



**TESTIMONY BEFORE THE MARYLAND GENERAL ASSEMBLY
SENATE FINANCE COMMITTEE**

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ACCION OPPORTUNITY FUND**

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Accion Opportunity Fund Testimony

Hello, Members of the Maryland Senate Finance Committee. I am pleased to join you today to support Senator Kramer’s bill regarding Consumer Credit Commercial Financing Transactions. My name is Joshua Miller, and I am the Vice President of Research and Policy at Accion Opportunity Fund (AOF)—a leading nonprofit lender providing capital, networks, and coaching to under-resourced and underbanked entrepreneurs nationwide. To date, we have dispersed over 25,400 loans totaling \$773 million. Over 90% of our clients are women, people of color, or low-to-moderate income.

We are expanding our access to capital to small businesses in Maryland. We have deployed over \$2 million to almost 100 entrepreneurs in this state, with the majority of that capital black-owned and women-owned small businesses.

As founding members of the Responsible Business Lending Coalition (RBLC), we support SB0496, introduced by Senator Kramer, which would extend the truth in lending protections to those small businesses we serve daily. All this bill does is tell small business owners the truth about how much it will cost them to access financing by requiring the APR to be disclosed.

Over 90 percent of black-owned small businesses are sole props and have trouble finding access to capital from traditional banks. In this vacuum, factoring and merchant cash advance companies have targeted them with loan terms that include concepts such as “simple interest rate,” “factor rate,” and “fee rate,” which misleads the borrower into believing that this is an APR. We have that a “simple interest rate of 20%” may have an annual interest rate of 66%, depending on the term of the loan.^[1] 1.15 factor rate is really hiding a 70 percent APR.

I would be remiss if I did not make this as straightforward as possible- These products are designed to take advantage of communities such as black small-owned businesses and people who have already been locked out of traditional financing. We did a report on this type of financing and found that the average APR was 94% getting as high as 350% APR. This is not just, and it hurts our small businesses, and I encourage you to pass this bill as soon as possible to protect our underserved entrepreneurs.

