



**Testimony to the House Economic Matters Committee
HB1471 Innovative Financial Product or Service Certification Program
Position: Unfavorable**

March 4, 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:

Economic Action Maryland Fund (formerly the Maryland Consumer Rights Coalition) is a statewide coalition of individuals and organizations that advances economic rights, equity and housing justice for Maryland families through research, education, direct service, and advocacy. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland. Our direct service programs serve clients in every county part of the state.

We are here in strong opposition to HB1471. Despite its title, HB1471 will provide a sweeping rollback of longstanding consumer protections in Maryland. Under the guise of innovation, HB1471 will leave financially fragile Marylanders mired in unaffordable and unsustainable debt.

HB1471 exempts innovative financial service products from a swath of traditional consumer protections Maryland including our consumer loan law which caps interest rates and fees for small consumer loans.

At a time when the Consumer Financial Protection Bureau (CFPB) is eviscerated and federal consumer protections are being rolled back across the country, it is more important than ever that we enact strong, robust consumer protections in Maryland. HB1471 is a giant step backwards.

As drafted, the bill would create a category of 'peer-to-peer lenders' which would be exempt from traditional consumer protection including rate caps, licensing, and enforcement.

SoLo Funds provides a perfect example of why stronger regulation and consumer protections are needed. SoLo fits into the model that would be exempt from consumer protections should HB1471 pass.

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However, in 2023 SoLo Funds had consent orders from DC, CT, CA blocking them from offering unlicensed payday loans that use “tips” and “donations” to conceal annual percentage rates (APRs) of 511% and evade state interest rate limits.

SoLo Funds operates a lending platform where consumers can request loans up to \$500 from individual lenders. It uses various techniques to push borrowers into paying “tips” and “donations.” The standard loan has a 15-day term, and SoLo encourages a tip of 12% of the loan amount plus a donation to SoLo of up to 9%, though some borrowers pay more or less. SoLo discloses a 0% APR, but a 12% tip and 9% donation on a 15-day loan would be the equivalent of a 511% annual percentage rate (APR)

In 2024, the Consumer Financial Protection Bureau filed suit alleging SoLo deceived borrowers by hiding interest and fees on its loans that ultimately saddled its customers with APRs “in excess of 300%” and some as high as 1,000%.

Also in 2024, Maryland’s Office of Financial Regulation reached a consent order with SoLo Funds with \$125,000 in relief alleging the company had conducted business in Maryland as an unlicensed credit services business, an unlicensed collection agency, and an unregistered credit reporting agency.

Passage of HB1417 will carve out exemptions for SoLoFunds and companies like it, wiping out more than 30 years of rate cap protections for consumers, exempting them from regulation and enforcement, at the expense of low-income and cash-strapped consumers.

For all these reasons, we oppose HB1417 and urge an unfavorable report.

Best,

Marceline White
Executive Director

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