

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1471 (Delegate Amprey)
Economic Matters

Innovative Financial Product or Service Certification Program

This bill establishes the Innovative Financial Product or Service Certification Program to be overseen by the Commissioner of the Office of Financial Regulation (OFR) in the Maryland Department of Labor (MD Labor). The purpose of the program is to encourage the introduction and implementation of innovative financial services and products in the State by removing regulatory requirements that may negatively impact the feasibility of providing access to credit through innovative financial services and products. An entity certified under the bill and any loans provided through a certified entity are generally exempt from compliance with Maryland lending and credit regulation laws as well as certain lending rate caps.

Fiscal Summary

State Effect: Special fund expenditures of \$88,500 in FY 2026 for staffing. Future years reflect annualization, inflation, and the elimination of one-time costs. Revenues are not affected, as discussed below.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	88,500	104,400	108,800	113,300	117,900
Net Effect	(\$88,500)	(\$104,400)	(\$108,800)	(\$113,300)	(\$117,900)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Definitions

“Innovation” means the use or incorporation of new or emerging technology or the reimagining of uses for existing technology to enhance lending and access to credit for consumers in the State.

“Innovative financial product or service” means a financial product or service that includes an innovation.

“Peer-to-peer lending service” means a lending platform that (1) assists consumers in receiving small loans for personal, family, or household use from individual lenders, including loans ranging from \$50 to \$500; (2) assigns scores to borrowers to assist individual lenders in determining the creditworthiness of borrowers; (3) allows borrowers to set their own terms, including the loan amount and payback date, and provide appreciation tips to lenders who agree to fund a loan; (4) provides for the establishment of accounts that individuals must use to lend and borrow through the platform; (5) if the proposed terms of a loan request are satisfactory to a lender, facilitates the execution of a promissory note between the borrower and lender; and (6) if a borrower fails to pay back a loan within a required term, assists with the collection of loan payments owed on an account.

OFR must certify providers of innovative products and services found to enhance lending and access to credit for consumers in the State and may (1) issue a certification to providers of other types of innovative products or services, as specified, and (2) suspend or revoke a certification should a certificate holder engage in unfair, abusive, deceptive, or otherwise fraudulent activity in providing innovative financial products or services.

Entities certified under the program are exempt from regulations under the Maryland Consumer Loan Law (MCLL) and the provisions of the Commercial Law Article governing collection agencies, commercial loans, negotiable instruments, secured transactions, and closed end credit.

Current Law: The financial services industry in Maryland is regulated by OFR within MD Labor and the Securities Division of the Office of the Attorney General. Under the direction and authority of the Commissioner of Financial Regulation, OFR regulates State-chartered and State-licensed financial institutions operating in Maryland. These include depository institutions such as Maryland-chartered banks, trust companies, bank holding companies, and credit unions, as well as nondepository entities such as money

transmitters, check cashers, consumer lenders, sales finance companies, installment lenders, mortgage lenders, mortgage loan originators, credit services businesses, debt management services providers, debt settlement services providers, consumer reporting agencies, and collection agencies.

OFR's activities are set out in Titles 1 through 7, 11, and 12 of the Financial Institutions Article. In addition, the office supervises certain activities found in Title 12 and Title 14 of the Commercial Law Article and Title 7 of the Business Regulation Article.

The mission of OFR is to ensure that the citizens of Maryland are able to conduct their financial transactions through safe, sound, and well-managed institutions that comply with Maryland law, while providing a flexible, yet sound regulatory environment that promotes fair competition, encourages innovative business development, and supports the economy of Maryland. OFR supervises the activities of the financial services industry through periodic on-site examinations and off-site monitoring programs. Additionally, OFR provides assistance to consumers by investigating complaints of questionable business practices involving State-chartered, licensed, and registered financial institutions under its supervision and authority.

OFR may undertake investigatory examinations to determine whether a person has violated any law, regulation, rule, or order over which the office has jurisdiction. The office has authority to enforce the laws and regulations against individuals and entities that are licensed by OFR, as well as unlicensed persons that engage in an activity requiring licensure. OFR may suspend or revoke a license, issue a cease and desist order, and impose a fine.

Annual Assessments for Licensees

Licensing and registration fees for each type of license or registration are established annually by OFR through a combination of fixed license fees and an assessment structure that matches the costs incurred by OFR during the licensing and supervision process. To the extent the Nondepository Special Fund within OFR has insufficient funds to meet the target amount for a given year, OFR is authorized to seek an assessment from licensees to replenish the fund.

Maryland Consumer Loan Law

MCLL (Title 12, Subtitle 3 of the Commercial Law Article) applies to a loan or advance of money of \$25,000 or less for personal, family, or household purposes – regardless of whether the loan or advance is (or purports to be) another type of product. In addition, a person may not lend \$25,000 or less if interest on a loan exceeds the amount authorized by Maryland law, the transaction violates the federal Military Lending Act, or the person is

not licensed (or exempt). Loans made under MCLL generally cap interest at 33% with a balance of \$2,000 or less and 24% with a balance of more than \$2,000.

MCLL does not apply to (1) a plan or loan for which a written election has been made under other provisions of law relating to interest and usury, secondary mortgage loans, revolving credit, and closed end credit transactions; (2) a loan made by an individual who makes three or fewer loans per year and is not engaged in the business of making loans; or (3) a loan between an employer and an employee.

Nationwide Mortgage Licensing System

Maryland uses the Nationwide Mortgage Licensing System and Registry, universally known as “NMLS,” for licensing and renewal of money transmitters.

State Expenditures: Given the broad range of products and services that may potentially qualify for certification, and the need to avoid permitting bad or negligent actors from gaining unregulated access to Maryland’s marketplaces, OFR cannot handle the provisions of the bill with existing resources. Therefore, special fund expenditures increase by \$88,495 in fiscal 2026, which accounts for the bill’s October 1, 2025 effective date. This estimate reflects the cost of hiring one examiner to review and assess applications for certification. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses (including rent and in-State travel).

Position	1.0
Salaries and Fringe Benefits	\$74,398
Operating Expenses	<u>14,097</u>
Total FY 2026 State Expenditures	\$88,495

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses related to travel and rent.

As the bill does not authorize the assessment of certification fees, any costs associated with the program, including applicable NMLS fees, cannot be offset or recovered by OFR.

Small Business Effect: Small businesses that provide innovative financial services or products can be certified without paying any fees or being subject to Maryland’s financial regulatory system. Thus, although a certified small business is subject to revocation or suspension of a certification under the bill, neither it nor lenders and borrowers in the program are subject to any fines or penalties for unfair, abusive, or deceptive business practices.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Department of Labor; Department of Legislative Services

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