



March 24, 2023

Chairman C.T. Wilson
Room 231
House Office Building
Annapolis, MD 21401

SB 0496 – Oppose

Dear Chairman Wilson, Vice Chair Crosby and Members of the Economic Matters Committee:

Chairman Wilson, Vice Chair Crosby and Members of this committee, my name is Patrick Siegfried and I am here today on behalf of Rapid Financial Services, LLC (“Rapid”). Founded in 2006, Rapid is headquartered in Montgomery County, Maryland. Rapid is a proud supporter and finance provider to small businesses nationwide. Rapid believes legislation impacting commercial finance should be tailored to the needs and use cases of the small business customers that utilize these products.

Multiple states, including Maryland, are discussing legislation that would require disclosures for certain commercial finance transactions. California was one of the first states to pass such commercial finance laws. The regulations implementing California’s disclosure laws were recently finalized and came into effect December 9, 2022. While we are in the early days of their implementation, the requirements of the regulations and the confusion they have created within the industry have caused some finance providers to cease or pause funding in California. Similarly, New York recently finalized its regulations which go into effect August 1, 2023. Unfortunately, the regulations of New York differ from California’s regulations thereby creating different and sometimes conflicting disclosure requirements between the states. These differing and conflicting disclosure requirements are likely to cause more finance providers to cease or pause funding to small businesses. The same result has occurred in Virginia and Utah after they passed disclosure laws that differ substantially with each other as well as the laws of California and New York. SB 0496 would bring these issues to Maryland.

In response to these concerns, the Uniform Law Commission has recently created a study committee to conduct a comprehensive review of commercial finance disclosure laws. The committee will “study the need for and feasibility of a uniform or model act providing for standardization of disclosure requirements for commercial financing (i.e., traditional bank loans as well as other products such as factoring and revenue-based financing). The study committee will assess whether a uniform or model act could help increase efficiency, reduce compliance costs, and reduce uncertainty regarding the governing law for transactions that may involve parties located in two or more states.” The committee’s work will be critical to creating a model framework for all states to follow and implement.

While Rapid is supportive of effective disclosure legislation, we urge this committee to allow time for the Uniform Law Commission to complete its work and provide a draft uniform

law that all states can work from. Standardized requirements will result in more meaningful disclosures to the small businesses that seek commercial financing and minimize the compliance costs for providers. Though we oppose SB 0496, we are committed to working with this committee, and the sponsor, to create thoughtful and comprehensive legislation to regulate commercial financing.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Siegfried", written in a cursive style.

Patrick Siegfried
Deputy General Counsel
Rapid Financial Services, LLC