

Good afternoon,

I am writing to ask for your support for SB 0881 (Senator Kramer), Financial Institutions and Activities - Licensing Requirements and Regulation of Commercial Financing. Baltimore Community Lending, Inc. provides small business loans to for-profit businesses located in Baltimore City, Baltimore, Howard, Harford, Carroll, and Anne Arundel County. Our program provides capital to emerging and growing small businesses that are creditworthy but lack the equity or collateral needed to qualify for traditional lending. Our loans can be used to purchase inventory, supplies, and materials, to purchase or lease furniture, fixtures, machinery, and equipment, and as operating capital. No specific collateral amount is required; however, a UCC Financing Statement will be filed against all business assets. Borrowers must have a reasonable credit record with consistent payments for at least 12 months prior to application. After a small business is funded, we provide ongoing technical assistance to ensure it becomes bank-ready.

A disproportionate number of African American small businesses come to our organization seeking to refinance MCA loans they received in hopes of scaling their operations. Many of these business owners have no idea what the interest rates on these loans are, nor do they understand the rate factor used to calculate the repayment amounts. There is enough distrust of financial institutions as is due to years of predatory lending. As a result, when a program like ours comes along, many small businesses feel that it's too good to be true or there's some type of catch. Many have been denied and find it easier to apply online, only to be bombarded with other MCA offers. This is the beginning of a never-ending cycle that leads many to default on the repayment terms. If many of these small businesses knew the actual costs, they would undoubtedly explore other options before accepting offers from an MCA lender.

Maryland small-business owners lose hundreds of millions of dollars every year due to unnecessary interest and fees charged by what the Federal Reserve calls "higher-cost and less-transparent credit products." This bill would give small business owners the transparency needed to compare financing options of different types and make their own decisions about which financing is best for them. This bill does not reduce access to capital in any way. How could it? It just requires price transparency — the same transparency already required by law in New York (2020), California (2018), and for every consumer loan since 1968.

SB0881 would help make Maryland more affordable. Non-transparent lending is increasing the cost of financing by making it nearly impossible for a small business owner to shop for the best price. These increased costs are also passed on to consumers, making day-to-day life less affordable for the average Marylander. Transparent disclosure of all costs, including the APR and

dollar cost of financing, will empower small businesses to shop for the best price. That will make life more affordable for small business owners and their customers.

This bill has gone through years of compromise and negotiation, while small business owners see more of their earnings pulled away every year. SB0881 keeps that money in Maryland, **building local businesses, generating taxes, creating jobs, and expanding economic opportunity**. We respectfully request your support.

Warm regards,

Don Cutwright

Senior Loan Officer

Assistant Vice President

Baltimore Community Lending

301 N. Calvert Street

Baltimore, MD 21202

mobile: 410-294-2712

Don.cutwright@bclending.org

www.BCLending.org



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