



March 27th, 2026

Chair Kriselda Valderrama
 House Economic Matters Committee
 House Office Building, Room 231
 6 Bladen St., Annapolis, Maryland 21401

RE: Support for SB881 (Kramer), The Small Business Truth in Lending Act

Dear Chair Valderrama, Vice Chair Charkoudian, and honorable delegates,

Small businesses are celebrated as the backbone of the economy. But today, the law is allowing financing companies to charge small business owners APRs of 200% or more without ever transparently disclosing these rates.¹ The undersigned organizations represent a consensus of over one thousand small business groups, for-profit financing providers, and nonprofit civil rights groups and community advocates. Across our many differences, we agree that small businesses deserve to see transparent prices when shopping for financing. We urge you to pass HB1007 (Fraser-Hidalgo), the Small Business Truth in Lending Act.

Small business owners should not be excluded from transparent pricing standards

HB1007 closes the regulatory gap that is excluding small business owners from the transparent pricing protections that otherwise apply whenever a person takes a loan. The US Treasury Department under President Biden explained that, “Unlike consumer loans, which are subject to standardized disclosures such as in the Truth in Lending Act, there are no standardized terms or disclosures [for small business financing] making the comparison of products across different

¹ US Department of the Treasury, “[Financing Small Businesses: Landscape and Policy Recommendations](#),” Jan 2025.

lenders and loan types difficult."² HB1007 would require transparent disclosure of prices and terms, just as consumers have benefited under the federal Truth in Lending Act since 1968.

SB881 makes Maryland more affordable

We project that this bill would save Maryland small businesses an estimated \$237 million dollars per year—simply by making it possible for business owners to compare the prices of different financing options and sometimes choose a lower-cost option IF they want to. Hispanic business owners would save an estimated \$26 million of this every year, and Black business owners would save an estimated \$72 million.

Nontransparent lending increases the cost of financing by making it nearly impossible for a small business owner to shop for the best price. These increased costs are passed on to consumers, making day-to-day life less affordable. APR disclosures will empower small businesses to shop for the best price, which will benefit both them and their customers.

SB881 is a vetted solution, in place in other states, and supported by Federal Reserve research

These transparency standards in are vetted and already in place in New York and California, where they help small business owners every day.

The need is urgent and clear. The Federal Reserve has published no less than five studies finding that small businesses are being misled by the lack of transparency in small business financing.³ The Federal Reserve finds that some small business financing companies today are quoting prices using “non-standard” price metrics that can misguide small business owners into more expensive financing.⁴ Maryland small businesses are paying unnecessarily high prices as a result.

The Federal Reserve research also points to solutions: when small business owners are provided a price disclosure that includes the Annual Percentage Rate (APR), “a majority of participants commented that APR was among its most helpful details.”⁵ APR is essential because it is the unit price of financing, just as the price-per-gallon is the unit price of gasoline and miles-per-hour is the common unit for a car’s speed. Unlike any other metric, APR enables apples-to-apples comparison between financing options of different amounts, structures, expected term lengths, or combinations of interest and fees. In addition to APR, the dollar cost of capital is also an important number to consider when comparison shopping, and it is also required in this bill.

² *Id.* For solutions, the US Treasury Department report points to the proposals of our coalition member Responsible Business Lending Coalition as “model.”

³ Federal Reserve Bank of Cleveland, “[Clicking for Credit: Experiences of Online Lender Applicants from the Small Business Credit Survey](#),” August 2022; Board of Governors of the Federal Reserve System, “[Uncertain Terms: What Small Business Borrowers Find When Browsing Online Lender Websites](#),” December 2019; Board of Governors of the Federal Reserve System, “[Searching for Small Business Credit Online](#),” Consumer and Community Context, Nov 2019, Vol 1, No 2; Federal Reserve Board of Governors, “[Browsing to Borrow: ‘Mom & Pop’ Small Business Perspectives on Online Lenders](#),” June 2018; Federal Reserve Bank of Cleveland, “[Alternative Lending through the eyes of ‘Mom & Pop’ Small-Business Owners](#),” August 2015.

⁴ Federal Reserve (2018)

⁵ Federal Reserve (2019)

We have attached a new presentation the Federal Reserve has released just this week, demonstrating that small business owners want and need to see the APRs they are expected to pay.

SB881 preserves and strengthens access to capital

This bill does not limit access to capital in any way. How could it? It just requires price transparency. Financing companies offering "higher-cost, less-transparent credit products," to quote the Federal Reserve,⁶ may try and convince you to carve them out of this transparency framework or exempt them from APR disclosure. But these "less-transparent" practices are why this bill is needed.

APR or Estimated APR can be calculated for any financing product, regardless of its structure, fees, or term length. After all, the Estimated APR a financing company expects to charge is the same annualized rate that the financing company expects to earn. Many of us are financing providers ourselves and can attest that we couldn't lend without knowing what we expect to earn.

Any dollar that a high-rate financing company loses because their customers were able to compare prices is a dollar that a Maryland small business will have chosen to save. Let's keep that \$237 million every year in Maryland, growing businesses, jobs, and prosperity.

Summary of Major Compromises

The bill has gone through five years of compromise and negotiation to bring on the breadth of support you see here today. Here are some the major compromises that have taken place:

- *Removed ban on merchant cash advances* - The bill was narrowed dramatically to no longer prohibit what the [Federal Reserve](#) calls "higher-cost and less-transparent credit products." If the bill passes, these products will continue to be available but will be more transparent.
- *Removed rate cap* - With the rate cap removed from the bill, financing can continue to be "higher-cost." We hope that once prices begin to be disclosed and small business owners can comparison shop, price competition may bring prices down to be more affordable.
- *Added Safe harbor* - A segment of financing companies selling what the Federal Reserve calls "higher-cost and less-transparent credit products" has argued that they don't want to compute an Estimated APR. Their stated concern was that, if the "Estimated APR" diverges from the effective, retrospective APR, they could face legal liability. The courts have not agreed, [stating that](#), "The disclosures clearly state that the values are estimates, based on certain assumptions." Nonetheless, the bill has added a safe harbor anyway as for these estimates to address opposition concerns, in 12-1303(C).
- *Provided Exemptions* - Exemptions are extended to all UCC 2A leases, including "finance leases." Exemptions were also extended to affiliates and subsidiaries, technology providers

⁶ Federal Reserve Bank of Atlanta, "[Report on Minority-Owned Firms](#)," Dec 2019. See page IV, describing "higher-cost and less-transparent credit products."

to banks, auto floor plan financing, medical premium finance agreements, and several others in 12–130).

- *DOL Revenue* – The bill has been amended to incorporate the Department of Labor’s request for a revenue component be added to the bill to pay for this transparency program without cost to the General Fund.

Entrepreneurs deserve access to capital that will help their businesses thrive, not force them out of business. And yet 28% of business owners report that they were harmed by predatory lending *within the past year*. Among Black business owners, 37% say they were harmed.⁷ Marylanders deserve to know the price they would pay. Please email CLocklair@MDRA.org if we can be of any assistance.

Sincerely,

Small Business Associations

- Maryland Retailers Alliance
- Greater Baltimore Urban League
- National Urban League
- American Sustainable Business Network
- Small Business Majority

Nonprofit Small Biz & Community Advocates

- Association for Enterprise Opportunity (AEO)
- CASH Campaign of Maryland
- Community Development Network of Maryland
- Community Vision Solutions
- Economic Action Maryland
- LatinoProsperity
- National Association for Latino Community Asset Builders (NALCAB)
- National Community Reinvestment Coalition (NCRC)
- Rebirth, Inc.
- Small Business Anti-Displacement Network
- Woodstock Institute

Industry and Lenders

- Maryland Bankers Association
- Baltimore Community Lending
- Accion Opportunity Fund
- African American Alliance of CDFI CEOs
- American Fintech Council
- Bluevine
- City First Enterprises
- Latino Economic Development Center
- Lendistry
- Nav
- Opportunity Finance Network (OFN)
- Responsible Business Lending Coalition

⁷ Goldman Sachs, “[New Survey Data Shows Black Small Business Owners Less Likely to Secure Loans](#),” Feb 2024.