



# HOUSE OF REPRESENTATIVES

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*Testimony of Rep. Marshall Archer introducing*  
**LD 1238, An Act To Establish the Small-cap Loan Guarantee Program**  
*Before the Housing and Economic Development Committee*

Good afternoon, Senator Curry, Representative Gere and distinguished members of the Housing and Economic Development Committee. My name is Marshall Archer, Representative for House District 129, and I am proud to present **LD 1238, An Act To Establish the Small-cap Loan Guarantee Program**.

This bill provides a market-based, fiscally responsible solution to one of the most urgent issues facing our state: the severe shortage of affordable and low-income housing. It does so by creating a state-backed loan guarantee program for small-cap housing projects, defined as those with a total value of \$1 million or less, serving households at or below 80% and 60% of the Area Median Income, respectively.

This approach applies free market principles to a public problem. It's designed not to replace our existing grant and tax credit programs, but to complement them adding another tool in the toolbox to support housing development at the local level. Crucially, this program does not require the State to fund millions of dollars in grants or subsidies. Instead, it simply needs a modest startup investment to establish a financial backstop, giving lenders the confidence to invest in projects that would otherwise be too small or too risky to finance.

Once the initial capital is established, the program is designed to fund itself in perpetuity through a funding fee structure. Each guaranteed loan will carry an application fee scaled to the size and risk level of the project. These fees will be collected by the State or a contracted agency and reinvested into the program to cover operating costs and protect the guarantee pool. This creates a self-sustaining model that ensures long-term viability without requiring ongoing state appropriations.

This model is proven. It mirrors the success of the federal VA Home Loan Guarantee, which has helped millions of veterans achieve homeownership since World War II not by giving them homes, but by reducing the financial risk to lenders. That post-war program sparked a national housing boom, built wealth for generations, and is still serving veterans today. I am one of these veterans who have benefited for the VA Home Loan Program. LD 1238 takes that same concept and applies it to affordable housing development empowering small developers and local investors to help solve our current crisis.

Perhaps most importantly, this bill aligns with the state's own housing goal of building 80,000 new units

by 2030. To get there, we will need every possible model in play: large-scale developments, nonprofit housing authorities and private sector builders of all sizes. LD 1238 helps open the door for small-cap investors many of them working in rural areas, where construction costs are lower and smaller-scale projects are often the most appropriate and cost-effective solution.

Right now, those smaller projects often can't access the capital they need to move forward. This bill would create a new market, one that operates alongside traditional investment models and responds to the reality that not every housing project needs to be a 50-unit building or a \$10 million enterprise to make a difference.

This bill also has the potential to significantly benefit rural communities across Maine and other underserved areas where housing needs are high, but traditional investment often falls short. Smaller population centers may not attract large-scale developers or qualify for major tax credit allocations but they have no shortage of buildings ready for rehabilitation or infill lots waiting to be built on. By lowering the barrier to entry for small-scale investors and providing a safety net to lenders, this program opens the door to real investment opportunities in rural markets, helping revitalize Main Streets, retain workforce and stabilize local economies.

In fact, it's often a renovated duplex, a four-unit infill or a rehabbed mixed-use building in a small downtown that has the biggest local impact. This program gives those projects a fighting chance.

LD 1238 is a practical, efficient and high-leverage approach to help meet Maine's housing needs. It supports free enterprise. It promotes responsible lending. And it puts state resources to work as a catalyst, not a crutch.

I respectfully urge the committee to vote Ought to Pass on LD 1238. Thank you for your time and your commitment to solutions that move our state forward.