



HB 1478 - Commercial Law – Merchant Cash Advance – Prohibition

House Economic Matters Committee

March 2, 2020

Support

House Bill 1478 prohibits a buyer from arranging, facilitating, or consummating a “merchant cash advance transaction” with a seller in the State. The bill defines “merchant cash advance transaction” as an arrangement between a buyer and a seller in which the buyer agrees to purchase an agreed-on percentage of future credit or debit card revenues that are due to a seller for a predetermined purchase price. Violation of the bill is an unfair, abusive, or deceptive trade practice under the Maryland Consumer Protection Act (MCPA), subject to MCPA’s civil and criminal penalty provisions.

The Maryland Bankers Association represents FDIC-insured community, regional and nation-wide banks that employ more than 26,000 Marylanders and hold more than \$142 billion in deposits in 1,420 branches across our State.

Our members provide banking services to small businesses that include operating accounts, lines of credit, business credit cards, installment loans and other forms of credit. Today there are \$7.1 billion in small business loans outstanding in Maryland banks. Our members have indicated that they are typically unaware when their small business clients enter into merchant cash advance arrangements which carry with them undisclosed rates, fees, terms and exorbitant interest rates that often put the small business into financial hardship. The merchant cash advance industry is unregulated in Maryland.

Merchant cash advances are very similar to payday loans for consumers which have been outlawed in Maryland. The Maryland Banker Association urges the Committee to give HB 1478 a favorable report.