



February 18<sup>th</sup>, 2025

Senator Pamela Beidle, Chair  
 Senate Finance Committee  
 6 Bladen St., Annapolis, Maryland 21401  
 Miller Senate Office Building, 3 East Wing  
 11 Bladen St., Annapolis, MD 21401 - 1991

**RE: Support for SB 754, Commercial Financing – Small Business Truth in Lending Act**

Dear Chair Beidle, Vice Chair Hayes, and members of the Senate Finance Committee:

There are some things we can still all agree on. The undersigned coalition represents not only small businesses, but also banks, fintechs, nonprofit lenders, civil rights groups, and advocacy nonprofits. Despite so many differences, we all agree: small businesses deserve to see the transparent price they are expected to pay for financing. We urge your strong support for SB 754, Commercial Financing - The Small Business Truth in Lending Act (Kramer).

Many are surprised to learn that the transparency standards that lenders have complied with for 50 years under the Truth in Lending Act (1968) don't protect you when you borrow for your small business. SB 754 would simply provide small businesses with equivalent transparent price disclosures on their financing options. When small business owners are empowered with transparency, they can choose the best financing option for their needs. These exact disclosures are already being provided in New York and California. Marylanders deserve the same transparency.

This issue is urgent. Today, Maryland small business owners are routinely paying annual percentage rates (APRs) of 200% or more without ever seeing those prices disclosed.<sup>1</sup> Maryland small

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<sup>1</sup> United States Treasury Department, "[Financing Small Business: Landscape and Recommendations](#)," Jan 10<sup>th</sup>, 2025.

businesses are overpaying an estimated \$237 million in unnecessary interest and fees, *every year*. Of this, Black business owners are overpaying an estimated \$72 Million, and Hispanic business owners an estimated \$26 million.<sup>2</sup> By empowering business owners to comparison shop, you can help them keep their hard-earned funds to build generational wealth, send kids to college, give raises to employees, and hire in their communities.

Below are four new developments that resolve the questions the committee raised previously, and underscore the need to pass this bill this year before another \$237 million is taken away:

- 1) **New Data Shows Transparency Supports Business' Access to Capital** – There are now two years of data from New York and California, where the legislatures voted on a bipartisan basis to provide the same transparency standards proposed here. The data shows that financing options remain available and continue to flourish in both states:
  - Merchant cash advances continue to be available in California and New York. In fact, 100% of those financing companies partnered with Nav, a fintech company that provides access to financial products and services for small businesses, continued after the transparency requirements came into effect. 0% stopped.<sup>3</sup>
  - Numerous merchant cash advance companies continue to advertise their availability specifically in New York, California, and “all 50 states.”<sup>4</sup>
  
- 2) **New US Treasury Dept. Report Highlights the Need for This Bill** – The Biden US Treasury Report released a Policy Brief on small business financing on Jan 10<sup>th</sup>, 2025. Treasury’s *first* key finding is that the lack of price transparency in small business financing is harming small businesses and undermining competition among financing providers.<sup>5</sup>
  - For solutions, the US Treasury Department pointed to the Responsible Business Lending Coalition, which supports this bill.<sup>6</sup>
  - Treasury’s findings complement the five successive studies by the Federal Reserve showing that, in the absence of transparent disclosures, small businesses today are being misled into unnecessarily expensive financing.<sup>7</sup>

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<sup>2</sup> This estimated is the \$4,864 to \$23,098 per loan that small businesses are routinely overpaying when lower-price options are available (per Financial Health Network research), multiplied by the number of small businesses in Maryland (per US Census) who are seeking capital online and who also say the price of financing is a top priority for them (per Federal Reserve Small Business Credit Survey).

<sup>3</sup> See testimony provided by Nav, Feb 7, 2025

<sup>4</sup> See, e.g. <https://www.google.com/search?q=merchant+cash+advance+50+states>

<sup>5</sup> United States Treasury Department, Jan 10<sup>th</sup>, 2025.

<sup>6</sup> Id.

<sup>7</sup> Federal Reserve Bank of Cleveland, “[Clicking for Credit: Experiences of Online Lender Applicants from the Small Business Credit Survey](#),” August 2022; Board of Governors of the Federal Reserve System, “[Uncertain Terms: What Small Business Borrowers Find When Browsing Online Lender Websites](#),” December 2019; Board of Governors of the Federal Reserve System, “[Searching for Small Business Credit Online](#),” Consumer and Community Context, Nov 2019, Vol 1, No 2; Federal Reserve Board of Governors, “[Browsing to Borrow: ‘Mom & Pop’ Small Business Perspectives on Online Lenders](#),” June 2018; Federal Reserve Bank of Cleveland, “[Alternative Lending through the eyes of ‘Mom & Pop’ Small-Business Owners](#),” August 2015.

- 3) **New Tools Help Lenders Compute APRs** – Computing an APR is a basic finance skill. After all, the rate a financing company expects to charge is the same rate they expect to earn. What finance is sending money out the door with no expectation of the rate they will earn?
- However, for financiers without these skills, companies like Bethesda-based Rapid Finance now offer software that enable other financing companies to “*quickly and easily produce compliant disclosure statements at a state-by-state level.*”<sup>8</sup>
  - The bill now also includes a safe harbor that protects lenders using Estimated APRs.
- 4) **Federal Court Settled the Facts** – A few financiers who may prefer not to disclose their high APRs sued California. The federal judge, a Bush appointee, ruled APR disclosure is “purely factual, noncontroversial, and not unduly burdensome.”<sup>9</sup>

Financing companies offering "higher-cost, less-transparent credit products" (to quote the Federal Reserve) will try and convince you to carve them out of this transparency framework, or exempt them from APR disclosure. But their "less-transparent" practices are why this bill is needed.

Entrepreneurs deserve access to capital that will help their businesses thrive, not force them out of business. And yet 28% of business owners report that they were harmed by predatory lending *within the past year*. Among Black business owners, 37% say they were harmed.<sup>10</sup> Marylanders deserve to know the price they would pay. Please email [CLocklair@MDRA.org](mailto:CLocklair@MDRA.org) if we can be of any assistance.

Sincerely,

#### **Maryland-Based Organizations**

- Maryland Retailers Alliance
- Maryland Bankers Association
- Baltimore Community Lending
- CASH Campaign of Maryland
- Community Development Network of Maryland
- Economic Action Maryland
- Greater Baltimore Urban League
- Rebirth, Inc.
- Small Business Anti-Displacement Network

#### **National and DMV-Based Organizations**

- African American Alliance of CDFI CEOs
- American Fintech Council
- City First Enterprises
- Latino Economic Development Center
- Lendistry

- National Urban League
- Nav
- Woodstock Institute

#### **Responsible Business Lending Coalition**

- Accion Opportunity Fund
- Aspen Institute
- Bluevine
- Camino Financial
- Community Investment Management
- LendingClub
- National Association for Latino Community Asset Builders (NALCAB)
- National Community Reinvestment Coalition (NCRC)
- Opportunity Finance Network (OFN)
- Small Business Majority

<sup>8</sup> Rapid Finance, “[Rapid Finance Announces Availability of API Service to Support State-Level Business Lending Disclosure Requirements](#),” Dec 2022.

<sup>9</sup> ABA Banking Journal, “[California Court Grants DFPI’s Motion for Summary Judgement](#),” Jan, 2024.

<sup>10</sup> Goldman Sachs, “[New Survey Data Shows Black Small Business Owners Less Likely to Secure Loans](#),” Feb 2024.

