

Woodstock Institute is a research and advocacy nonprofit dedicated to equal and safe financial systems for all, including small business owners.

The Truth in Lending Act of 1968 established APR as the “unit cost” of financing, just as miles-per-hour is how we compare vehicle speeds. Even if a loan is used for only six months, APR is still the best measure. By comparison, if you drive for only 30 minutes, you still use miles per hour to understand how fast you’re going.

Maryland’s small business owners do not get these same protections. They are being advertised financing products with a 4% fee rate, or 1.15 factor rate, or 8.33 specified percentage. Comparing these different terms is like one person telling you that they’re going 40 miles per hour, and another person telling you that they’re going 5 kilometers per minute. These different measurements for the cost of financing are not consistent in how they calculate the true cost of a loan over time. Below is a table from Federal Reserve Research and a chart of a Woodstock Institute analysis of business loan terms:

Estimated APRs for select online products		
Rate Advertised on Website	Product Details	Estimated APR Equivalent
1.15 Factor Rate	<ul style="list-style-type: none"> Total repayment amount \$59,000 Fees: 2.5% set-up fee; \$50/month administrative fee Term: none (assume repaid in six months) Daily payments (assume steady payments five days/week) 	Approx. 70% APR
4% fee rate	<ul style="list-style-type: none"> Total repayment amount \$56,500 Fee rate: 4% (months 1-2), 1.25% (months 3-6) Fees: none Monthly payments Term: six-month term 	Approx. 45% APR
9% simple interest	<ul style="list-style-type: none"> Total repayment amount \$54,500 Fees: 3% origination fee Weekly payments Term: six-month term 	Approx. 46% APR

Small Business Loan Terms (Updated 2025)					
Lender	Amount Dispersed	Total of Payments	Interest and Fees Paid	Loan Term in Days	Estimated Annual Percentage Rate
Vader Mountain	\$14,275	\$23,250	\$9,000	110	251.17%
InAdvance	\$7,295	\$11,600	\$4,305	101	352.64%
Mantis Funding	\$7,304	\$12,320	\$5,021	122	290.12%
Merchant Funding	\$23,866	\$37,475	\$13,609	106	319.33%
Capital Alliance	\$7,465	\$10,875	\$3,410	92	311.42%

Maybe these APR options do end up being the best option for a small business because they get the money to you the fastest, or their model works well for the type of business you operate.

But having APR disclosure under SB881 would empower Maryland’s small business owners to make these decisions for themselves so they can shop for the best price when borrowing money. It



enables informed, apples-to-apples comparisons between different financing options. That is why Woodstock Institute urges delegates of the committee to support SB881.