



**STATEMENT FOR THE RECORD BEFORE THE MARYLAND HOUSE ECONOMIC
MATTERS COMMITTEE ON SB-881 “COMMERCIAL FINANCING - SMALL BUSINESS
TRUTH IN LENDING ACT”**

March 27, 2026
Mike Horn

Thank you, Chair Valderrama and Members of the Committee:

My name is Mike Horn and I am a 30-plus year veteran of several consumer products companies in the world of licensed pop culture collectibles. For this specific initiative, I'd like to talk with you about one of those companies, Power Up Factory. We created a range of unique products, largely based on video game licenses (although through my career, I have produced goods for dozens of brands, ranging from The Muppets to Transformers to the NFL). Power Up Factory was gaining momentum in this space and by 2017, had surpassed \$1M in revenue.

We attempted to grow and work with more big box retailers, but I needed more capital to cover manufacturing costs and payroll. After I couldn't access capital through a bank or a U.S. Small Business Administration loan, I was forced to take out merchant cash advances (MCA) totaling more than \$75,000. The MCAs were structured as a weekly automatic withdrawal from my business bank account. I eventually realized that the working annual percentage rate (APR) was around 60%.

The MCAs took all my business' cash flow because my business structure had long manufacturing lead times, upfront tooling and development costs, high minimum order quantities, and international manufacturing and freight costs. Within a year, MCA payments absorbed essentially all of our revenue and the debt ballooned to about \$240,000. I was forced to close my business and declare bankruptcy.

If the pricing had clearly been disclosed up front as 60% APR, I wouldn't have taken the loans. I was trapped by the absence of alternatives and believed it would be short term. Even experienced business owners like me can't realistically decipher MCA contracts, nor can we compare lending products without transparent terms.

That's why I support SB-881. This legislation would force non-bank lenders to transparently disclose the true APR, which is the only established metric that enables borrowers to make apples-to-apples comparisons between different financing products. Without a clear APR, there is no other way to know the true cost of a loan. If I had been able to make an informed choice when taking out a loan, my business would have survived. I urge you to pass this legislation to protect Maryland's small businesses from predatory lending products.

Thank you,

Mike Horn