



February 13, 2024

Honorable members of the committee, thank you for your time and attention. My name is Everett K. Sands, and at my lending institution, Lendistry, we can calculate APR faster than Gunner Henderson can turn a double play, faster than you can eat a Berger cookie, faster than you can sign your name. For a responsible lender that has their customer's best interest in mind, it's that easy. Lendistry has provided financing with transparent APR disclosures for hundreds of Maryland businesses, 69% of which were minority-owned. We do it dozens of times per day nationwide. It is likely the least complicated thing we do when processing a loan application.

For the record, any lender who tells you calculating APR with the proper disclosures isn't feasible most likely makes their money from charging astronomical hidden fees. Yes, this bill could put predatory lenders out of business, and that is the best possible outcome for Maryland's small business owners. When small business owners in Maryland are empowered with clear information about their financing options, they have the opportunity to choose the best product for their needs. Every entrepreneur deserves access to responsible, affordable capital that will help their business thrive, not force them out of business. Access to this information will not hurt Maryland small business owners because Lendistry and its fellow Community Development Financial Institutions (CDFIs) will be here to support them.

Lendistry was founded to show small business owners that fast and flexible business loans could be done responsibly. I have more than 20 years of experience in lending at community banks, and at one of the largest national banks. As founder and CEO of Lendistry, I have focused on innovating and executing alternatives to traditional financing to support the underserved small businesses that frequently fall through the gaps, particularly those owned by minorities, women, veterans, and people in rural areas. My team and I have made it our mission to disrupt the predatory lending industry, and the transparency provided through the Commercial Financing - Small Business Truth in Lending Act will go a long way toward supporting that mission.

To date, our grant and loan programs have provided over 630,000 small businesses with nearly \$10 billion in capital. More than 60% of Lendistry's outstanding principal loan balance is with minority and women-owned borrowers, more than 70% is with underserved small businesses, and 60% is with low- or moderate-income borrowers. Lendistry was the #8 PPP lender in the country in 2021, ranked above large banks like Wells Fargo. We have served more than 12,000 Maryland small businesses. All this is to assure you that, while my team and I never claim to have found the final solution, we have made significant progress in reaching the communities that need capital and lack experience with the application process. We also have significant insight into the financial hurdles they face that drive them to see predatory lenders as their only option if they want to sustain and grow their businesses.





Nearly ten million new businesses were formed in 2020 and 2021, according to the U.S. Census Bureau.¹ The nearly 4.4 million new businesses formed in 2020 was more than 50 percent higher than the average annual number of new businesses formed between 2010 and 2019.² In fact, 2020's new business formation figure was a record, but it stood for just one year before it was far surpassed by the 5.4 million new businesses formed in 2021.³

Furthermore, a raft of data reveals how significant a role minority and women entrepreneurs have played in the recent new business formation activity⁴⁵⁶, building on their already-strong pre-pandemic entrepreneurial representation.⁷

According to the Intuit QuickBooks Small Business Index's Annual Report, access to financing is harder to obtain for new businesses and those owned by women or underrepresented racial groups. Small businesses owned by underrepresented racial groups are twice as likely to say "getting funding" is their #1 challenge. 72% of men who own small businesses say they can get funding over the next 12 months but among women, this drops to 64%⁸. In my experience, continued access to nonbank fintech credit is key for small businesses, particularly those who tend to need smaller dollar loans.

The capital access landscape many small businesses have traversed before and since the pandemic resembles a desert, where the lifeblood of responsibly-priced capital is scarce. Worse, it is a desert that is made almost impossibly steep by the prevalence of predatory lenders that have filled a void left by two decades of bank consolidation. The small businesses that tend to be most affected by these arduous conditions are those owned by minorities, women, and veterans; those located in rural areas; and those which, regardless of their

¹ "New Startups Break Record in 2021: Unpacking the Numbers," Daniel Newman and Kenan Fikri for Economic Innovation Group, January 19, 2022. <https://eig.org/news/new-start-ups-break-record-in-2021-unpacking-thenumbers>

² "Entrepreneurs Started Businesses in Record Numbers During the Pandemic," Brett Grossfeld for Salesforce.com's The 360 Blog, June 29, 2021. <https://www.salesforce.com/blog/small-business-pandemicentrepreneurs/>

³ D. Newman and K. Fikri

⁴ "Black Business Owners Are Up 38% from Pre-Covid Levels," Michael Sasso, *Bloomberg*, September 15, 2021. <https://www.bloomberg.com/news/articles/2021-09-15/black-business-owners-are-up-38-in-u-s-from-pre-covidlevels?sref=2gRIZMND>

⁵ "Black-owned businesses took a pandemic hit, but they're doing better than ever now – largely because of Black women," Jason Lalljee, *Insider*, February 7, 2022. <https://www.businessinsider.com/black-women-businesses-fuelincrease-pandemic-hit-entrepreneurship-covid-2022-2>

⁶ "Black women are the fastest growing group of entrepreneurs. But the job isn't easy," Elana Dure, J.P. Morgan Chase, October 21, 2021. <https://www.chase.com/personal/investments/learning-and-insights/article/blackwomen-are-the-fastest-growing-group-of-entrepreneurs-but-the-job-isnt>

⁷ "Black Entrepreneurship Represents Highest Rate in U.S.," Bryan Lipiner, Global Entrepreneurship Monitor, August 13, 2020. <https://entrepreneurship.babson.edu/gem-data-black-entrepreneurship-us/>

⁸ Intuit QuickBooks Small Business Index Annual Report 2023, October 6, 2023, https://quickbooks.intuit.com/r/small-business-data/index-annual-report-2023/?cid=pr_TOF_QBB_press-release_US_EN_SMBIndex_AR





ownership demographics, have capital requirements that are simply too small to be profitably served by traditional banks, whose median asset size ballooned by more than 500% between 2000 and 2019.⁹

While traditional banks are very effective in deploying very large amounts of capital, their operational incentive is to do so through as few separate underwritings as are prudent from a risk management perspective, resulting in a very large average loan size. This logic also bears out in Federal Reserve survey data regarding the businesses that traditional banks tend to establish relationships with. Minority-owned businesses—which are disproportionately small businesses—are much less likely than other businesses to have banking relationships.¹⁰

It is urgent that policymakers hold lenders accountable for providing capital to these businesses with integrity. The predatory claim that it is too difficult or expensive to break down APR calculation clearly is simply false. If it were, Lendistry and its fellow responsible lenders would not be able to provide this detail today.

A handwritten signature in black ink, appearing to read "Everett K. Sands". The signature is stylized and somewhat abstract.

Everett K. Sands
CEO

⁹ Most banks simply are too large to efficiently make small loans. Twenty years of bank consolidation has cut the number of FDIC-chartered banks in the U.S. by 45%. According to FDIC data, there were 8,315 FDIC-insured banks in 2000, compared to 4,519 in 2019, with just 32 new FDIC-insured bank charters issued since 2010. As a result, the median asset size of remaining banks has grown by more than 500%, from \$751 million in 2000 to \$3.9 billion in 2019.

¹⁰ Federal Reserve Banks, 2019 Small Business Credit Survey and 2020 Report on Employer Firms. Fewer than 1 in 4 Black owned businesses with employees and fewer than 1 in 3 Latinx-owned businesses with employees had received funding from a bank in the prior five years, compared with nearly half of white-owned firms with employees. Moreover, just 1 in 10 Black-owned sole proprietorships or independent contractors – which comprise a disproportionate share of all Black-owned businesses – had a recent borrowing relationship with a bank, compared with 1 in 4 white-owned non-employer businesses.

