oversight over banks and financial institutions. Those functions are primarily held by the federal, and in some cases, state regulatory bodies. While we do believe that more must be done to increase bank participation in urban areas, particularly in Baltimore, that action must be directed by state and federal officials.

Banks can clearly do more, however. They can focus on small business by hiring dedicated small business lenders who understand how to work with this important segment of the business population. Additionally, banks should continue to explore ways of connecting potential customers with the Small Business Administration (SBA) and state loan guarantee programs when applicable.

Many lending institutions are simply dealing with regulatory realities when considering loans. Credit score, personal guarantees, past business performance, credible business plan, and access to other capital all play some role in lending decisions. To that end, education and empowerment around creditworthiness is a core issue and can make or break a small business's ability to get financing. Many business owners starting out are unaware of the significance of good personal credit, and may do significant damage to their credit without realizing it -- primarily by maxing-out personal credit cards and/or credit lines because they believe they have no other choice. This short-term approach leads to significant long-term damage.

BDC concurs that access to capital is, and has been, an issue for quite some time in Baltimore and needs to be addressed from a policy level at the state and federal level.

cc: Kyron Banks