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**CONSUMER PROTECTION DIVISION**

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March 9, 2022

To: The Honorable Delores G. Kelley  
Chair, Finance Committee

From: Steven M. Sakamoto-Wengel  
Consumer Protection Division Counsel for Regulation, Legislation and Policy

Re: Senate Bill 825 – Consumer Credit – Commercial Financing Transactions  
(OPPOSE)

The Consumer Protection Division of the Office of the Attorney General opposes Senate Bill 825, sponsored by Senator Kramer. Senate Bill 825 would require businesses that provide “Commercial Financing” to submit reports to the Commissioner of Financial Regulation but does not require those businesses to be licensed. “Commercial Financing” is defined as “open end financing, closed-end financing, sales-based financing, a factoring transaction, or another form of financing, *the proceeds of which the recipient does not intend to use primarily for personal, family or household purposes.*” (Emphasis added).

The Division has significant concerns that proposed section 12-1103 on page 7 could undermine protections currently afforded Maryland consumers. That section would allow a provider of Commercial Financing to determine that a loan is commercial by “rely[ing] on a statement of intended purpose made by a recipient.” Even if Senate Bill 825 were enacted, regulation of Commercial Financing transactions is significantly more limited than the regulation of consumer loans. The Division has encountered numerous instances in which a lender, seeking to evade regulation and usury caps, coerced a consumer borrower to sign a statement prepared by the lender stating that a loan is for commercial purposes. The proposed section opens the door to such abuses by lenders in the future.

In addition, despite the fact that SB 825’s requirements for such Commercial Financing expressly apply only to loans that are not consumer loans, the bill makes a violation an unfair, abusive or deceptive practice in violation of the Consumer Protection Act. With limited exceptions, violations of the Consumer Protection Act are limited to consumer transactions, *i.e.*, transactions that are primarily for personal, family or household use, and expanding the CPA to cover business-to-

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business transactions would open a door that could lead to a significant increase in the number of complaints received by the Division, requiring the Division to add corresponding resources.

Accordingly, the Consumer Protection Division respectfully requests that the Finance Committee issue an unfavorable report on Senate Bill 825.

cc: The Honorable Benjamin Kramer  
Members, Finance Committee