

March 27, 2026

The Honorable Kriselda Valderrama  
House Economic Matters Committee  
Maryland General Assembly  
231 Taylor House Office Building  
Annapolis, MD 21401

**RE: SB 881 Licensing Requirements & Regulation of Commercial Financing - OPPOSE**

Dear Chair Valderrama,

The Financial Technology Association (FTA) appreciates the opportunity to raise its concerns with Senate Bill 881. FTA is a trade group of fintech industry leaders shaping the future of finance, championing financial innovation and advocating for policies that expand competition, access, and opportunity for consumers and businesses alike.

Fintechs play an important role in providing access to capital for small businesses, including filling credit access gaps when no other options are available.<sup>1</sup> This lending drives business growth, job creation, and the health of Main Street. FTA believes it is critical for small business owners to be provided with clear information about their commercial financing products so that they can make informed decisions.

However, commercial financing is distinct from consumer lending in terms of use cases, product structures, borrower sophistication, and demand. Small business owners often assess financing options for very different reasons and on different timelines than consumers. Many times, business owners may leverage different pricing metrics, like the total cost of credit, when evaluating a financing option.

While metrics such as an annual percentage rate (APR) may be useful in some contexts, applying an APR to all commercial financing products—especially shorter-term products like sales-based financing—can result in confusing or even counterproductive information. We believe SB 881 could impede small businesses' understanding of the true costs of such products. Many times, their duration is significantly under a year with no defined term, as these arrangements are

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<sup>1</sup> For example, a 2022 research paper “document[s] that finance companies and FinTech lenders increased lending to small businesses after the 2008 financial crisis...[] show[ing] that most of the increase substituted for a reduction in bank lending.” Gopal, M. & Schnable, P. (2022). The Rise of Finance Companies and FinTech Lenders in Small Business Lending, *The Review of Financial Studies*, 35 (11), 4859–4901. <https://doi.org/10.1093/rfs/hhac034>.

structured by having a provider purchase a specified percentage of a business's future revenues or receipts at periodic intervals until a pre-agreed amount is fully remitted, which makes a metric based on financing longer than a year that consists of fixed monthly payments, such as APR, a poor fit. We believe total cost of capital would be a better uniform metric for short-term commercial financing products, and note that nine states have already adopted this model without requiring any APR disclosure.

Separately, we are concerned that the current effective date and implementation timeline for SB 881 would create significant regulatory compliance challenges for industry participants. Covered institutions will need time to amend disclosures, technological processes, policies and procedures, and conduct adequate testing to ensure compliance. To this end, FTA respectfully urges that the regulatory comment and approval process be extended, and that a 180-day compliance period commence following the publication of the final rules.

Taken collectively, we support the enactment of a uniform, model state commercial financing disclosure law that harmonizes the differing state requirements enacted around the country, and accounts for varying financing models as the best path to ensuring that small businesses are making informed decisions.

As SB 881 does not currently reflect these principles we respectfully oppose the bill. We would welcome the opportunity to discuss our concerns with you further and work with you on a thoughtful policy solution. Please feel free to contact me with any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Penny Lee".

Penny Lee  
President and Chief Executive Officer  
Financial Technology Association