



Innovative Lending Platform Association

February 20, 2025

Honorable Chair Beidle
Senate Finance Committee
Unfavorable Testimony

Letter In Opposition to Senate Bill 754/House Bill 693

Chair Beidle, Vice Chair Hayes, and Members of the Senate Finance Committee,

The Innovative Lending Platform Association (ILPA) appreciates the opportunity to submit testimony opposing Senate Bill 754/House Bill 693, the Small Business Truth in Lending Act.

ILPA is the leading trade organization for online lenders and service companies serving small businesses. Our members¹ provide various innovative, digital commercial financing products. They proudly supply thousands of Maryland businesses with working capital to invest, purchase inventory, hire additional staff for the busy season, expand operations, or repair damaged or outdated equipment. Using innovative underwriting and advanced technology, our members assess credit risk and deliver financing in as little as 24 hours.

In 2016, ILPA created SMART Box®, the industry's first model disclosure tool. SMART Box offered clear, comprehensive pricing metrics and highlighted key loan terms in plain language. We were also prime supporters of New York's commercial financing law, modeled heavily on SMART Box.

We greatly appreciate Senator Kramer and Delegate Fraser-Hidalgo's intention to provide small businesses with consistent and simple financing disclosures. We have worked closely with Senator Kramer in previous sessions to provide constructive technical assistance. We still strongly support transparency in small business financing disclosures. However, in the almost ten years since SMART Box was first introduced, the market has continued to evolve and innovate. Today, financial technology companies are providing several alternative models of financing that provide small businesses with meaningful competition and choice.

Small business disclosure laws have also been enacted in several states, creating a de facto national standard. In every state since California and New York first moved on small business disclosure, the commercial finance disclosure laws have intentionally chosen total cost of capital over APR as the primary disclosure format. Parity across states is essential for our members to provide small businesses with critical capital, and the clear trend has been not to require APR.

APR was created initially for traditional, long-term financing products with fixed payment schedules or repayment dates to help borrowers understand the cost of their financing year over year. It is not the best metric for short-term products or those not including fixed payment terms, like sales-based financing or factoring. APR can actually mislead small business borrowers, masking the actual cost of capital and causing small business owners to enter into financing arrangements that cost more over a longer term because they were sold on a low APR.

¹ BackD Business Funding, Biz2Credit, Dedicated GBC, Fiserv, FundBox, iBusiness Funding, Lendio, Mulligan Funding, and OnDeck

Given the national trend of enacting commercial financing disclosure laws without APR but still providing critical metrics such as total cost of capital, length or estimated length of the financing, and estimated monthly payments, and the evolving and disparate models of financing being offered to small businesses, APR is no longer the most uniform or consistent disclosure metric for small businesses comparing multiple offers.

While well-intentioned, the Small Business Truth in Lending Act has not modernized with the industry and is no longer the most relevant and timely way to ensure small businesses have the critical disclosures they deserve and need. ILPA remains committed to promoting best practices, responsible innovation, and transparent access to capital. Our members are dedicated to offering small businesses clear, responsible financing options.

For these reasons, ILPA opposes Senate Bill 754/House Bill 693. Thank you for your consideration.