



# MARYLAND STATE & D.C. AFL-CIO

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**Donna S. Edwards**

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**HB 254 - Commercial Law - Credit Regulation - Predatory Loan Prevention (True Lender Act)  
House Economic Matters Committee  
January 18, 2024**

**SUPPORT**

**Donna S. Edwards  
President  
Maryland State and DC AFL-CIO**

Chairman and members of the Committee, thank you for the opportunity to provide testimony in support of HB 254. My name is Donna S. Edwards, and I am the President of the Maryland State and DC AFL-CIO. On behalf of the 300,000 union members in the state of Maryland, I offer the following comments.

We recognize that sometimes a worker may need an advance on their pay in order to make ends meet and balance the household budget. When that is needed, they deserve strong consumer protections that protect them from bad actors and promote transparent financial decisions. HB 254 ensures that workers are protected from lenders who are not who they say they are offering illegally high interest rates on lending products.

The rise of new financial technology platforms and “rent-a-bank” schemes threatens to allow predatory lending practices while dodging our existing consumer protections. Federal laws allow banks to offer their interest rates on loan products nationwide. Enterprising financial startups discovered this loophole would allow them to subvert state level anti-usury or payday lending laws by partnering with willing banks, hence “Rent-a-Bank” schemes. These schemes allow loan products that function almost identically to payday loans to charge in excess of 189% APR.<sup>1</sup>

The True Lender Act applies the “true lender doctrine.” This requires applying the consumer lending laws to lenders based on the “totality of the circumstances,” including examining whether they hold an economic interest in the loan, whether they marketed or sold the loan, purchased the loan, among other factors. By taking this more comprehensive approach to defining the lenders, these rent-a-bank schemes would now be subject to our state’s protections.

We urge a favorable report on HB 254.

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<sup>1</sup> Annie Millerbernd. “What Are ‘Rent-a-Bank’ Loans and How Do They Work?” Nerdwallet. October 10, 2023.