Maryland
DEPARTMENT OF LABOR

OFFICE OF FINANCIAL REGULATION
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Baltimore, Maryland 21201
Antonio P. Salazar, Commissioner

March 4, 2025

House Economic Matters Committee
Chair: Delegate CT Wilson
House Bill 1471 - Innovative Financial Product or Service Certification Program

Re: Letter of Information

The proposed bill would require the Office of Financial Regulation (OFR) to create a certification program for peer-to-peer platforms as well as other innovations the Commissioner determines enhance access to credit for Maryland consumers. Maintaining and managing such a certification program would require appropriate technology. Additionally, OFR would need to adopt regulations to implement the certification program. The bill could also require additional personnel to review the applications and maintain the technology for the certification program.

This bill relies upon two tools to accomplish its purpose, both of which minimize existing consumer protections and substantially restrict the OFR's oversight of such products and services. This bill allows some lenders or providers of "peer-to-peer" lending platforms to seek a certification from OFR to avoid compliance with Maryland lending laws and as well as applicable lending rate caps. The proposed FI §11-202(c) would remove any loan from the coverage of the Consumer Loan Law when they are made through a certified person's platform. The bill does not place such loans under any law other than the proposed Title 12, Subtitle 12, which contains no rate or fee caps. The bill provides no specific consumer protections, other than the ability of OFR to suspend or revoke a certification upon a determination that a practice is unfair, abusive, deceptive, or fraudulent. OFR would therefore have little authority to take action against individual lenders using a certificate holder's platform if it finds wrongdoing or to act on consumer complaints.

If the bill is passed, to avoid bad and negligent actors from gaining unregulated access to Maryland's marketplace, OFR will need to carefully vet any person seeking a certificate. Once a certificate is issued, as described above, the lack of licensure will materially restrict the Commissioner's ability to effectively monitor products and services issued by or through such certificate holders. The need to conduct the necessary due diligence will require a significant allocation of OFR's internal resources to evaluate applicants' fitness to receive a certificate and monitor the products and services issued by or through certificate holders.

Maintenance and management of the certification program would require appropriate technology and increased staffing at OFR, particularly in light of existing and potentially other new OFR responsibilities. Given that a broad range of products and services could potentially qualify for certification, OFR anticipates the need for at least one additional Non-Depository Financial Examiner to review applications for certification; this number could increase depending upon application volume.

OFR believes it can utilize the Nationwide Multistate Licensing System (NMLS), currently used by OFR to manage all of its licenses and registrations, to manage the application process and associated record retention. However, NMLS charges an annual processing fee for renewals of licenses, registrations, or certificates within the system; the bill does not require a certified person to pay any fee, so OFR would need to pay the NMLS fees

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for such persons. OFR is unable to reliably estimate a number of applicants and therefore cannot estimate the anticipated additional expenses associated with NMLS usage. Alternatively, OFR could work with the Department of Labor's Office of Information Technology to develop a system; however, this approach would also result in additional, ongoing, costs to OFR for development and maintenance.

The bill provides no funding to OFR to establish and operate the system, so any costs, whether for additional staff, NMLS fees and costs, or Labor IT, would be paid from OFR's Non-Depository Special Fund. Revenues for this fund come from regulated industries in the form of license and examination fees and annual assessments. Thus, the cost of implementing this bill would ultimately be borne by other regulated persons, such as mortgage lenders, money transmitters, consumer lenders, collection agencies, etc.