



HB 246

March 26, 2024

Senate Finance Committee  
3 East  
Miller Senate Office Building  
Annapolis, Maryland 21401

**RE: HB 246 - Favorable with Amendments -  
SoLo Funds - Consumer Protection - Regulations and Orders**

Dear Chair Beidle and Committee Members:

SoLo Funds (SoLo) co-founded by me, Rodney Williams, a Marylander and proud Baltimorean, is a Black-owned fintech company launched in 2018 with the goal of providing an alternative to short-term loans that are non-predatory, simple, and community driven. SoLo is an online peer-to-peer or P2P lending solution powered by individual capital and enabled by banking services. SoLo's mobile application platform enables access and supply of short-term funds for immediate needs. Members on SoLo's platform can request or fund transparent loans without cumbersome applications, long waiting periods or surprise fees. Lenders on SoLo's platform do not impose any interest or finance charges on the borrowers, and the borrowers' only payment on a performing loan is a self-imposed, voluntary gratuity, or tip, to the Lender. This is an important distinction, as it is Maryland residents that are obtaining the benefit of these payment, not the platform providing the service. SoLo looks forward to working with policymakers to address the unique challenges of underserved communities and enable financial autonomy for all, one loan at a time.

SoLo understands that interest can be effectively disguised as fees and charges, which can further entrench consumers in the predatory debt traps that SoLo seeks to eradicate for the underserved and underbanked communities. Although HB 246 is primarily targeted at earned-wage access companies, the bill makes several significant changes to the existing consumer loan laws in Maryland. First, the bill defines interest as a payment that is "directly or indirectly imposed by a Lender," with which SoLo agrees. The issue arises when the bill subsumes into its definition of interest as a "tip," defined as a "voluntary payment by a consumer." It is evident that there is a contradiction in meshing those concepts together, as interest is imposed, and tips are voluntary. By their very nature, tips do not equate to interest.

The bill also sets forth that a "tip" includes any payment made by a consumer, "regardless of how the payment is characterized, including as payment for expedited processing or disbursement or for a membership, registration, or subscription fee or as a donation or gratuity." This provision merely attempts to bundle all of these payments into the family of a tip. Similar to the discussion above, while tips are voluntary payments which have been appropriately defined,



expedited processing fees, membership fees, and subscription fees are *imposed* on the consumer, making their nature wholly differentiated from that of a voluntary tip.

Lastly, the bill should be amended to provide a carve-out or safe harbor when (1) payments or fees are not imposed by a lender, and (2) are not accruing or compounding over time. These characteristics would clearly distinguish those payments from the concept of interest. Instances of fees or payments that bear these characteristics would be infrequent, allowing the bill to have its operative effect. In addition, this amendment would encourage consumer finance companies of all types to adopt these cost-transparent models and the rising tide to lift all ships in the space of consumer protection.

In total, HB 246 makes great strides in attempting to provide clarity to consumers when they are subjecting themselves to a potential debt trap. The fees and payments mentioned under this bill can certainly have the effect of interest, but only to the extent that those fees and payments are accruing or compounding over time, similar to the characteristics of interest. SoLo has taken into account the mechanisms that force Maryland consumers into perpetual debt traps and have been very thoughtful in creating this innovative, cost-transparent model. SoLo's model does not create problems or issues for Maryland consumers; rather, it solves the issues of Maryland's underserved and underbanked communities and provides financial access and literacy where it previously did not exist. Furthermore, as mentioned above, the tips that are provided in appreciation of a funded loan are provided to community members, not to SoLo. The benefit to the public, as opposed to the company, creates an important distinction from the activity against which this bill is designed to protect. This groundbreaking model should be heralded as an example of innovation and problem-solving for Maryland consumers and it is exactly this type of innovation that Maryland's legislature should support to bring more founders and much needed revenue to Maryland. We look forward to working with the sponsors, the committee, and interested parties on this legislation and possible amendments.

Sincerely,

Rodney Williams  
Marylander and Baltimorean  
President and Co-Founder, SoLo Funds