February 20, 2025

The Honorable Pamela Beidle
Chair of Finance Committee
Maryland Senate
3 East Miller Senate Office Building
Annapolis, MD 21401

RE: Opposition to S.B. 0754 – Small Business Truth In Lending Act

Chair Beidle, Vice Chair Hayes and Distinguished Members of the Committee,

My name is Natalie Pappas, and I am here today on behalf of Rapid Financial Services, LLC ("Rapid Finance"). Rapid Finance was founded in 2006 and has been headquartered in Montgomery County, Maryland since its inception. To date we have provided over $2 billion in working capital to small businesses throughout the United States. We employ nearly 200 employees at our Bethesda office. I appreciate the opportunity to share our opposition and broad concerns with S.B. 0754.

Rapid Finance supports disclosures that promote transparency and accountability for small business. However, as drafted, S.B. 0754 could be confusing for both providers of commercial financing and small businesses. We share a common goal of increasing access to fair and responsible capital; however, this legislation fails to provide small businesses a simple disclosure to compare the cost of all types of small business finance products. Because of this, Rapid Finance asks this committee to reject S.B. 0754 as currently drafted.

Rapid Finance's concerns with S.B. 0754 are as follows:

1. **Annualized Percentage Rate:** S.B. 0754, requirement to disclose an annual percentage rate or estimated annual percentage rate (collectively "APR") for commercial financing, will create significant confusion and uncertainty for Maryland small businesses trying to make informed decisions about the cost of financing products.
2. **Effective Date:** The current effective date and timeline for implementation of S.B. 0754 would place an undue regulatory compliance burden on the industry. Rapid Finance respectfully recommends allowing for a regulatory comment and approval process, and a 180-day compliance period after final regulations are published which is similar to timeframes provided by other states.
3. **Requirements to disclose certain items to the Commissioner:** S.B. 0754 requires a provider to disclose to the Commissioner (i) the method in which a provider is calculating the APR; (ii) the APR

given to a recipient at the time the disclosure is provided to the recipient; (iii) the actual APR for the financing, which means requiring a provider to retroactively calculate the actual APR; and (iv) any other information in a report that the Commissioner deems necessary. This is extremely overreaching and is not required by any other state that has implemented a disclosure law. It provides unnecessary burdens to providers. Furthermore, there is no indication that the Commissioner wants to receive this information or even has the capability at this time to process this type of information. These requirements are overreaching and should be stricken from S.B. 0754.

4. **Definitions:**
    a. Specific Offer: The definition should be amended as follows:
        i. means a written communication to a recipient, based upon information from, or about, the recipient, of a (i) periodic payment amount, irregular payment amount, or financing amount, and (ii) any rate, price, or cost of financing (including, without limitation, any total repayment amount), in connection with a commercial financing, which offer, if accepted by a recipient, shall be binding upon a provider. *Information about the recipient* includes information about the recipient that informs the provider's quote to the recipient, such as the recipient's financial or credit information, but not the recipient's name, address, or general interest in financing.
    b. Recipient: The definition of "recipient" should be limited to businesses with a principal place of business in Maryland, relying on either (1) a representation from the recipient, or (2) the business address provided by the recipient. All other state disclosures limit the definition of "recipient" to a business located within the state.
    c. Total Repayment Amount: S.B. 0754 defines "total repayment amount" as the "disbursement amount plus the finance charge". This definition needs to be refined to address situations where the two amounts are not the same.
5. **Renewal Financing:** S.B. 0754 requires disclosures for renewal financing but the bill provides only confusing guidance on calculation. It also requires providers to disclose any "double dipping" as described in the legislation. First, "double dipping" is not a formal term and is not widely used throughout the industry. Second, the term, as defined, fails to consider how renewal financing works in practice.
6. **Average Monthly Cost Disclosure (for periodic payments that are not monthly):** This required disclosure is problematic because (i) it is confusing to the small business as they may believe they have monthly payments instead of daily or weekly and (ii) it expresses a preference for products that ultimately may be more expensive.
7. **Signature Requirement:** Section 12-1211 requires the provider to obtain the recipient's signature "before a provider may allow the recipient to proceed with the commercial financing application." This is not practical and a signature should only be required "prior to consummating a commercial financing". S.B. 0754 should be amended to reflect that a signature is only required prior to consummating the financing, which reflects similar signature requirements in other states.
8. **Disclosure Requirements:**
    a. APR for Sales-Based Financing: This should be disclosed as an "Estimated APR" instead of "APR" as it is an estimate.
    b. Open-End Financing: Section 12-1207(A)(B) requires the disclosure of the credit limit along with the amount to be drawn at the time the offer is extended. There are two issues here. Firstly, it is not always known what the initial draw will be at the time the specific offer is presented to the

recipient because the recipient is only selecting a credit limit at the time and not a credit limit plus initial draw. Secondly, it appears that the entire disclosure for an open-end product is based on the assumption that the total credit limit is being drawn. Therefore, it does not make sense to include the initial draw requirement and we would request that be deleted and the entire disclosure be based on the entire credit limit. Furthermore, the majority of small businesses do not draw the entire credit limit on the initial draw so the disclosure may initially be misleading.

We appreciate you taking the time to consider our comments. If you have any questions or concerns or would like to discuss our comments further, do not hesitate to reach out to me.

Respectfully,

Natalie Pappas

Natalie Pappas
Assistant General Counsel
Rapid Financial Services, LLC
4500 East West Highway, 6th Floor
Bethesda, MD 20814
240-514-3189 (Direct)
2410-283-1080 (Fax)
nataliepappas@rapidfinance.com