March 7, 2025

Re: Request for an UNFAVORABLE report on SB 1026

Dear Members of the Finance Committee:

I am here to express my strong opposition to SB1026, which seeks to exempt creditors from Maryland licensing requirements, on an emergency basis, at the same time that the federal government is ending its own oversight of lenders. SB1026 is a step in the wrong direction for Maryland consumers.

As you are aware, the Consumer Financial Protection Bureau (CFPB), which has played a critical role in enforcing fair lending practices and holding financial institutions accountable, is currently being dismantled at the federal level. The CFPB has provided crucial consumer protections, ensuring that mortgage companies operate with transparency and accountability. With its impending rollback, the burden of oversight will fall more heavily on state governments to safeguard residents from predatory lending and financial exploitation.

Maryland has historically been a leader in consumer protection, ensuring that individuals and families are not subjected to deceptive lending practices or unfair treatment by creditors. State licensing requirements are an essential tool in this effort, enabling Maryland regulators to vet mortgage companies and lenders, track their practices, and take corrective action when necessary. Removing this critical layer of oversight will create an enforcement vacuum, putting borrowers, homebuyers and homeowners at greater risk of fraud and financial instability.

The timing of SB1026 could not be worse. At a moment when federal consumer protections are eroding, Maryland should be strengthening—not weakening—its ability to oversee the lending industry. If enacted, this bill would expose vulnerable borrowers to potential misconduct, including hidden fees, misleading loan terms, and unethical lending practices that could lead to increased foreclosures and financial hardship across our state.

Furthermore, SB1026 could have the unintentional effect of creating a massive licensing loophole. For example, auto loans are usually originated by car dealers (who are not licensed as lenders) and then assigned to third party lenders (who currently are required to be licensed). So long as those third-party auto lenders outsource collections, they could completely avoid State oversight of their substantial Maryland lending operations. It is not hard to imagine how creative lenders could structure their operations under this bill so that most lending in Maryland would be exempt from State regulatory oversight. Combining an absence of federal and State regulatory oversight with the ubiquitous presence arbitration agreements which prevent consumers from vindicating their rights in Court is a recipe for lenders running roughshod over Maryland consumers' rights.

Moreover, removing licensing requirements would place Maryland at odds with states that are taking proactive steps to fill the regulatory gaps left by federal rollbacks. Other jurisdictions are reinforcing their consumer protection laws in

11350 McCormick Rd., Executive Plaza 1, Suite 1000, Hunt Valley, MD 21031 • 410-825-2300
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response to the uncertainty at the national level. Maryland should do the same by maintaining robust oversight mechanisms to protect its residents.

For these reasons, I urge the committee to give an UNFAVORABLE report on SB1026 and to reaffirm Maryland's commitment to fair and responsible lending. Our state must not follow the federal government's retreat from consumer protections but instead serve as a bulwark against financial exploitation.

Thank you for your time and consideration.

Respectfully,

Benjamin H. Carney