

MARYLAND RETAILERS ALLIANCE

The Voice of Retailing in Maryland



SB 881 Financial Institutions and Activities - Licensing Requirements and Regulation of Commercial Financing

March 31, 2026

Position: Favorable

MRA represents thousands of retail establishments across Maryland, from small family-owned shops to larger regional and national employers. Our members operate on very slim margins and are deeply embedded in their local communities. For these businesses, loan predictability, fairness, and affordability are crucial for their sustainability and growth. Thus, the Maryland Retailers Alliance respectfully submits this testimony in support of SB 881.

Our engagement on this issue began when a small business owner from Fells Point in Baltimore—one of our members—shared her experience with high-cost financing products. After more than 15 years in business, she unknowingly entered into agreements with triple-digit interest rates and was ultimately unable to recover. The lack of clear, upfront disclosure left her without the information needed to make an informed decision.

At its core, SB 881 is a commonsense transparency measure. It requires small business financing providers to disclose key terms that businesses reasonably expect, including payment amounts and frequency, finance charges, fees, estimated repayment terms, and—most importantly—an estimated APR.

The bill also establishes licensing requirements for financing providers, a framework the industry has supported on the record in Maryland and in other states. These provisions promote accountability and ensure a level playing field across the marketplace.

This approach is broadly supported by small business organizations, banks, fintech lenders, and nonprofit and community groups. It is opposed only by a narrow segment of lenders that rely on high-cost products and resist disclosing their true price. Notably, these disclosures are already required and have been functioning effectively in states like California and New York for over four years.

Two concerns have been raised in prior discussions:

- **Whether APR can be calculated:** It can. Financing providers already estimate the return they expect to earn, and the bill includes a safe harbor to address minor deviations.
- **Whether access to credit is reduced:** Evidence from California and New York shows that lenders continue to operate—and in many cases have expanded—under similar disclosure requirements.

SB 881 does not restrict access to credit. It ensures that small businesses have the basic information needed to evaluate financing options and avoid harmful outcomes.

For these reasons, we respectfully urge a favorable report on SB 881.