



**HB 254 - Commercial Law - Credit Regulation - Predatory Loan Prevention (True Lender Act)**  
**Economic Matters Committee**  
**January 23, 2024**  
**SUPPORT**

Chairman Wilson, Vice-Chair Crosby, and members of the committee, thank you for the opportunity to submit testimony in support of House Bill 254. This bill will establish more protections for consumers related to loans. HB 254 institutes broader definitions of a lender and the law they must abide by to offer lines of credit to consumers.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

Maryland is a state that has some of the country's strongest consumer protection laws. Maryland's usury rate cap of 28-33 percent for small loans has effectively stopped payday lenders from opening stores in the state. These laws protect Marylanders from extreme interest rates that target and trap low-income customers in a cycle of debt. Alternative financial services providers are using a popular method to bypass the state's consumer protection laws. A rent-a-bank scheme is when a company uses a traditional bank in their loaning process so technically the loan will be considered a bank loan. A loan from a bank is exempt from the protection put in place for payday loan providers and other alternative financial services providers. When borrowers are unable to make ends meet a payment or are unable to make a payment, they are often forced to open a new loan or refinance an existing loan, allowing debt to mount ever higher.

HB 254 will ensure that predatory lenders cannot bypass Maryland. It will recognize which entity the loan is actually being processed through. Currently, a non-bank lender can create, process, market, and receive the revenue for their loan programs without being considered a non-bank lender. Once the traditional bank originates the loan, they quickly sell it to the non-bank lender, so they have the right to collect payments.

The alternative financial service industries have proven adept at exploiting loopholes and continuing to use deceptive and abusive lending practices. HB 254 will ensure that their predatory practices are not allowed in Maryland.

**Thus, we encourage you to return a favorable report for HB 254.**

*Creating Assets, Savings and Hope*