National Consumer Law Center

Fighting Together for Economic Justice

Testimony to the House Economic Matters Committee

Maryland HB1471 Innovative Financial Product or Service Certification Program

Position: Unfavorable

February 28, 2025

The Honorable CT Wilson, Chair
House Economic Matters Committee
Room 231, House Office Building
Annapolis, Maryland 21401

cc: Members, House Economic Matters

Honorable Chair Wilson and members of the committee:

I am the Associate Director of the National Consumer Law Center (NCLC) and a Maryland resident. NCLC submits this written testimony in strong opposition to HB 1471. Founded in 1969, NCLC works for economic justice for low-income and other vulnerable people who have been abused, deceived, discriminated against, or left behind in our economy.

HB 1471 would exempt 400% APR payday loans offered through websites and apps promoting peer-to-peer loans from Maryland's interest rate limits and debt collection laws.

The bill seems aimed at protecting SoLo Funds, a company sued by the State of Maryland[1] and several other states[2] for disguising exorbitant interest in so-called "tips" and "donations" and for violating state lending and licensing laws. SoLo Funds was also sued last year by the Consumer Financial Protection Bureau (CFPB), which charged the company with deceiving consumers by advertising 0% APR

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[1] Consent Order and Settlement Agreement, In re Solo Funds, Inc and Travis Holoway, No. CFR-FY223-13 (Md. O. of Fin'l Reg. Oct. 23, 2023), https://labor.maryland.gov/finance/consumers/frfy2024-solofunds.pdf.

[2] California, Connecticut, the District of Columbia, Massachusetts, and Pennsylvania have all entered into consent decrees with SoLo Funds generally requiring SoLo funds to stop lending in the states unless it obtains a license, complies with state rate caps, and/or comply with rules to prevent it from effectively requiring tips as disguised interest.

and “no interest” loans on loans with triple-digit APRs and deploying digital dark patterns that resulted in almost every borrower paying one or more fees.

The complaint filed by CFPB stated that “many loans originated on the SoLo Platform carried an APR in excess of 300% (treating the tip and donation properly as finance charges).” Solo’s own website detailed an “average cost” consisting of an “average tip” of 10.4% of the amount borrowed and an “average donation” of 6.2% of amount borrowed for loans generally due in 5 to 15 days. For a 15-day loan, that would be a 404% annual percentage rate (APR).

Last week, the Trump Administration dismissed the enforcement action against SoLo Funds. This makes it even more urgent that states like Maryland protect its citizens from this new form of payday lending by preserving and enforcing its consumer protection laws. The Maryland Office of Financial Regulation did just that in 2023 when it obtained a consent decree against SoLo Funds based on its conclusion that SoLo Funds had “violated various provisions of Maryland law by aiding consumers in obtaining loans with terms contrary to those permitted by Maryland law.” The consent decree required the company to stop lending in Maryland unless and until it obtained a licence and complied with Maryland law.

But instead of the strong existing consumer projections that Maryland currently affords its residents, under HB 1471 400% APR payday loan platforms will, by right, be issued a certification under the new Innovative Financial Product or Service Certification Program. This certification would exempt these lenders from complying with interest rate and fee caps without putting any limits on fees or tips. Certification *may* also be issued to “other types of innovative products or services that are determined by the Commissioner to enhance lending and access to credit in the State.” The only explicit consumer “protection” in the bill is that the newly created Commissioner may, but is not required to, revoke a certification if a holder engages in unfair, abusive deceptive or fraudulent practices. That is a very nebulous "protection" to exchange for Maryland’s strong interest rate limits that clearly prevent predatory lending.

This bill proposes a broad relinquishment of power by the legislature and opens the door for predatory lenders to prey on working people under the guise of “innovation.” Maryland has banned payday loans, and for good reason. HB 1471 would let payday lending invade the state by the back door. We strongly oppose passage of this bill.

Thank you for considering our views.

Lauren Saunders
Associate Director
National Consumer Law Center