

Maryland Transportation Builders & Materials Association (MTBMA)
Position: UNFAVORABLE, Unless Amended

Who This Really Affects

SB 881 is marketed as protecting small businesses from predatory lenders — but as written, it directly undermines the financing tools Maryland's subcontractors depend on to compete. These firms **are not the problem the bill is trying to solve**. They are its unintended victims.

Who the bill targets (predatory lenders):	Who it actually hurts:
<ul style="list-style-type: none">• Online merchant cash advance companies• High-rate fintech lenders with opaque fee structures• Brokers charging triple-digit effective APRs	<ul style="list-style-type: none">• Subcontractors financing equipment from manufacturers• Small contractors relying on captive financing programs• Minority- and women-owned firms with limited bank access

Why Subcontractors Are Most at Risk

<p>Capital access gap: Banks routinely decline subcontractors due to limited credit history and irregular cash flow. Manufacturer-backed captive financing fills this gap with accessible qualification criteria that traditional lenders won't match.</p>
<p>Cash flow timing: Project-based revenue is seasonal and delayed. Captive financing is structured for this reality; bank products are not.</p>
<p>Bundled protection: Equipment warranties and service contracts are routinely financed alongside purchases. SB 881 disrupts this bundling, exposing small firms to costly breakdowns mid-project.</p>
<p>MBE/DBE impact: Minority- and disadvantaged business enterprises rely disproportionately on equipment financing. Restricting access widens the equity gap Maryland's MBE/DBE programs are designed to close.</p>

The Fix: A Targeted Captive Finance Exemption

9 states have enacted similar commercial financing disclosure laws, but with narrow, clear exemptions to protect equipment financing while still regulating merchant cash advances. Maryland's bill does have this exemption — **leaving subcontractors at a disadvantage versus peers in UT, VA, GA, FL, CT, TN, MO, CO, and IL**. MTBMA urges adoption of the following amendment, already enacted by Virginia and 8 other states:

<p>Proposed Exemption: "Any entity principally engaged in the business of making commercial financing products in connection with the purchase or lease of products manufactured or distributed by its direct or indirect parent company or any direct or indirect subsidiary thereof."</p>
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MTBMA Bottom Line

SB 881 as written targets the very businesses it is designed to protect. Without a captive financing exemption, Maryland subcontractors — particularly small, minority-, and women-owned firms — will lose access to one of the only viable financing pathways available to them. MTBMA urges amendment before passage.