



**National
Urban League**

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**Hearing of the Maryland House of Delegates Economic Matters Committee:
“Commercial Financing – Small Business Truth in Lending Act”**

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Chair Wilson, Vice Chair Crosby, and members of the Maryland House of Delegates Economic Matters Committee, thank you for the opportunity to testify at today’s hearing in support of HB574 titled: “Commercial Financing – Small Business Truth in Lending Act.” My name is Tara and I am the Executive Director of the National Urban League’s Washington Bureau and Senior Vice President for Policy and Advocacy. I bring you greetings on behalf of National Urban League President and CEO Marc Morial.

The National Urban League is an historic civil rights, community-based organization dedicated to economic empowerment and the guarantee of civil rights for African Americans and other underserved communities in America. As a national nonprofit intermediary, we provide direct comprehensive services that improve the lives of nearly three million people each year, through our network of 92 Urban League affiliates in 36 states, including here in Maryland, and the District of Columbia.

In my role as Senior Vice President for Policy and Advocacy at the National Urban League, I work daily to ensure that every American has equal access to opportunities that foster growth and prosperity. The National Urban League actively supports initiatives aimed at enhancing access to capital for minority-owned businesses, a commitment reflected in the robust programs offered through our Entrepreneurship Centers. Through our affiliate network, the National Urban League operates 12 Urban League Entrepreneurship Centers located in Atlanta, GA; Chicago, IL; Cincinnati, OH; Cleveland, OH; Houston, TX; Jacksonville, FL; Las Vegas, NV; Los Angeles, CA; New Orleans, LA; Philadelphia, PA; Washington, DC; and Baltimore, MD.

National Urban League Entrepreneurship Center Program

The National Urban League’s Entrepreneurship Center Program provides management counseling, mentoring, and training services for entrepreneurs looking to start, grow, or scale their business. Our centers are dedicated to assisting small businesses of all racial, gender, and socio-economic demographics through comprehensive services such as business planning, networking opportunities, and access to capital. Focused on capacity building, financial education, and public policy advocacy, the centers strive to bolster the success rates of these businesses. By offering customized educational programs, coaching, and mentoring, the National Urban League aims to develop essential entrepreneurial skills and help

businesses achieve their objectives, which is crucial for fostering job creation and economic development within underserved communities.

Specific services offered through our centers include comprehensive business planning and support, financial/credit education, access to capital, business to business networking, contracting/procurement opportunities, and certification. The skills learned enable minority entrepreneurs to improve operations, increase capacity, obtain financing and contracts, and better serve their customers, with the goal of creating jobs that will lead to sustainable businesses, and ultimately generate wealth for themselves, their families, and communities.

The Need for Access to Fairness and Transparency in Lending

Based on what we see on a daily basis through the work being done in our Entrepreneurship Centers, the National Urban League believes there is a critical need for access to fairness and transparency in lending to address the significant challenges that minority-owned and underserved small businesses face in securing capital. These challenges include higher rejection rates for loans, less favorable loan terms, and a lack of transparency that disproportionately affects minority business owners. By advocating for clearer, more equitable lending practices, the National Urban League aims to level the playing field, ensuring that these businesses have the financial support they need to grow, create jobs, and contribute to the economy.

It is against this backdrop of advocacy and support for minority-owned and underserved small businesses, that the National Urban League expresses our support for House Bill 574, the "Small Business Truth in Lending Act," which aims to regulate commercial financing transactions. This legislation establishes requirements for disclosures, calculations of annual percentage rates, terms of repayments, and extends specific offers to ensure transparency and fairness in commercial financing. It adds a new subtitle to the Financial Institutions Article, addressing various types of financing including closed-end, open-end, and sales-based financing. The bill seeks to protect small businesses by ensuring they have clear, comprehensible information about the financial products available to them, thereby fostering an environment of trust and support for underserved business communities.

HB574 is aligned with the National Urban League's advocacy for providing support to minority-owned small businesses, especially in areas such as access to fair financing and transparent lending practices. The bill's emphasis on clear disclosures and fair treatment in commercial financing transactions would help to address disparities and barriers that minority-owned businesses often face, ensuring they have the necessary information and protections to make informed decisions and sustain their growth. This advocacy reflects the National Urban League's broader mission to enable economic empowerment and equity for underserved communities.

Of note, HB574 addresses several critical issues in commercial financing transactions that impact small businesses, especially those owned by minorities and underserved communities. The bill aims to enhance transparency, fairness, and understanding in commercial lending by:

- (1) **Regulating Commercial Financing Transactions:** It establishes clear guidelines and requirements for commercial financing transactions to ensure they are conducted fairly and transparently. This

includes providing detailed disclosures about the terms of financing, such as annual percentage rates, terms of repayments, finance charges, and other related items.

- (2) **Ensuring Transparency in Disclosures:** The bill mandates that providers disclose crucial financing information, including the total amount of financing, disbursement amount, finance charge, estimated annual percentage rate (APR), repayment terms, and any potential fees or charges not included in the finance charge. This transparency is vital for small business owners to make informed decisions about their financing options.
- (3) **Standardizing Calculation of APR:** It requires that the annual percentage rate (APR) be expressed as a yearly rate, including all fees and finance charges, and calculated according to the Federal Truth in Lending Act. This standardization helps small businesses compare financing options more easily and understand the true cost of the financing they are considering.
- (4) **Promoting Fairness in Financing:** By outlining specific requirements for different types of financing transactions (closed-end, open-end, sales-based financing, and factoring transactions), the bill aims to protect small businesses from predatory lending practices and ensure they are not misled by complex or hidden financing terms.
- (5) **Establishing Penalties for Non-compliance:** The imposition of civil penalties for violations of the act serves as a deterrent against unfair practices in commercial financing, ensuring providers adhere to the standards and disclosures required by the bill.

Overall, HB574 addresses the need for greater transparency, fairness, and standardization in commercial financing, helping small businesses navigate their financing options more effectively and safely. This aligns with the National Urban League's goals of supporting minority-owned small businesses by providing them with the tools and information necessary to succeed and thrive.

This concludes my testimony in favor of HB574. Thank you.