

# **SB 881 Financial Institutions and Activities writt**

Uploaded by: cailey locklair

Position: FAV

# MARYLAND RETAILERS ALLIANCE

*The Voice of Retailing in Maryland*



## **SB 881 Financial Institutions and Activities - Licensing Requirements and Regulation of Commercial Financing**

**March 31, 2026**

**Position: Favorable**

MRA represents thousands of retail establishments across Maryland, from small family-owned shops to larger regional and national employers. Our members operate on very slim margins and are deeply embedded in their local communities. For these businesses, loan predictability, fairness, and affordability are crucial for their sustainability and growth. Thus, the Maryland Retailers Alliance respectfully submits this testimony in support of SB 881.

Our engagement on this issue began when a small business owner from Fells Point in Baltimore—one of our members—shared her experience with high-cost financing products. After more than 15 years in business, she unknowingly entered into agreements with triple-digit interest rates and was ultimately unable to recover. The lack of clear, upfront disclosure left her without the information needed to make an informed decision.

At its core, SB 881 is a commonsense transparency measure. It requires small business financing providers to disclose key terms that businesses reasonably expect, including payment amounts and frequency, finance charges, fees, estimated repayment terms, and—most importantly—an estimated APR.

The bill also establishes licensing requirements for financing providers, a framework the industry has supported on the record in Maryland and in other states. These provisions promote accountability and ensure a level playing field across the marketplace.

This approach is broadly supported by small business organizations, banks, fintech lenders, and nonprofit and community groups. It is opposed only by a narrow segment of lenders that rely on high-cost products and resist disclosing their true price. Notably, these disclosures are already required and have been functioning effectively in states like California and New York for over four years.

Two concerns have been raised in prior discussions:

- **Whether APR can be calculated:** It can. Financing providers already estimate the return they expect to earn, and the bill includes a safe harbor to address minor deviations.
- **Whether access to credit is reduced:** Evidence from California and New York shows that lenders continue to operate—and in many cases have expanded—under similar disclosure requirements.

SB 881 does not restrict access to credit. It ensures that small businesses have the basic information needed to evaluate financing options and avoid harmful outcomes.

For these reasons, we respectfully urge a favorable report on SB 881.

**SB 881 CDN Favorable.pdf**

Uploaded by: Claudia Wilson Randall

Position: FAV



**Testimony SB 881**  
**House Economic Matters Committee**  
**March 31, 2026**  
**Position: FAVORABLE**

Chair Valderamma and Members of the Economic Matters Committee:

The Community Development Network of Maryland (CDN) is the voice for Maryland's community development sector and serves nearly 200 member organizations. CDN—focuses on nonprofit housing developers, Main Streets, and community development financing institutions and revitalization partners in Maryland. The mission of CDN is to promote, strengthen and advocate for the community development sector throughout Maryland's urban, suburban and rural communities.

Nontransparent lending is increasing costs by making it nearly impossible for a small business owner to shop for more affordable financing. These increased costs are also passed on to consumers, making day-to-day life less affordable for the average Marylander. Transparent disclosure of the all in cost, 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.

Maryland cannot afford to delay the [Small Business Truth in Lending Act](#) for another year. The bill has gone through years of compromise and negotiation, bringing on support. After 5 years, the companies who still oppose disclosing the APRs they charge Marylanders have not offered any proposal. Their delaying tactics need to stop.

The lenders the Federal Reserve calls "[higher-cost and less-transparent](#)" continue to be "less-transparent." That's another year that our small business owners lose hundreds of millions of dollars in unnecessary fees. Instead of seeing that money pulled away by "less-transparent" financing companies, those millions of dollars should remain in small businesses, lowering prices for customers and helping small business owners build businesses, families, jobs, and communities throughout the state.

We respectfully request your support for SB 881.

Claudia Wilson Randall, Executive Director, Community Development Network of Maryland

# **ASBC Small Business Truth in Lending Act testimony**

Uploaded by: David Levine

Position: FAV



Re: Testify in support of the Small Business Truth in Lending Act - SB0881

March 27, 2026

Submitted by David Levine, cofounder & President, American Sustainable Business Network

To: House Economic Matters Committee

I respectfully submit this testify in support of the Small Business Truth in Lending Act on behalf of the American Sustainable Business Network .

The American Sustainable Business Network is a business network partnering with business organizations companies and investors, collectively representing over 200,000 across sectors and geographies, including Maryland They are working together to advance solutions for a just sustainable economy.

Entrepreneurship and small businesses are the backbone of the American economy. They create jobs, drive innovation, and stimulate economic growth. Expanding opportunities for entrepreneurs and small businesses to develop, grow, and thrive is critical to a strong Maryland and U.S. economy. Similar to the nation, Small businesses dominate the Maryland economy, accounting for **99.5% of all businesses** and employing roughly **1.2 million people**, which is just under half of the state's private workforce. They play an essential role in their communities by creating jobs, generating revenue, and providing valuable products and services.

Despite their essential role, entrepreneurs and small businesses face numerous obstacles and top amongst them is the challenge of finding affordable, transparent capital. When the need for financing is great the opportunity for some to try to take advantage of small business grows without good guidelines that his Act provides.

The Small Business Truth in Lending Act helps address *the need for transparency and therefor protections that help small business compare* between different types of financing. *This transparency helps them make the best decisions for their business which in turn is a key provider of jobs, , tax revenues and overall community well-being*

We therefor urge you to pass the Small Business Truth in Lending Act

Respectively submitted

A handwritten signature in black ink that reads "David Levine". The signature is written in a cursive, slightly slanted style.

David Levine, President & Cofounder  
American Sustainable Business Network

# **Don Cutwright Senior Loan Officer BCL\_Testimony II**

Uploaded by: Don Cutwright

Position: FAV

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](mailto:Don.cutwright@bclending.org)*

*[www.BCLending.org](http://www.BCLending.org)*



[BCL-005-Annual-Report-2024 r8 web.pdf](#)

# **2026 March -Federal Reserve Research Presentation**

Uploaded by: Louis Caditz-Peck

Position: FAV

# Findings from Research on Small Business Borrower Experiences

March 2026

Ann Marie Wiersch, Federal Reserve Bank of Cleveland

## Disclaimer:

*The information, analyses, and conclusions set forth are those of the presenter and do not necessarily indicate concurrence by the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, or members of their staffs.*

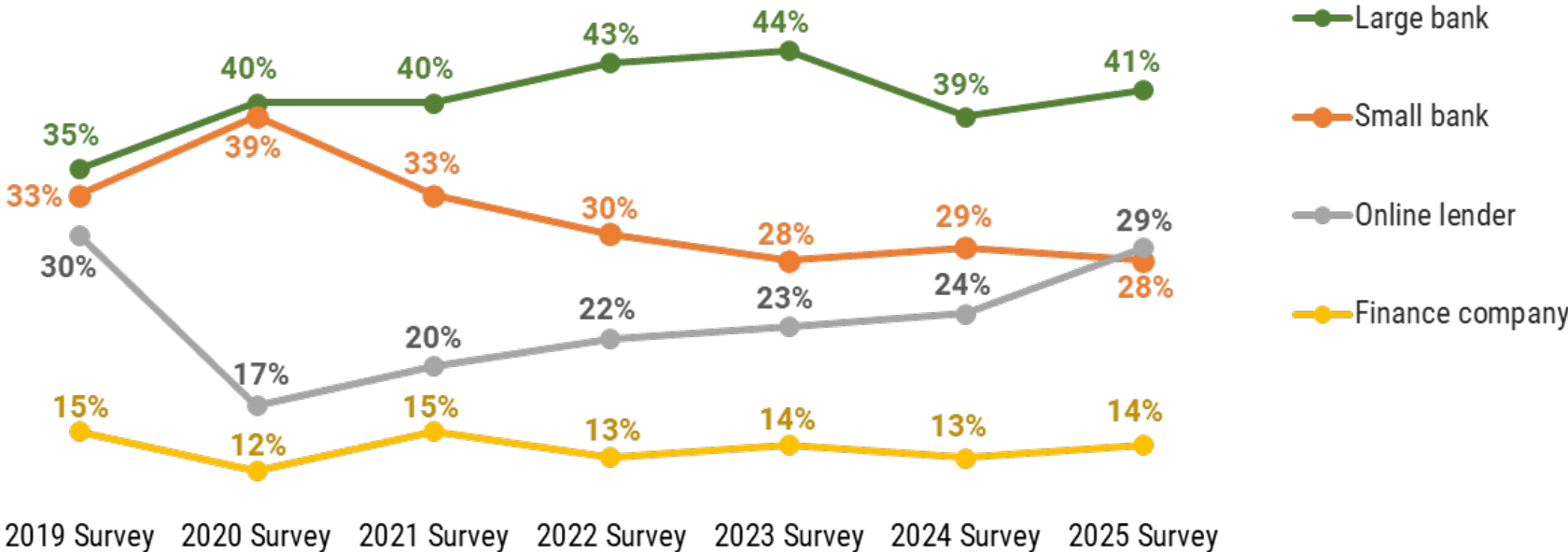


# Relevant Federal Reserve Research

- Reports from the Small Business Credit Survey (SBCS), an annual survey of more than 10K small businesses
  - [\*2026 Report on Employer Firms: Findings from the 2025 Small Business Credit Survey\*](#) (2026)
  - [\*Clicking for Credit: Experiences of Online Lender Applicants from the Small Business Credit Survey\*](#) (2022)
- Focus group studies:
  - [\*Alternative Lending through the Eyes of “Mom & Pop” Small Business Owners\*](#) (2015)
  - [\*Browsing to Borrow: “Mom & Pop” Small Business Perspectives on Online Lenders\*](#) (2018)
- Online lender website analysis: [\*Uncertain Terms: What Small Business Borrowers Find When Browsing Online Lender Websites\*](#) (2019)

# The SBCS finds changes in the small business credit market

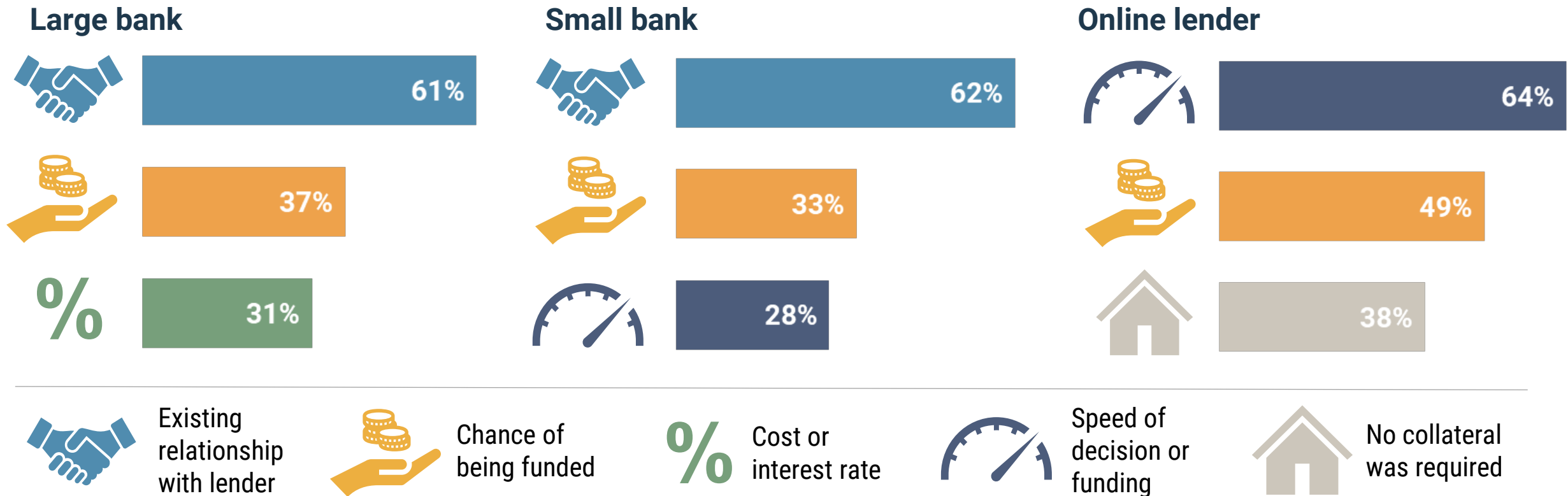
**CREDIT SOURCES APPLIED TO, Prior 12 Months, By Survey Year**  
(% of loan, line of credit, and merchant cash advance applicants)



Source: Small Business Credit Survey, 2026 Report on Employer Firms  
Note: Respondents may select multiple lenders.

# Applicants consider more than cost when applying for financing

**TOP THREE FACTORS INFLUENCING WHERE FIRMS APPLY, *By Source***  
 (% of loan, line of credit, and merchant cash advance applicants at source)

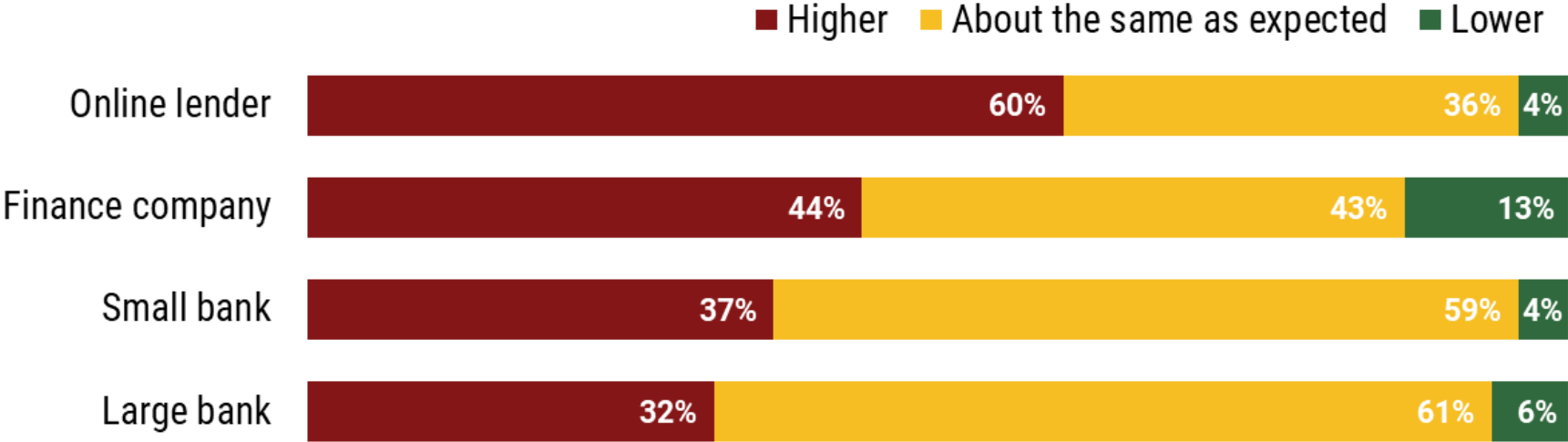


Source: Small Business Credit Survey, 2026 Report on Employer Firms  
 Note: Select factors and lender categories shown. See report for additional details.

# Many borrowers reported higher-than-expected borrowing costs

## ACTUAL BORROWING COST RELATIVE TO EXPECTATIONS

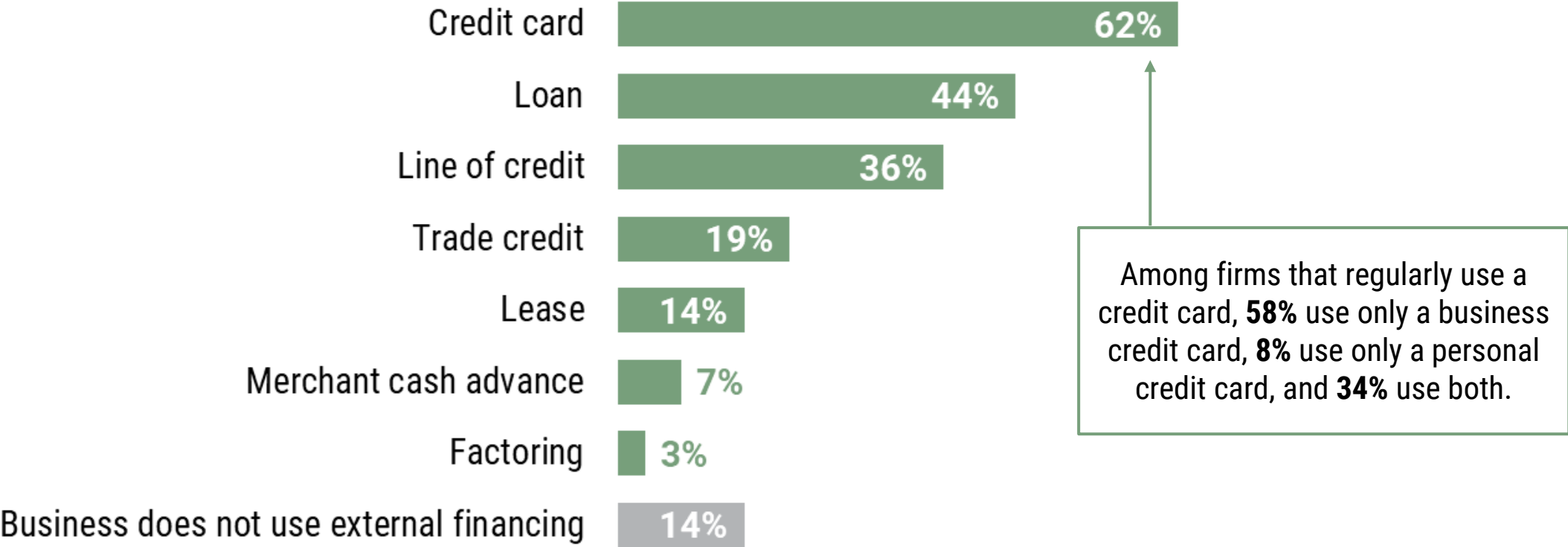
(% of loan, line of credit, and merchant cash advance borrowers at source)



Source: Small Business Credit Survey, 2026 Report on Employer Firms

# Small businesses often use personal credit to pay business expenses

USE OF FINANCING AND CREDIT, *Products Used on a Regular Basis* (% of employer firms)



Source: Small Business Credit Survey, 2026 Report on Employer Firms  
Note: Respondents may select multiple products.

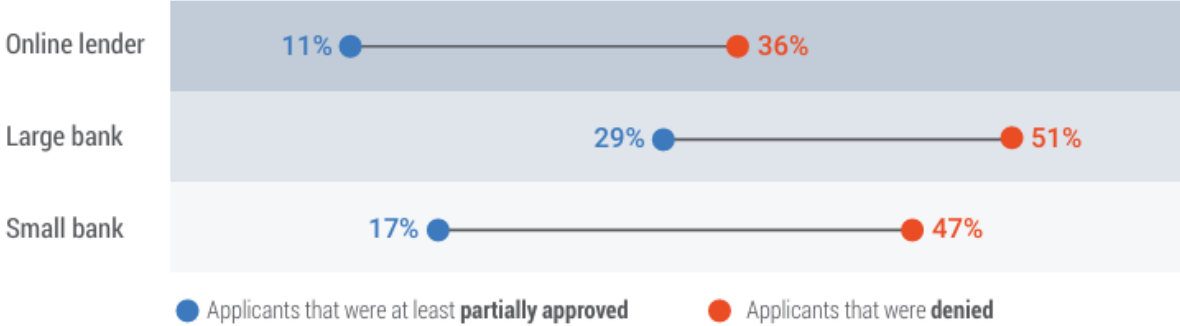
# Unlike bank applicants, approved online lender applicants report more challenges with rates and terms than denied applicants

## CHALLENGES WITH LENDERS, *By Source and Approval*

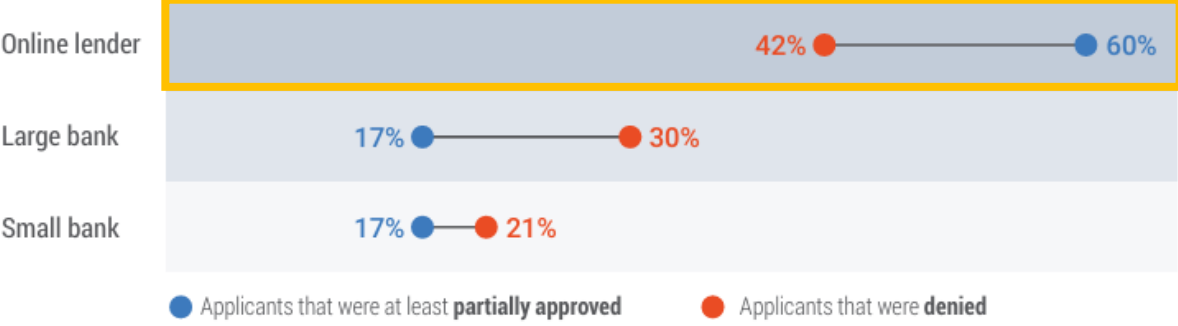
(% of loan, line of credit, and cash advance applicants at source that were denied/approved)



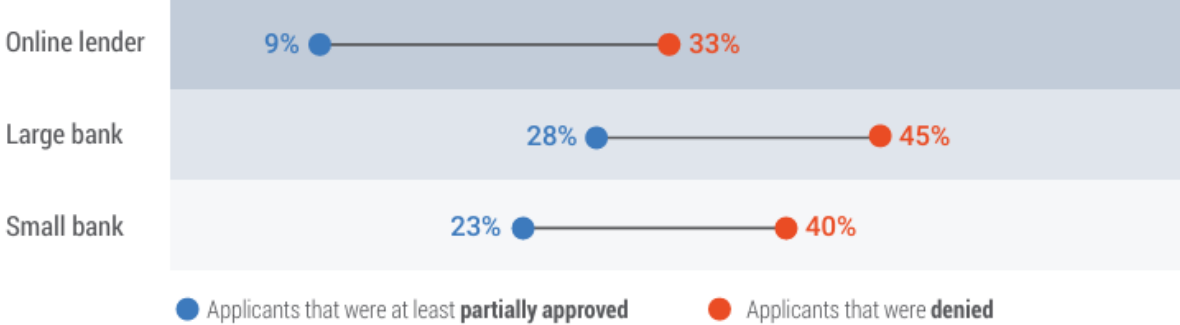
### Difficult application process



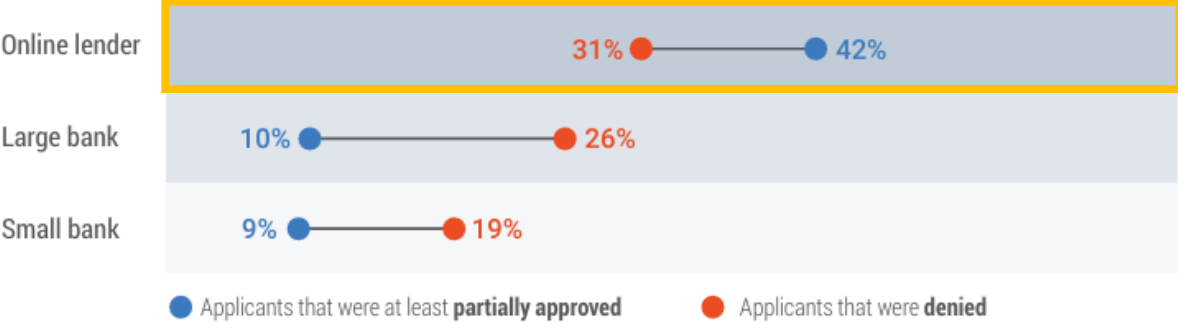
### High interest rate



### Long wait for credit decision or funding



### Unfavorable repayment terms



See "Clicking for Credit: Experiences of Online Lender Applicants from the Small Business Credit Survey." Data from 2021 Small Business Credit Survey.

# Focus groups with small business owners shed light on understanding of credit products

In online focus groups, small business owners raised several concerns after visiting online lender websites and comparing sample products:



Participants initially said it was “easy” to evaluate sample credit products, but many expressed uncertainty or answered questions incorrectly when making product comparisons, especially on cost.



Participants often made incorrect assumptions about products when they encountered unfamiliar terminology or features.



Virtually all participants said they wanted clear disclosure of product costs and terms in a standard way that enabled comparisons. APR was among the details most important to participants.

# Varied product rate descriptions make apples-to-apples cost comparisons a challenge

**Sample scenario:** \$50,000 borrowed; repaid in six months

	Lenders' rate description	Total amount owed*	Estimated APR equivalent*
<i>Product A</i>	<b>1.15</b> factor rate	\$59,000	<b>~70%</b> APR
<i>Product B</i>	<b>4%</b> fee rate	\$56,500	<b>~45%</b> APR
<i>Product C</i>	<b>9%</b> simple interest	\$54,500	<b>~46%</b> APR

\* Calculated using product information (including repayment terms and fees) provided on three of the online lenders' websites reviewed for this study.

# Additional resources

- Small Business Credit Survey (SBCS) reports: [www.fedsmallbusiness.org](http://www.fedsmallbusiness.org)
  - [\*Click, Submit 2.0: An Update on Online Lender Applicants from the Small Business Credit Survey\*](#) (2019)
  - [\*Click, Submit: New Insights on Online Lender Applicants from the Small Business Credit Survey\*](#) (2016)
- Other research using SBCS data:
  - [\*The Rise of Fintech Lending to Small Businesses: Businesses' Perspectives on Borrowing\*](#) (2020)

# **Responsible Business Lending Coalition - Testimony**

Uploaded by: Louis Caditz-Peck

Position: FAV

# Testimony in Support of HB1007/SB881 The Small Business Truth in Lending Act

February 18 2026

**LOUIS CADITZ-PECK**  
EXECUTIVE DIRECTOR  
RESPONSIBLE BUSINESS LENDING COALITION  
[louis@borrowersbillofrights.org](mailto:louis@borrowersbillofrights.org)



Support for HB1007/SB881 is exceptionally broad.  
It's a compromise among stakeholders who rarely all agree:

- Small business groups
- Lending Industry (bank *and* fintech trades)
- Nonprofits (civil rights groups, advocacy nonprofits, nonprofit lenders)



## **This bill is needed because today, Maryland small business owners are overpaying for financing:**

- **\$237 MILLION IN UNNECESSARY INTEREST AND FEES—EACH YEAR.**  
Of this, Black business owners are being overcharged an estimated \$72 Million, and Hispanic business owners an estimated \$26 million—each year.<sup>1</sup>
- **WE CAN HELP SMALL BUSINESSES OWNERS KEEP THE WEALTH THEY CREATE** to grow their dreams, build generational wealth, send kids to college, give raises to employees, and hire in communities.

<sup>1</sup>This estimated s the \$4,864 to \$23,098 per loan that small businesses are routinely overpaying when lower-price options are available (per Financial Health Network research), multiplied by the number of small businesses in NY and CA (per US Census) who are seeking capital online and who also say the price of financing is a top priority for them (per Federal Reserve Small Business Credit Survey).

# Small Businesses are Being Taken Advantage of

- Small business owners today are often charged **APRs of 50% to 350%** without ever seeing these prices disclosed.<sup>1</sup>
- **More than 1 in 4** business owners say they were harmed by predatory lending *within the past year*.<sup>2</sup>
- Federal Reserve research finds that business owners of color are **2x as affected**.<sup>3</sup>

That's because laws like the Truth in Lending Act don't cover small business owners, leaving them in a regulatory gap, unprotected.

<sup>1</sup> Accion Opportunity Fund, "Unaffordable and Unsustainable: The New Business Lending On Main Street" July 2016. see also Woodstock Institute, "Analysis of Business Loan Terms." Accessed 2024.

<sup>2</sup> Goldman Sachs, "New Survey Data Shows Black Small Business Owners Less Likely to Secure Loans," Feb 2024.

<sup>3</sup> Federal Reserve Bank of Atlanta, "Report on Minority-Owned Firms," Dec 2019. Page IV, describing "higher-cost and less-transparent credit products."

<sup>4</sup> Forbes, "Lenders Voluntarily Create a Bill of Rights to Protect Businesses from Lending Abuses," Aug 2016.



“ The problems that we’re starting to see in the small business lending market, to me, are extremely troubling... in some respects, **reminiscent of some of the problems in the subprime mortgage sector** that we saw in the leadup to 2008. ”

**FMR FEDERAL RESERVE VICE CHAIR MICHAEL BARR,  
SPEAKING AT THE LAUNCH EVENT OF THIS COALITION<sup>4</sup>**

**OFFER SUMMARY – PAYMENT RIGHTS  
SALE DISCLOSURE AGREEMENT**

HERE IS THE DISCLOSURE the bill requires →

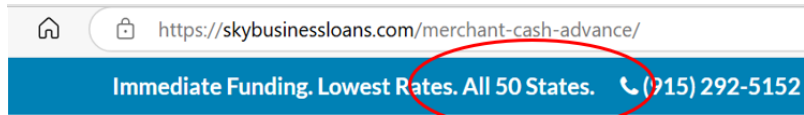
This is from a real transaction in California, where these disclosures have been required by law since 2022. This disclosure is also required by law in New York state since 2023.

The bill does not limit access to capital in any way. It sets no limits on prices or products. It just requires transparent price disclosure.

Funding Provided	\$ <u>7,500</u>	This is how much funding <u>Bitty Advance 2, LLC</u> will provide. Due to deductions or payments to others, the total funds that will be provided to you directly is \$ <u>6,806</u> . For more information of what amounts will be deducted, please review the attached document "Itemization of Amount Financed." The amount paid directly to you may change based on required pay-off/pay downs to third-parties, which amounts have not yet been confirmed at the time of this disclosure.
Estimated Annual PercentageRate (APR)	<u>177.74%</u>	APR is the estimated cost of your financing expressed as a yearly rate. APR incorporates the amount and timing of the funding you receive, fees you pay and the payments you make. This calculation assumes your estimated average monthly income through sales of goods and services will be \$ <u>14,453</u> . Since your actual income may vary from our estimate, your effective APR may also vary.  APR is not an interest rate. The cost of this financing is based upon fees charged by <u>Bitty Advance 2, LLC</u> rather than interest that accrues over time.
Finance Charge	\$ <u>5,139</u>	This is the dollar cost of your financing.
Estimated Total Payment Amount	\$ <u>11,945</u>	This is the total dollar amount of payments we estimate you will make under the contract.
Estimated Monthly Cost	\$ <u>2,284</u>	Although this financing does not have monthly payments, this is our calculation of your estimated average monthly cost for comparison purposes.
Estimated Payment	\$ <u>102</u> / Day	
Payment Terms	The contact provides for <u>Daily</u> periodic payments. The specified percentage of <u>35%</u> will be delivered to the buyer <u>Daily</u> . The initial estimated <u>Daily</u> debit amount is intended to represent the Specified percentage of your future receipts. You or the buyer may request a reconciliation to the estimated debit amount to more closely reflect your actual future receipts times the specified percentage. Refer to "Changes to the Estimated Debit Amount" on page 3 in the Payments Rights Purchase and Sale Agreement.	
Estimated Term	<u>115</u> days	This is the estimated term of how long it will take to collect amounts due to the buyer.
Prepayment	If you pay off the financing faster than required, you still must pay all or a portion of the finance charge, up to \$ <u>5,139</u> based upon our estimates.  If you pay off the financing faster than required, you will not be required to pay additional fees.	

# Yes, Access to Capital Continues in CA and NY

States that have required transparency continue to have access to the “higher-cost and less-transparent credit products.” Now that financing is more transparent.



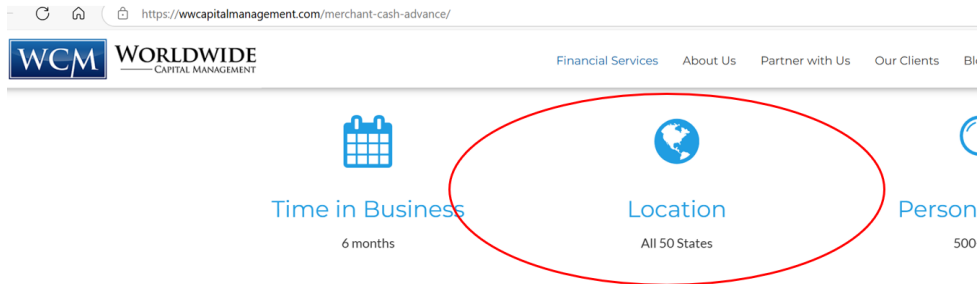
https://skybusinessloans.com/merchant-cash-advance/

Immediate Funding. Lowest Rates. All 50 States. (715) 292-5152

BlueSky Capital Funding

Home About Loan Types

Offices



https://wvcapitalmanagement.com/merchant-cash-advance/

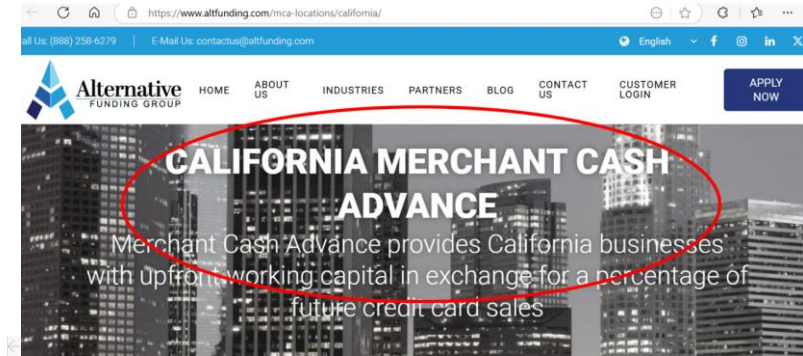
WCM WORLDWIDE CAPITAL MANAGEMENT

Financial Services About Us Partner with Us Our Clients

Time in Business 6 months

Location All 50 States

Person 500



https://www.altfunding.com/mca-locations/california/

Alternative FUNDING GROUP

HOME ABOUT US INDUSTRIES PARTNERS BLOG CONTACT US CUSTOMER LOGIN APPLY NOW

CALIFORNIA MERCHANT CASH ADVANCE

Merchant Cash Advance provides California businesses with upfront working capital in exchange for a percentage of future credit card sales



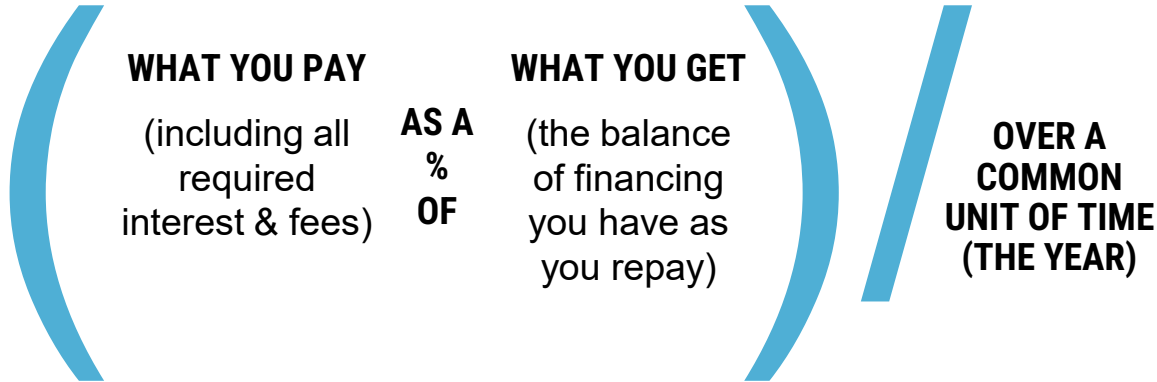
PROGRESSIVE BUSINESS CAPITAL

Merchant Cash Advances for NYC Businesses, Unpacking the Dynamics

Published on October 27, 2023

# APR is the unit price of financing

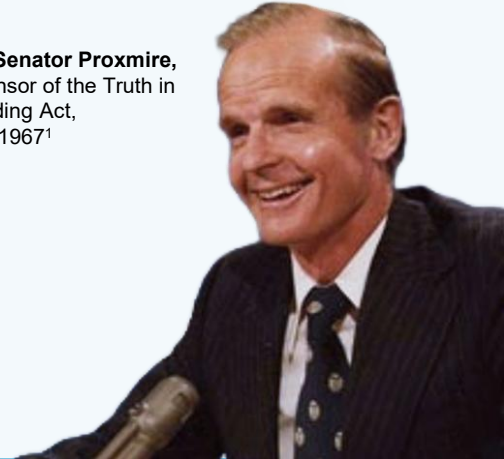
APR combines interest, fees, and other required charges into a single percentage number that financing applicants can use to compare prices. The APR is...



“ Just as the consumer is told the price of gasoline per gallon, so must the buyer of credit be told the ‘unit price.’

Historically in our society that unit price for credit has been the annual rate of interest or finance charge applied to the unpaid balance of the debt. ”

**US Senator Proxmire,**  
Sponsor of the Truth in Lending Act,  
Jan 1967<sup>1</sup>



<sup>1</sup> Congressional Record, US Senate, 1967, <https://web.archive.org/web/20120415005111/http://www.llsdc.org/attachments/wysiwyg/544/TILA-LH-CR-1967-01-31.pdf>

# Federal Reserve Research Finds APR is Important

The Federal Reserve has published 5 studies<sup>1</sup> on the need for transparency in online small business financing. They found that small business owners want to know the APR:



“Full disclosure, like on credit cards or mortgages... is what is necessary. They need to state the actual APR.”



Participants noted that the varying product descriptions provided no common basis for cost comparisons, and several suggested that APR would be helpful for that purpose.

When small business owners were shown a model disclosure, “A majority of participants commented that APR was among its most helpful details.”

- <sup>1</sup> (1) [“Clicking for Credit: Experiences of Online Lender Applicants from the Small Business Credit Survey,”](#) 2022
- (2) [“Uncertain Terms: What Small Business Borrowers Find When Browsing Online Lender Websites”](#) 2019;
- (3) [“Searching for Small Business Credit Online”](#) 2019
- (4) [“Browsing to Borrow: ‘Mom & Pop’ Small Business Perspectives on Online Lenders,”](#) 2018;
- (5) [“Alternative Lending through the eyes of ‘Mom & Pop’ Small-Business Owners,”](#) 2015.

# Federal Reserve Research Finds APR is Important

The Federal Reserve researchers found financing companies are using “nontraditional pricing metrics” that can mislead small business owners into unnecessarily expensive financing. The Fed shows how Estimated APR helps people compare prices:



“It is difficult [to compare when] they are using different models and different terminology.”



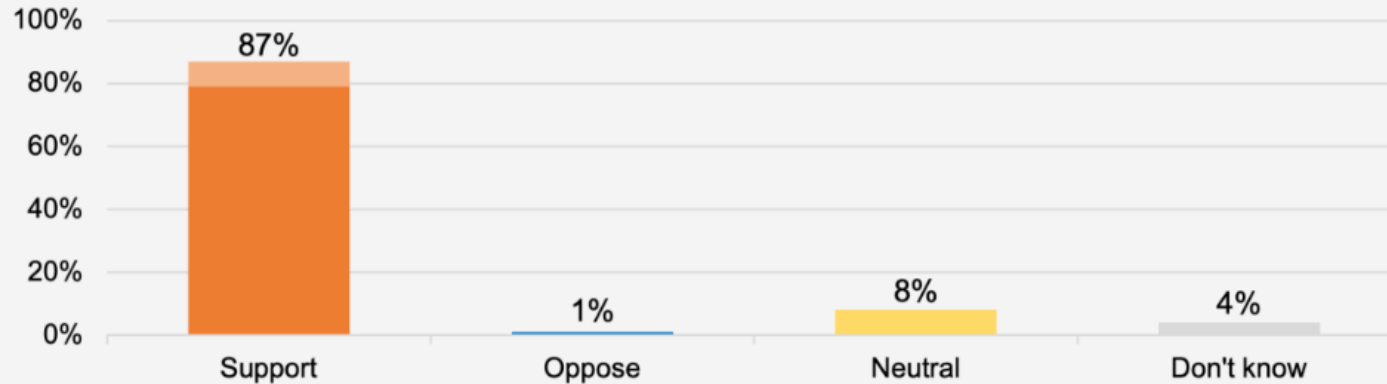
“They don’t like to use the word ‘interest,’ and they dress it up in other ways to conceal the real cost of the loan.”

WHAT SOME “HIGHER-COST, LESS-TRANSPARENT CREDIT PRODUCTS” DISCLOSE TODAY, WITHOUT APR	TO COMAPRE THESE PRICES, THE FEDERAL RESERVE SHOWS THE ESTIMATED APR
Total repayment amount \$59,000	70% Estimated APR
1.15 factor rate	46% Estimated APR
Total Dollar Cost \$8,000	45% Estimated APR

- <sup>1</sup> (1) [“Clicking for Credit: Experiences of Online Lender Applicants from the Small Business Credit Survey,”](#) 2022
- (2) [“Uncertain Terms: What Small Business Borrowers Find When Browsing Online Lender Websites”](#) 2019;
- (3) [“Searching for Small Business Credit Online”](#) 2019
- (4) [“Browsing to Borrow: ‘Mom & Pop’ Small Business Perspectives on Online Lenders,”](#) 2018;
- (5) [“Alternative Lending through the eyes of ‘Mom & Pop’ Small-Business Owners,”](#) 2015.

# Polling (2025): Small Business Owners Want APR Transparency

- **Small business owners overwhelmingly support (87%) a “truth in lending act” for small business financing to ensure that fees and terms, such as Annual Percentage Rate (APR), are transparently disclosed in commercial loan contracts.** Nearly 8 in 10 (79%) strongly support such legislation while only 1% of small business owners would be opposed.



Federal Reserve research specifically describes the products sold by companies opposing this legislation as “higher-cost and less transparent credit products.”



FEDERAL  
RESERVE  
BANK  
of ATLANTA

## Federal Reserve Small Business Credit Survey: Report on Minority-Owned Firms

DECEMBER  
**2019**

### Minority-owned firms more frequently applied for potentially higher-cost and less-transparent credit products:

“

- Hispanic-owned firm applicants sought merchant cash advance products more frequently than did White-owned businesses:
- Black-owned business applicants applied for factoring more frequently compared to White-owned firm applicants

”

# “MCA” companies may argue that it’s too hard to compute the Estimated APRs they charge our small businesses. But...

This is a merchant cash advance contract →

<b>Purchase Price:</b> \$12,000.00	<b>Purchased Amount:</b> \$16,560.00	<b>Average Monthly Sales:</b> \$15,763.25
<b>Specified Percentage:</b> 13.1318%	<b>Initial Fees:</b> \$360.00	
<b>Net Amount to Seller:</b> \$11,640.00	(Purchase Price – Initial Fees)	
<b>Initial Weekly Amount:</b> \$517.50	(Average Monthly Sales x Specified Percentage / Average Business Days in a Calendar Month)	

# “MCA” companies may argue that it’s too hard to compute the Estimated APRs they charge our small businesses. But...

This is a merchant cash advance contract →

This is how you compute APR, simply by plugging in these #s to Excel ↓

Purchase Price: \$12,000.00	Purchased Amount: \$16,560.00	Average Monthly Sales: \$15,763.25
Specified Percentage: 13.1318%	Initial Fees: \$360.00	
Net Amount to Seller: \$11,640.00	(Purchase Price – Initial Fees)	
Initial Weekly Amount: \$517.50	(Average Monthly Sales x Specified Percentage / Average Business Days in a Calendar Month)	

	B	C	D
2	Funding Provided	\$11,640	This is the "Net Amount to Seller"
3	Total Repayment owed	-\$16,560	This is the "Purchased Amount"
4	Expected Payment Amount	-\$517.50	This is the "Initial Weekly Amount." Charged weekly in this case.
5	Estimated Term Length	32	This is cell C3 ÷ cell C4. It's the expected number of weekly payments.
6			
7	<b>Estimated APR</b>	<b>119%</b>	This is computed by plugging in the numbers above to Microsoft Excel's "RATE" formula: =RATE(C5, C4, C2)*52 You plug in cell C5 (the number of payments), cell C4 (the payment amount), and cell C2 (the funding provided), and annualize using the number of weeks in a year (52). Different Excel formulas like "IRR" can also be used to the same result.

# For lenders who find doing the math of APR challenging, tools compute APR “quickly and easily”



[Home](#) [Services](#) [News](#) [Education](#) [About Us](#)

## Rapid Finance Announces Availability of API Service to Support State-Level Business Lending Disclosure Requirements

December 09, 2022 07:01 AM Eastern Standard Time

BETHESDA, Md.--(BUSINESS WIRE)--Rapid Finance, a market leader in helping small businesses find sustainable and customized financing solutions through a fast and simple application process, announced the availability of its new standalone Software as a Service (SaaS) Regtech module, SMB Disclosure Service, to enable business lenders and financing companies to quickly and easily produce compliant disclosure statements at a state-by-state level.



# Without Help, We're Losing Homes and Livelihoods



Bloomberg

## Wall Street Finds New Subprime With 125% Business Loans

- PJ and Steve took out a loan to fund their pet rescue, The Little Red Dog.
- The lender quoted a **misleading rate** of 0.099% (actual APR was 465x that) and required their home as collateral.
- The lender's CEO previously led a subprime mortgage company that regulators fined \$214 million for fraud and discrimination against Black and Hispanic homebuyers in the leadup to the 2008 crisis.<sup>1</sup> Then he moved into small business lending, where many regulations just don't apply.
- Now this lender is **suing PJ and Steve for \$1.2 million, just one year after providing them \$458k**. The lender packed on predatory fees, is **foreclosing on their home, and has pushed them into bankruptcy**.<sup>2</sup>

<sup>1</sup> Bloomberg Businessweek, "Wall Street Finds New Subprime With 125% Business Loans," May 2014

<sup>2</sup> Loan originated on 9/21/2024, PJ and Steve's home scheduled for foreclosure trustee sale 9/24/2024

# Please Act To Stop A Return of Subprime Mortgage Mistakes This time targeting small business owners

**Forbes**

**Why Online Small Business Loans  
Are Being Compared To Subprime  
Mortgages**

**Bloomberg**

**The Predatory Lending  
Machine Crushing Small  
Businesses Across  
America**

**Bloomberg**

**Brokers Get Big Commissions for  
Selling Entrepreneurs Costly Loans**

**Wall Street Finds New Subprime With  
125% Business Loans**

**McClatchy DC**

Part of the McClatchy Media Network

**Even finance whizzes say it's impossible to  
compare online small business loan options**

**THE WALL STREET JOURNAL.**

English Edition | Print Edition | Video | Audio | Latest Headlines | More

**An Easy Financing Source Pushes  
Some Small Businesses Into  
Bankruptcy**

**Bloomberg  
Businessweek**

**Shady loans are bankrupting America's small businesses**



# **Small Business and Industry and Nonprofit SUPPORT**

Uploaded by: Louis Caditz-Peck

Position: FAV



March 27<sup>th</sup>, 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.<sup>1</sup> 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

---

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

lenders and loan types difficult."<sup>2</sup> 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.<sup>3</sup> 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.<sup>4</sup> 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.”<sup>5</sup> 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.

---

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

<sup>3</sup> 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.

<sup>4</sup> Federal Reserve (2018)

<sup>5</sup> 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,<sup>6</sup> 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

---

<sup>6</sup> 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.<sup>7</sup> Marylanders deserve to know the price they would pay. Please email [CLocklair@MDRA.org](mailto: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

---

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

**House ECM SB881 Small Biz TILA EconAction FAV.docx**

Uploaded by: Marceline White

Position: FAV



**Testimony to the House Economic Matters Committee  
SB881 Small Business Truth in Lending Act  
Position: Favorable**

March 31, 2026

The Honorable Kris Valderrama, Chair  
Economic Matters Committee  
Room 230, House Office Building  
Annapolis, Maryland 21401  
cc: Members, House Economic Matters

Chair Valderrama and members of the committee:

Economic Action Maryland Fund is a statewide coalition of individuals and organizations that advances economic rights and equity for Maryland families through research, education, direct service, and advocacy. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland. Our direct service programs assist clients in every county in Maryland.

Disclosure and transparency are critical tools in protecting consumers and ensuring a fair marketplace.

For more than 50 years under the federal Truth in Lending Act (TILA), consumers have received important disclosures including the annual APR for financial products and services. Knowing the cost of loans and credit, allows consumers to compare and determine the best products and services for their needs.

SB881 would establish a TILA for small business and ensure small business owners have the same information for business capital that is mandated for consumer financing products such as credit cards, mortgages, and short-term personal loans, including APR.

For these reasons, we urge a favorable report on SB881.

Best,

Marceline White  
Executive Director

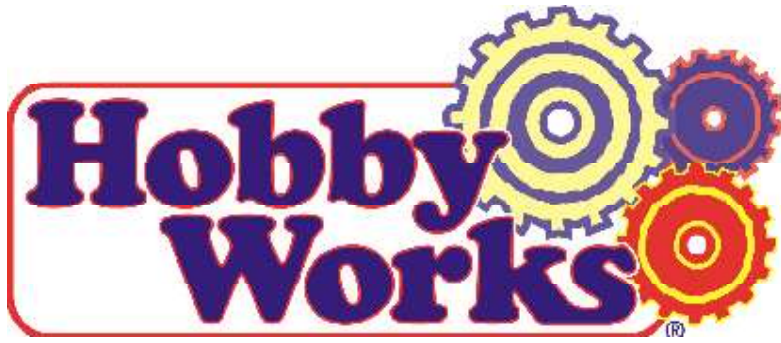
2209 Maryland Ave · Baltimore, MD · 21218 · 410-220-0494  
info@econaction.org · www.econaction.org  
Tax ID 52-2266235

Economic Action Maryland Fund is a 501(c)(3) nonprofit organization and your contributions are tax deductible to the extent allowed by law.

**Letter - Testimony SB0881.pdf**

Uploaded by: Michael Brey

Position: FAV



Brey Corp. Offices & Distribution  
P.O. Box 1337  
Laurel, MD 20725  
(301) 725-6033  
Fax: (301) 725-6040  
E-mail: [info@hobbyworks.com](mailto:info@hobbyworks.com)  
Web: [www.HobbyWorks.com](http://www.HobbyWorks.com)

*Stores: Laurel Shopping Center - Laurel, MD \* Federal Plaza - Rockville, MD*

March 27<sup>th</sup>, 2026

ATTN: Sponsors of Bill SB0881

To Senator Kramer:

I am writing to you in support of SB0881 (HR1007 “Small Business Truth in Lending Act”).

Brey Corp. is a Laurel, Maryland-based small business, headquartered in Prince George’s County, and the home districts of Speaker Peña-Melnyk and Senator Rosapepe.

Brey Corp. operates multiple permanent locations in Marland, with revenues of approximately \$3 million dollars. In addition to operating a Prince George’s based business, one of our officers and most of our associates reside in Prince George’s and Montgomery counties. I personally was born in, raised in, and went to public school in Prince George’s County.

For over half a decade I have watched as Maryland fails time and again to pass what seems to me to be common-sense legislation requiring that lenders targeting small businesses provide transparent and clear information about **all** the costs associated with borrowing. Showing an “All-In” APR and “All-In” total costs of borrowing allows the often-overworked small business borrower to easily and accurately compare borrowing costs across all types of lenders.

Providing this information does not reduce access to capital, nor make any changes to small businesses ability to seek non-traditional funding sources. It simply allows them to see the **actual** APR and dollar cost in one place.

Opposition to this bill makes no sense to me. Any lender that says they “can’t calculate the APR” frankly should be banned from lending. What possible reason can any lender have in obfuscating the actual APR and total dollar cost of a loan, except to hide predatory fees and rates? Other lenders must abide by this level of transparency; why should this specific industry be exempt?

At long last, it is time for legislators to stand up for Maryland Small Businesses, and support full and accurate disclosure of borrowing costs by supporting transparency and supporting SB0881.

Regards,

*Michael Brey*

Michael C. Brey, President

**032726-Mike-Horn-SB-881-TILA-testimony.pdf**

Uploaded by: Mike Horn

Position: FAV



---

**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

# Woodstock Institute SB 881 Testimony.pdf

Uploaded by: Myanno Miller

Position: FAV

Woodstock Institute is a research and advocacy nonprofit dedicated to equal and safe financial systems for all, including small business owners.

The Truth in Lending Act of 1968 established APR as the “unit cost” of financing, just as miles-per-hour is how we compare vehicle speeds. Even if a loan is used for only six months, APR is still the best measure. By comparison, if you drive for only 30 minutes, you still use miles per hour to understand how fast you’re going.

Maryland’s small business owners do not get these same protections. They are being advertised financing products with a 4% fee rate, or 1.15 factor rate, or 8.33 specified percentage. Comparing these different terms is like one person telling you that they’re going 40 miles per hour, and another person telling you that they’re going 5 kilometers per minute. These different measurements for the cost of financing are not consistent in how they calculate the true cost of a loan over time. Below is a table from Federal Reserve Research and a chart of a Woodstock Institute analysis of business loan terms:

Estimated APRs for select online products		
Rate Advertised on Website	Product Details	Estimated APR Equivalent
1.15 Factor Rate	<ul style="list-style-type: none"> <li>Total repayment amount \$59,000</li> <li>Fees: 2.5% set-up fee; \$50/month administrative fee</li> <li>Term: none (assume repaid in six months)</li> <li>Daily payments (assume steady payments five days/week)</li> </ul>	Approx. 70% APR
4% fee rate	<ul style="list-style-type: none"> <li>Total repayment amount \$56,500</li> <li>Fee rate: 4% (months 1-2), 1.25% (months 3-6)</li> <li>Fees: none</li> <li>Monthly payments</li> <li>Term: six-month term</li> </ul>	Approx. 45% APR
9% simple interest	<ul style="list-style-type: none"> <li>Total repayment amount \$54,500</li> <li>Fees: 3% origination fee</li> <li>Weekly payments</li> <li>Term: six-month term</li> </ul>	Approx. 46% APR

Small Business Loan Terms (Updated 2025)					
Lender	Amount Dispersed	Total of Payments	Interest and Fees Paid	Loan Term in Days	Estimated Annual Percentage Rate
Vader Mountain	\$14,275	\$23,250	\$9,000	110	251.17%
InAdvance	\$7,295	\$11,600	\$4,305	101	352.64%
Mantis Funding	\$7,304	\$12,320	\$5,021	122	290.12%
Merchant Funding	\$23,866	\$37,475	\$13,609	106	319.33%
Capital Alliance	\$7,465	\$10,875	\$3,410	92	311.42%

Maybe these APR options do end up being the best option for a small business because they get the money to you the fastest, or their model works well for the type of business you operate.

But having APR disclosure under SB881 would empower Maryland’s small business owners to make these decisions for themselves so they can shop for the best price when borrowing money. It



enables informed, apples-to-apples comparisons between different financing options. That is why Woodstock Institute urges delegates of the committee to support SB881.

## **3.27 SB 881 - Commercial Financing - Small Business**

Uploaded by: Rachael Keyes

Position: FAV



**SB 881 - Commercial Financing - Small Business Truth in Lending Act**  
**House Economic Matters Committee**  
**March 31, 2026**  
**SUPPORT**

Chair Valderrama, Vice-Chair and members of the committee, thank you for the opportunity to submit testimony in support of Senate Bill 881. This bill will protect business owners from predatory lending.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

Small businesses are the backbone of Maryland's economy, driving local job creation and community development. Many of these businesses are being trapped in opaque and exploitative financing agreements with exorbitant and undisclosed annual percentage rates (APRs). Studies show that Maryland small businesses are overpaying an estimated \$237 million annually in unnecessary interest and fees, with Black-owned businesses facing \$72 million in overcharges and Hispanic-owned businesses \$26 million. These financial burdens strip communities of resources needed to build wealth, hire employees, and invest in local economies.

SB 881 is a common-sense measure that ensures small business owners have access to clear and transparent lending disclosures. By requiring financing companies to disclose key loan terms like APRs, total repayment amounts, and financing charges, this bill empowers business owners to make informed financial decisions.

CASH is committed to the economic empowerment of small businesses in Maryland, and we know that small businesses thrive when they can access fair and transparent credit.

SB 881 will help small businesses by:

- Preventing predatory lending practices that disproportionately harm minority entrepreneurs,
- Encouraging responsible lending that allows businesses to grow sustainably, and
- Giving small business owners the tools to compare financing options and select the best terms for their needs.

*Creating Assets, Savings and Hope*



We urge the committee to pass SB 881 to protect Maryland's small business community from exploitative lending practices and to foster a stronger, more equitable economy.

**Thus, we encourage you to return a favorable report for SB 881.**

*Creating Assets, Savings and Hope*

# **SB Lending Testimony.pdf**

Uploaded by: Stacia Mobley

Position: FAV



March 27, 2026

The Honorable Kriselda Valderrama  
Chairman, Maryland House Economic Matters Committee  
231 Taylor House Office Building  
6 Bladen Street  
Annapolis, Md. 21401

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

Chair Valderrama,

On behalf of the Greater Baltimore Urban League (GBUL), I write to share our support of SB881 (Kramer), the Small Business Truth in Lending Act.

As a community-based nonprofit organization, GBUL is committed to advancing economic mobility and supporting Maryland's small business ecosystem. Ensuring equitable access to capital for the communities we serve remains a key priority, and we believe this legislation offers an opportunity to further strengthen that access.

Maryland's small business owners often face challenges navigating financing options, particularly when costs and terms are not clearly presented. SB881 aims to provide greater transparency, equipping business owners with the information needed to make informed financial decisions. Similar measures have been implemented in states such as New York and California, offering helpful insights into how transparency can coexist with continued access to capital.

We have reviewed available data and perspectives from organizations such as Nav, as well as feedback from small business owners, which suggest that transparent lending practices can support more informed decision-making and potentially reduce overall financing costs.

SB881 reflects years of discussion and refinement. As Maryland continues to support its small business community, we see this as an opportunity to promote clarity, fairness, and long-term sustainability within the lending landscape.

Sincerely,

*Tershea Rice*

Mrs. Tershea Rice  
President & CEO (Interim)  
Greater Baltimore Urban League

# **NCRC Press Release 3-24-26 NCRC Applauds Maryland**

Uploaded by: Tara Flynn

Position: FAV

# NCRC Applauds Maryland Senate Passage of Small Business Truth in Lending Act » NCRC

[ncrc.org/ncrc-applauds-maryland-senate-passage-of-small-business-truth-in-lending-act/](https://ncrc.org/ncrc-applauds-maryland-senate-passage-of-small-business-truth-in-lending-act/)

NCRC

March 24, 2026



The National Community Reinvestment Coalition (NCRC) applauds the Maryland Senate’s passage of the Small Business Truth in Lending Act (SB 881) on March 20, 2026. The bill now heads to the House of Delegates and then hopefully, the governor’s desk. If the Small Business Truth in Lending Act becomes law, it will bring price transparency to Maryland small business credit transactions and allow small business owners to avoid paying unnecessary interest and fees.

This bill would save Maryland small businesses \$237 million per year by allowing business owners to compare the prices of different financing options and choose lower-cost options. Hispanic business owners would save \$26 million and Black business owners would save \$72 million.

Maryland small business owners currently lose hundreds of millions of dollars each year due to unnecessary interest and fees for higher-cost and less-transparent credit products. In addition, business owners of color are two times more likely to be impacted by these products.

“Maryland’s small business owners deserve a fair marketplace, not financing that hides the true cost of credit. The Maryland Senate has moved to give entrepreneurs the transparency they need to compare options, avoid excessive fees and keep more money in their businesses and communities,” said Jesse Van Tol, president and CEO of NCRC.

“We thank our members for their leadership in advocating for this bill, including the Responsible Business Lending Coalition, Economic Action Maryland, Baltimore Community Lending and Community Vision Solutions.”

**AUC of MD\_SB 881\_FWA.docx.pdf**

Uploaded by: Andrew Griffin

Position: FWA



Whitney Beall  
EXECUTIVE DIRECTOR

PO Box 249  
Annapolis Junction, MD 20701

P. 410-750-2554  
whitney@aucofmd.com

## BOARD MEMBERS

Bruce Bergeron  
*President*

Dominic Pope  
*Vice President*

Phil Ligon  
*Treasurer*

Thomas M. Linton, Sr.  
*Past President*

Artie Bell

Robert Brode

Tom Iacoboni

Timothy Kaptein

Bill Leibrandt

Matt Ruddo

Jason Sebald

Joel Stockbridge

Adam Wielepski

## ASSOCIATE ADVISORS

Jonathan Kibler

Ed Russell

March 31, 2026

### **Legislative Position: Favorable with Amendments Senate Bill 881**

Financial Institutions and Activities - Licensing Requirements and Regulation of Commercial Financing  
House Economic Matters Committee

Dear Chair Valderrama and Members of the Committee:

Established in 1950, the Associated Utility Contractors of Maryland, Inc. (AUC) is dedicated to advancing the utility contracting industry across the state. Our mission is to foster strong relationships between utility contractors and their clients, uphold the highest professional standards within the industry, and elevate the reputation of utility professionals within the business community. We actively advocate for public policies that address industry challenges and contribute to improving Maryland's overall business environment.

AUC supports the bill's goal of increasing transparency and protecting small and minority-owned businesses from predatory lending. However, as drafted, SB 881 does not distinguish between high-risk financing products and manufacturer-supported heavy equipment financing that is essential to Maryland's utility and construction contractors.

Our members, depend on flexible equipment financing to operate. These arrangements often include seasonal payment schedules, deferred payments, and bundled warranties and service agreements that help contractors manage costs and avoid project delays. Applying standardized APR disclosure requirements to these products would not improve transparency; instead, it risks misrepresenting their true cost and discouraging their use.

Other states have addressed this issue by adopting clear exemptions for equipment financing after early implementation challenges. Without a similar fix, Maryland contractors may face a competitive disadvantage compared to those in neighboring states.

To address these concerns, AUC urges the Committee to adopt amendments exempting:

- Manufacturer-supported financing tied to the purchase or lease of equipment; and

- Purchase money obligations as defined under Section 9-103 of the Uniform Commercial Code.

These changes will preserve the bill's intent while ensuring contractors maintain access to critical financing tools.

For these reasons, AUC respectfully requests a **favorable report with amendments** on SB 881.

Sincerely,

The Associated Utility Contractors of Maryland (AUC)

# **SB881 - House.pdf**

Uploaded by: Richard Tabuteau

Position: FWA

**V O L V O**

TO: The Honorable Kriselda Valderrama, Chair  
Members, House Economic Matters Committee  
Senator Benjamin F. Kramer

FROM: Richard A. Tabuteau

DATE: March 31, 2026

RE: **FAVORABLE WITH AMENDMENTS:** Senate Bill 881 – *Financial Institutions and Activities - Licensing Requirements and Regulation of Commercial Financing*

---

In Maryland, Volvo Group North America's Hagerstown Powertrain Production facility employs nearly 2,000 people including over 1,400 members of the UAW Locals 171 and 1247 and is the last major automotive manufacturer in Maryland. The plant develops, manufactures, and tests heavy-duty powertrains, transmissions and axles for its Mack and Volvo trucks as well as Prevost and Volvo buses at its 280-acre campus. Volvo Group also employs more than 60 people at one of its U.S. parts distribution facilities in Elkridge.

Volvo Financial Services, a division of VFS US LLC ("Volvo Financial Services") respectfully requests that Senate Bill 881 be amended to exclude transactions originated by captive finance companies and transactions constituting purchase money financing under Article 9 of the Uniform Commercial Code.

Volvo Financial Services is the captive finance provider for the Volvo Group, one of the world's leading manufacturers of heavy trucks, buses, construction equipment and marine engines and powertrain systems. As a captive finance company, Volvo Financial Services provides financing and leasing solutions to customers and dealers of the Volvo Group. Captive finance companies exist to support sales of parent/sister company products and specialize in offering loans, leases or other forms of financing directly related to such products, thereby facilitating sales, and enhancing customer loyalty through financial services.

Almost all states that have enacted commercial financing disclosure laws have recognized the unique position of captive finance companies and have exempted them from these laws. 13 of the 15 states that have introduced or enacted a commercial financing disclosure law have included exemptions, including without limitation Connecticut, Florida, Georgia, Kansas, Missouri, Utah and Texas. Enacting the disclosure law without exempting captives would add regulatory burden and cost and would follow a minority position.

Additionally, many of the states that have enacted commercial financing disclosure laws have exempted purchase-money financing given that such transactions are typically tied to a specific good (truck, bus, excavator, etc.) with a known price. These states have focused on other types of financing (such as sales-based financing), recognizing that additional regulation of equipment financing transactions would increase costs without providing any additional protections.

In conclusion, we appreciate the goals of the Maryland legislation but would request that it be amended to exempt captive finance companies and purchase-money transactions.

**V O L V O**

Thank you for the opportunity to provide our comments. If you have questions or need additional information, please contact Scott Adams at [scott.adams@volvo.com](mailto:scott.adams@volvo.com) or (336) 291-5560.

Below is the requested amendment:

On page 5, Line 16 add:

**(11) AN ENTITY PRINCIPALLY ENGAGED IN THE BUSINESS OF MAKING COMMERCIAL FINANCING PRODUCTS AND SERVICES IN CONNECTION WITH THE SALE OR LEASE OF PRODUCTS OR SERVICES MANUFACTURED OR DISTRIBUTED BY ITS DIRECT OR INDIRECT PARENT COMPANY, OR ANY OF SUCH PARENT COMPANY'S DIRECTLY OR INDIRECTLY OWNED AND CONTROLLED SUBSIDIARIES; OR**

**(12) ANY PURCHASE MONEY OBLIGATION AS DEFINED IN SECTION 9-103 OF THE UNIFORM COMMERCIAL CODE.**

# **Hudson Cook, LLP Policy Memo - APR and Unit Pricin**

Uploaded by: Katherine Fisher

Position: UNF

**MEMORANDUM**

**To:** The Honorable Kriselda Valderrama, Chair  
The Honorable Lorig Charkoudian, Vice Chair  
Maryland Economic Matters Committee  
230 Taylor House Office Building  
Annapolis, Maryland 21401

**From:** Katherine C. Fisher  
*Admitted in Maryland and Oregon*

**Date:** March 27, 2026

**Subject:** SB 881 - Annual Percentage Rate and Sales-Based Financing

---

**I. Executive Summary**

The purpose of this memorandum is to provide information to the Economic Matters Committee in the hope that there can be a more balanced analysis of the costs and benefits of imposing an APR disclosure requirement on commercial financial products that are not closed-end loans; in particular, sales-based financing.

Sales-based financing is not a loan. Unlike other forms of financing that also are not loans (e.g., some forms of factoring and leases), sales-based financing has a unique repayment structure that is particularly incompatible with the APR metric.

This memorandum will explain that sales-based financing produces a rate of return that is highly unpredictable because the terms of repayment are based on the recipient's revenue. Even if one assumes the recipient will perform its obligations as agreed, there is no way to predict how quickly the recipient will be required to repay, or even if the recipient will be required to repay the full amount advanced. This unpredictability makes APR an unreliable tool for explaining the cost of sales-based financing. Even worse, APR masks important features that might otherwise make sales-based financing a better choice for some small businesses than a loan.

The burdens imposed on providers of sales-based financing are difficult to justify based on the supposed benefits of APR disclosures. By contrast, the primary argument that APR disclosure will benefit small business owners seems to be that polling suggests APR is popular with consumers. The presumed popularity of APR belies its inefficacy as a cost metric. Data compiled by financial regulators shows that consumers do not use APR and do not understand APR. One might wonder whether more sophisticated borrowers would do better, but this memorandum will demonstrate that common assumptions about APR are wrong. The differences in APR disclosed on competing offers that have same total dollar cost can lead to drastic overestimation of the relative difference in the true cost of those offers.

Some APR advocates claim that APR is the best metric for comparing different financing offers because it establishes a “unit cost” of financing. We explain why that claim is flawed and, instead, offer a proposal for an alternative “unit cost” metric.

## **II. Sales-based financing transactions are not loans.**

Sales-based financing produces a rate of return for the funder that is highly speculative, even where the recipient performs its obligations as agreed by the parties. Sales-based financing is typically (if not always) a precomputed obligation – meaning that the finance charge earned by the funder is fixed in advance. The cost does not increase or decrease based on how long the recipient takes to pay.<sup>1</sup>

Because sales-based financing transactions are precomputed, the fact that repayment is linked to changes in revenue means that the rate of return on any sales-based transaction is impossible to predict. Even the prospect of repayment in full is uncertain.

This uncertainty and risk is unique to sales-based financing and is the principal reason why many courts have held that sales-based financing is not a loan or, at the very least, is not subject to state usury laws that limit the contractual interest rate between the parties to a loan.

One of the bedrock principles of usury is that a transaction is not usurious if repayment is subject to a contingency that the prospect of repayment in full is placed in jeopardy. As explained in Williston on Contracts:

. . . courts have held that a loan is contingently repayable only when the lender has, by the terms of the loan, subjected itself to some greater hazard than the mere risk that the borrower might fail to repay the loan or that the security might depreciate in value. The theory is that when the lender risks the principal with the chance of either getting a greater return than lawful interest or getting nothing if the contingent event fails to occur, there is no usury since the usury laws do not forbid the taking of business chances in the employment of money.

9 Williston on Contracts § 20:18 (4th ed.) (Emphasis added).

Any transaction that qualifies as sales-based financing, as defined in SB 881, requires the provider of financing to take the risk that the recipient’s revenue will fall to \$0 and eventually absolve the recipient of any legal obligation to pay the balance of the amounts advanced or any finance charge.

## **III. Requiring APR disclosures in sales-based financing transactions places unjustifiable burdens on providers.**

Requiring a sales-based financing provider to disclose an APR based on the assumption that the sales-based financing transaction functions like a loan (i.e., with an agreed-upon payment schedule) is wholly counterfactual and misleading. The inherent variability in the term of repayment (not to mention the

---

<sup>1</sup> By contrast, the finance charge on a simple interest obligation is primarily computed on the basis of outstanding principal. As principal is paid down, the amount of interest that accrues reduces over time. So early payment generally decreases the finance charge and late payment generally increases the finance charge. Precomputed transactions sometimes provide for discounts if they are prepaid in full early.

possibility that the recipient may not be obligated to repay the entire amount advanced by the provider) means that no rate of finance charge can be predicted.

Therefore, any APR metric designed for a loan will be incapable of accurately conveying the potential cost of sales-based financing because APR purports to measure the time-value of money. SB 881 would require a provider of sales-based financing to ignore the most essential feature that distinguishes sales-based financing from a loan – the fact that payments may vary based on changes in future revenue. This is particularly unjust when considering the potential for a faulty APR to be misused in ways that presumably are unintended by any disclosure law.

#### IV. APR masks the benefits of sales-based financing when compared to loans.

The assumptions required to calculate APR ignore the primary feature that could make sales-based financing more attractive than a loan; namely, the fact that a recipient has the right to adjust payments based on a fixed percentage of the recipient's periodic revenue. If a loan and a sales-based financing offer both have the same APR and are both paid as contractually agreed, then the APR disclosed on the loan will be an accurate description of the "true" APR.<sup>2</sup> By contrast, the APR disclosed on the sales-based financing could never be expected to be equal to the "true" APR because the contractual obligation is tied to fluctuating revenue. In cases where the recipient's payments were reduced because of declines in revenue, the "true" APR on the sales-based financing might be significantly less than the disclosed APR.

The following example demonstrates this effect:

#### **Example - Loan vs. Revenue-Based Financing**

Let's start with a comparison of two transactions involving identical amounts of money:

	<i>Loan</i>	<i>Sales-based financing</i>
<b>Amount advanced:</b>	\$100,000	\$100,000
<b>Total repayment amount:</b>	\$140,000	\$140,000
<b>Total dollar cost:</b>	\$40,000	\$40,000

<sup>2</sup> Indeed, it would be inappropriate for the description of APR on a loan to be labeled as an "estimate" unless some essential figures need to calculate APR were not known at the time of disclosure. Marking a disclosure as an "estimate" is common in consumer finance, and Regulation Z provides clear guidance on when it is appropriate to state that a disclosure is a mere estimate. Regulation Z states that disclosures "shall reflect the terms of the legal obligation between the parties" and that a disclosure can be marked as an "estimate" only if "any information necessary for an accurate disclosure is unknown to the creditor". See 12 CFR § 1026.17(c). In most cases, a commercial loan agreement will contain all of the information necessary to calculate APR and therefore is not "estimated" in any sense of the word. This will never be true in the case of sales-based financing because there is no fixed repayment schedule. It is debatable whether the assumptions required in order to calculate APR on a sales-based financing could rightly be described as estimates. Assuming that revenue never changes is not an "estimate".

So far, there is nothing to distinguish one transaction from the other. Significantly, the total dollar cost is the same. The biggest differences are the repayment terms, which are described below:

	<b>Loan</b>	<b>Sales-based financing</b>
<b>Agreed repayment schedule:</b>	80 weekly payments of \$1,750	10% of Recipient's weekly revenue until Provider has received \$140,000.  <i>Based on current estimates of Recipient's revenue, 10% of weekly revenue will be \$1,750.</i>
<b>Absolute or contingent obligation to pay:</b>	Obligation to pay is absolute. Failure to make a payment on time is an event of default and the entire balance can be accelerated.	Obligation to pay is contingent upon revenue. If revenue drops to \$0, the payment will too.

### Calculating APR

The APR calculation in SB 881 requires: (1) an amount financed and (2) a fixed schedule of payments. The amount and timing of each payment determines how long it takes for the obligation to be repaid in full. For this purpose, it is assumed that an obligor will make all payments in full and on time. Disclosure is based on the legal obligations of the obligor and not on the actual performance of the obligor.

- Loan. To calculate the APR on the loan, we would use: (1) \$100,000 advanced and (2) 80 weekly payments of \$1,750. This will produce an APR of 46%.
- Sales-based financing. To calculate the APR on the sales-based financing we have only the fact that \$100,000 will be advanced. We can't know the payment schedule. The first payment might be \$1,750 (or it might not). The amount of each of the remaining 79 payments can't be known with any certainty because the payments are adjustable based on future revenue.

APR cannot measure the cost of sales-based financing if the disclosure is based on the legal obligations of the parties. Therefore, SB 881's proposed solution is to force sales-based financing to fit the APR metric. This is done by making the provider assume that the sales-based financing will function just like the loan. So, the APR will be based on 80 weekly payments of \$1,750. Of course, this is not how the transaction works.<sup>3</sup> But this is apparently justified by the argument that APR is important as disclosure metric, even if APR is inaccurate and unreliable as to sales-based financing. The confusion created by presenting the sales-based financing to recipients as though it is identical to a loan is, so the argument goes, a reasonable trade-off.

<sup>3</sup> To put a finer point on this, SB 881 proposes measuring loans and sales-based financing using different rules. Loans would be measured based on the terms of the legal obligation between the parties. Sales-based financing would be measured by ignoring those legal obligations (such as the obligation to adjust payments based on revenue) that are so confounding to the APR metric.

Before making up our minds about whether this trade-off is justified, let's consider a comparison showing how changes in revenue make disclosed APR (46% in the example above) differ from actual APR – as applied to loans and sales-based financing.

**Comparison - Disclosed vs. Actual APR**

	Change in revenue assumptions	Disclosed APR	Actual APR (loan)	Actual APR (sales-based financing)
<b>Hypothetical 1 - increase in revenue after week 5</b>	Assume revenue <u>increases</u> by 20% after week 5.	<b>46%</b>	<b>46%</b>  The APR disclosure was accurate because the legal obligation of the borrower is to make the same payment every week.	<b>53.7%</b>  Disclosed APR was inaccurate because the one-time increase in revenue increased the weekly payment. The recipient paid \$140,000 about 12.5 weeks faster than it would have paid the loan, resulting in a higher than predicted APR.
<b>Hypothetical 2 - decrease in revenue after week 5</b>	Assume revenue <u>decreases</u> by 20% after week 5.	<b>46%</b>	<b>46%</b>  The APR disclosure was accurate because the legal obligation of the borrower is to make the same payment every week.	<b>38%</b>  Disclosed APR was inaccurate because the one-time decrease in revenue meant the recipient paid \$140,000 about 18.75 weeks longer than it would have paid the loan, resulting in a lower than predicted APR.
<b>Hypothetical 3 - revenue declines to \$0 after week 50)</b>	Assume revenue never changes until week 50. A hurricane destroys the store. The business is unable to recover and produces no more revenue after week 50. A total of \$87,500 has been paid, leaving a balance of \$52,500.	<b>46%</b>	<b>46%</b>  The APR disclosure was accurate because going out of business does not relieve the borrower of its obligation to pay.	<b>0%</b>  Disclosed APR was inaccurate because a sales-based financing imposes no further obligation to pay when revenue permanently dropped to \$0. The provider only recovers \$87,500. This is less than the \$100,000 advance.

These hypotheticals demonstrate that even a one-time change in revenue can have a substantial impact on the actual APR of a sales-based financing but not on the actual APR of a loan. One result is that APR could make loans appear more favorable than sales-based financing because loans and sales-based financing are priced for risk. Based solely on a comparison of the different legal obligations of the obligor on a loan versus sales-based financing, the provider of sales-based financing takes more risk than the provider of loan because of the flexible payment structure. Therefore, it is anticipated that the pricing will be structured to compensate for that risk. APR focuses solely on a very specific measurement of cost and ignores the benefit of the flexible payment structure.

Of the three hypotheticals presented above, it is obvious that the sales-based financing would have been a better option than the loan. A focus on APR masks the important difference between the

repayment terms of the loan and the sales-based financing. And the only justification offered for this is a belief that APR is the best method for comparing different forms of financing.

This is a belief that has been considered, and rejected, by other policymakers.

**V. The efficacy of APR when used to compare loans does not justify its use for comparison of loans to other forms of financing.**

We understand the stated goal of APR advocates is to develop common disclosures for very disparate commercial finance products (loans, factoring, sales-based financing) and that some believe APR disclosures are the key to common disclosures. However, that approach has been considered and rejected by other policymakers. In consumer finance, APR disclosures for closed-end lending are different from APR disclosures for open-end lending and non-existent for leasing.

The Federal Reserve Board (FRB) has studied how the consumer disclosures they have developed for consumer products are used by consumers and how those disclosed impact consumer choices about credit products. One important insight is that “while the idea of using common design and information elements across financial disclosures is both appealing and potentially beneficial, the variety and complexity of financial products presents challenges for standardizing disclosures.”<sup>4</sup> Another insight from the FRB is relates to how policymakers influence the way consumers think about choice:

Disclosures have historically been intended to present “just the facts”: They should not steer the consumer in one direction or the other. However, as “choice architecture”—the idea that the way options are presented influences what people choose—has entered the policy discussion, policymakers recognize that few presentations of information may be truly neutral.

*Id.* at Page 16.

As we know, the final design of disclosure regulations for consumer financial products was not based on a common design (closed-end credit products, open-end credit products, and leasing products are all subject to different federal disclosures). This reflects that fact that a common design can impede consumer understanding. The FRB has noted:

Sometimes the transfer of learning that occurs through standardized disclosure proves beneficial; at other times, it can be confusing or potentially misleading. . . . In some cases, the [FRB] chose to use distinctly “nonstandard” language in order to highlight differences in financial products. For example, in consumer leasing disclosures, the [FRB] uses the terms “capitalized cost reduction” and “rent charge” rather than “down payment” and “finance charge” to differentiate the terms of a vehicle lease from those of a vehicle loan. Thus, while creating and maintaining consistency across disclosures for different products is beneficial, at times consumers may need to be alerted when a standard or familiar piece of information has a different meaning for another product.

*Id.* at Page 20.

---

<sup>4</sup> See “Designing Disclosures to Inform Consumer Financial Decision making: Lessons Learned from Consumer Testing”, Federal Reserve Bulletin Vol. 97, No. 3 dated (August 2011) at Page 19.

In consumer finance, the APR metric is used exclusively for loans. The FRB had at one time considered, and rejected APR, for leases.<sup>5</sup> Even the APR disclosure requirements are not identical APR disclosure for a closed-end installment loan is different from the APR disclosure on an open-end loan. The APR for closed-end loans includes fees that are treated as finance charges, while the APR disclosed at account-opening for open-end credit is simply the periodic interest rate multiplied by the number of periods in a year (the corresponding annual rate).

Using APR disclosures for small business loans may be justifiable because the difference between consumer loans and business loans is largely limited to a difference in the borrower's use of the proceeds, and not a difference in the nature of the financial product. By contrast, the difference between loans and sales-based financing is significant; arguably even greater than the difference between loans and leases. Requiring sales-based financing providers to provide APR will certainly confuse some small business finance applicants into believing the product is a loan instead of sales-based financing. And by encouraging applicants to focus on APR, these applicants are steered into loan products and away from sales-based financing, when sales-based financing may be the better alternative.

**VI. There is evidence that APR disclosures on sales-based financing transactions has been misused by the courts.**

In a recent bankruptcy option (In re Greenwich Retail Group LLC, 2026 Bankr. LEXIS 417) the court mistakenly conflated the "Offer Summary" required by New York's Commercial Finance Disclosure Law with the terms of the contract memorializing a sales-based financing. The case involved, among other things, a review of the transaction to determine if the financing was, in fact, a sales-based financing or a disguised loan. In the Greenwich case, the court cited the Offer Summary (which disclosed an estimated APR of 65.25%) as evidence of what the provider would earn under the terms of the contract. As noted above, any APR disclosure on a sales-based financing masks the fact that (unlike a loan) there is no agreed-upon rate of return for the provider. The dollar amount of the finance charge in a sales-based financing is precomputed and not subject to change. The recipient's ability to reduce payments when revenue is low means the term of repayment is extended, and the rate of return is decreased. The ability of the recipient to reduce payments is tied to future reductions in revenue and therefore inherently unpredictable.

It should be noted that, under New York law, bankruptcy cannot be an event of default in a sales-based financing transaction. Therefore, absent some material breach of contract which would permit the provider to accelerate the unpaid balance, a liquidation of the recipient's business (in bankruptcy or otherwise) generally would eliminate the recipient's obligation to continue making payments. In other words, notwithstanding the APR disclosure in the Offer Summary of an APR of 62.25%, the "true" APR on the transaction could have been as low as 0%.

The court's focus on the APR seems to have been prejudicial to the provider of the sales-based financing. The court appears to have viewed APR to be more than just a disclosure, but in effect a term of the contract between the parties. And if the transaction were a loan, this view would do no harm.

---

The absolute obligation to pay ensures that the lender is contractually entitled to receive a rate of return that is equivalent to the APR. By contrast, sales-based financing provides no contractual right to any particular rate of return. Upon seeing that the sales-based financing had a stated APR of 65.25%, it should be predictable that the court could mistakenly assume the sales-based financing is simply a disguised loan.

APR disclosures were intended to be used by applicants who are seeking to compare different financing offers. APR should not be used by courts to make determinations about the contractual rights of the parties to a financing transaction. And yet, the Greenwich court appears to misunderstand the role of these disclosures. By forcing sales-based finance providers to disclose an APR (which presupposes a contractual right to a specific rate of return) the sales-based finance providers are unjustifiably exposed to the risk that confused courts will wrongly apply usury law standards to these products. One could reasonably wonder whether (for advocates of APR) this is a feature and not a bug.

That an APR disclosure would even be considered in a bankruptcy case is a disturbing consequence of the New York legislature's decision to force APR disclosures upon providers sales-based financing. Understandably, providers of sales-based financing have a strong incentive to limit this misuse of APR disclosures in additional venues.

**VII. The burdens of calculating and disclosure APR are not justified by the claims that polling shows consumers want APR disclosure**

It should be no surprise that consumers who are asked if APRs are important to them routinely answer "yes". Why would anyone say no? Polling results can often vary significantly just on the basis of how polling questions are phrased and is nonscientific. With regard to the efficacy of APR, the important question is not what polling data reveals, but what actual testing of consumer behavior reveals. In 2012, the Consumer Financial Protection Bureau (the "Bureau") cited studies showing that consumers do not, in fact, use APR to making decisions about choosing a loan:

"Concerns have been raised repeatedly over the last two decades that consumers are confused by what the APR represents and do not use it for its intended purpose: to compare loans. The Board-HUD Joint Report noted that consumers generally do not understand what the APR represents or how to use it, and that some consumers mistake the APR with the interest rate. Board-HUD Joint Report at 10. Consumer testing conducted for purposes of the Board's 2009 Closed-End Proposal revealed these same problems with the APR. 74 FR at 43296. The Board tested alternative descriptions and formats for the APR, but the APR continued to confuse consumers. *Id.* The Board's consumer testing also indicated that consumers did not use the APR to compare loans but, instead, focused on the interest rate, monthly payment amount, and settlement costs when comparing loan offers."

See <https://www.federalregister.gov/d/2012-17663/p-1014> (emphasis added).

Polling of consumers may show that consumers believe that APR is an important metric for comparing offers of financing. But consumer demand for APR is not a justification for using disclosure metrics that require us to ignore important legal obligations of the parties to the transaction.

**VIII. Proposal for a true "unit cost" metric.**

A “cost-per-dollar” disclosure is a true apples-to-apples comparison using universally understood units of measurement – namely, dollars and cents. We acknowledge the primary drawback of this disclosure – cost-per-dollar does not include the timing of payments. We suggest that this drawback is outweighed by the following benefits of a cost-per-dollar disclosure:

- **Simplicity.** Cost-per-dollar would be calculated as the total cost of capital divided by the total amount financed. This formula is easy to calculate and simple to test.
- **Flexibility.** Because a cost-per-dollar disclosure does not require product-specific assumptions, cost-per-dollar would accommodate future innovation as new commercial financing products are introduced into the marketplace.
- **Comparability.** Cost-per-dollar is a true “unit cost” of capital. In much the same way that comparing the cost of groceries that are packaged in different sizes is aided by the “per ounce” unit cost disclosure, different financing offers would be easy to compare with a cost-per-dollar unit cost.<sup>6</sup>

We suggest that the above benefits of a cost-per-dollar disclosure outweigh the drawback of not including the timing of payments concept. Because the time value of money may be more complex for a business than a consumer, APR may be less helpful in the context of business finance.<sup>7</sup> For example, the time value of money for a business is impacted by more than timing of payments, and may include tax considerations (i.e., depreciation of goods obtained with financing and whether part of the financing payments are tax deductible), inflation and wage increases, and missed opportunity costs if the business does not have the funds in hand today. Perhaps the timing of payments concept in any standard disclosure cannot adequately address the time value of money for businesses.<sup>8</sup>

As you know, two states (California and New York) have included APR in their commercial financing disclosure law, and nine states (Connecticut, Florida, Georgia, Kansas, Louisiana, Missouri, Texas, Utah, and Virginia) have not. A cost-per-dollar disclosure instead of APR is a true “unit cost” that could offer a path forward for broad support.

\* \* \* \*

---

<sup>6</sup> Business owners use similar unit cost analysis for financial planning, such as revenue-per-unit. *See e.g.,* Amy Gallo, *A Quick Guide to Breakeven Analysis*, Harvard Business Review, July 2, 2024. <https://hbr.org/2014/07/a-quick-guide-to-breakeven-analysis>

<sup>7</sup> Social scientists have studied consumer understanding of APR for years. There appears to be no consensus that APR has aided consumers in evaluating competing offers of credit, and some studies that suggest APR actually created consumer confusion. *See, e.g.,* <https://www.federalreserve.gov/pubs/bulletin/2011/pdf/designingdisclosures2011.pdf>

<sup>8</sup> For this reason, businesses sometimes use a weighted average cost of capital calculation that includes tax considerations.

# **Revenue Based Finance Coalition Letter\_SB 881\_Writ**

Uploaded by: Katherine Fisher

Position: UNF



The Honorable Kriselda Valderrama, Chair  
The Honorable Lorig Charkoudian, Vice Chair  
Maryland Economic Matters Committee  
230 Taylor House Office Building  
Annapolis, Maryland 21401

March 27, 2026

**RE: SB 881 – Opposed Unless Amended**

Dear Chair Valderrama and Vice Chair Charkoudian,

The Revenue Based Finance Coalition (“RBFC”) respectfully opposes SB 881 as currently drafted. RBFC members are responsible finance companies that provide needed capital to small and medium sized businesses nationwide. Our member companies offer fair and innovative financing and have filled the void created by the decline in small business lending by larger, traditional banks. Our members are committed to providing clear and accurate cost of capital disclosures to our small business customers.

We respectfully submit the comments below that focus on the following key issue areas:

- Stakeholders need more time to digest and discuss recently added licensing requirements and proposed penalties for commercial financing providers. For example, newly added Section 12-1616 would impose up to 6 months imprisonment if a licensee knowingly violates the law. However, if a commercial financing provider ignores the licensing requirement, there are apparently no criminal penalties. This is an unfair result.
- The “Estimated APR” disclosure required in SB 881 is a misleading metric and not the same “APR” that consumers see on their mortgages and credit cards.
- In December 2025, the New York Federal Reserve published a report that examines the negative real-world effects of APR centric policy on borrowers. The report pinpoints how policies centered on APR lead to less capital availability for the “riskiest borrowers.”
- SB 881 is outdated, copying laws that were passed in California in 2018, and in New York in 2020. But since 2020, nine other states have adopted disclosure laws without APR - including Virginia and Connecticut.
- “Estimated APR” defeats the purpose of an APR disclosure and does not allow for a true cost comparison across RBF offers or different financial products.

The RBFC supports the establishment of a regulatory framework for businesses that engage in commercial financing transactions. Specifically, establishing requirements related to disclosures of the total dollar cost of capital, repayment terms, and other related items. However, we do not

support the implementation of an “Estimated APR” disclosure because APR is designed for traditional loans, and it does not work as a fair or accurate measurement of cost for revenue-based financing.

Unlike loans, revenue-based financing provides recipients with the ability to adjust their payments in proportion to changes in their revenue. APR calculations fail to capture this fundamental difference, misleading recipients about the “time-value” cost of capital, and obscuring the flexibility of revenue-based financing. Forcing providers of revenue-based financing to make inaccurate predictions about APR prevents a true “apples-to-apples” comparison between loans and revenue-based financing.

Additionally, a recent poll<sup>1</sup> shows that since the effective date of California’s disclosure law, 40% of respondents were found to be “no longer lending” to prospective borrowers in California due to the “Estimated APR” disclosure metric.

### **1. Stakeholders need more time to digest and discuss recently added licensing requirements and proposed penalties for commercial financing providers.**

Just a few weeks ago, SB 881 was amended to include licensing requirements and potential criminal penalties (instead of civil fines) for certain violations. Commercial financing providers who would be subject to these new requirements need time to digest and discuss them with the Commissioner of Financial Regulation.

For example, newly added Section 12-1616 would subject only commercial financing providers who obtain a license to criminal penalties for certain violations. However, there are no criminal penalties for unlicensed entities. We respectfully submit that this is unfair.

In addition, the newly added licensing requirement potentially conflicts with existing Maryland law governing commercial financing. Maryland’s lending laws are very complex and provide for multiple different statutory schemes under which commercial loans might be originated, including the following:

- Closed-end or open-end loans may be originated under Maryland’s Interest and Usury subtitle, Md. Code Ann., Com. Law §§ 12-101 *et seq.* (“Subtitle 1”).
- Closed-end or open-end loans of \$25,000 or less may be originated under Maryland’s Consumer Loan Law-Credit Provisions, Md. Code Ann., Com. Law §§ 12-301 *et seq.* (“Subtitle 3”).
- Closed-end loans of any principal amount may be originated under the Credit Grantor Closed-End Credit Provisions, Md. Code Ann., Com. Law §§ 12-1001 *et seq.* (“Subtitle 10”).
- Open-end loans of any principal amount may be originated under the Credit Grantor Revolving Credit Provisions, Md. Code Ann., Com. Law §§ 12-1001 *et seq.* (“Subtitle 9”).

---

<sup>1</sup> <https://www.sfnet.com/home/industry-data-publications/the-secured-lender/magazine/tsl-article-detail/new-california-disclosure-rules-reduce-capital-available-to-small-businesses>

We respectfully request that stakeholders have time to digest how the changes to SB 881 would impact existing Maryland law.

Finally, the proposed licensing program likely will have significant start-up costs. Although those costs may later be recouped from licensing fees, fines, penalties, settlements or judgments, there may be an initial budget impact. As an example, a 2025 California bill proposing registration of certain commercial financing providers (SB 728) did not pass partially because of the potential budget impact of start-up costs for a new regulatory program.<sup>2</sup>

**2. The “Estimated APR” disclosure proposed in SB 881 is not the same “APR” that is seen on consumer mortgages and credit cards. “Estimated APR” is misleading and inconsistent with TILA.**

Congress enacted TILA in 1968 to enhance “economic stabilization” and promote the “informed use of credit.”<sup>3</sup> Since then, the Consumer Financial Protection Bureau (“CFPB”) has questioned whether APR disclosures are helpful. For example, in 2012 the Obama administration’s CFPB concluded that APR disclosures increased customer confusion when evaluating home mortgage costs:

“ . . . consumer testing and historical research indicate that consumers do not understand the APR and do not use it when shopping for a loan. Highlighting the APR on the disclosure form contributes to overall consumer confusion and information overload, complicates the mortgage lending process, and hinders consumers’ ability to understand important loan terms.”<sup>4</sup>

When state laws use the terms “APR,” “annual percentage rate,” and/or “finance charge,” but require *different calculation methodologies* (e.g., distinct APR formulas or cost metrics), or *definitions*, those state laws further confuse small business owners.

SB 881 is seeking to enact the same “Estimated APR” disclosure that California and New York have implemented. However, this calculation is inconsistent with TILA.

For example, New York’s commercial financing disclosure regulations require providers to use the term “APR” as follows:

1. *Consistent with TILA*: For closed-end commercial loans, to calculate and disclose an “APR” consistent with TILA and Regulation Z’s rules for closed-end credit.<sup>5</sup>
2. *Inconsistent with TILA*:

---

<sup>2</sup> [https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill\\_id=202520260SB728](https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=202520260SB728)

<sup>3</sup> 15 U.S.C. § 1601(a).

<sup>4</sup> <https://www.federalregister.gov/documents/2012/08/23/2012-17663/integrated-mortgage-disclosures-under-the-real-estate-settlement-procedures-act-regulation-x-and-the>

<sup>5</sup> New York Admin. Code § 600.3(b).

- a. For open-end loans, to calculate and disclose an “APR” as though it was closed-end credit (even though TILA and Regulation Z have different rules for calculating “APR” for open-end credit). To shoehorn open-end loans into TILA’s closed-end credit rules, California requires a provider of open-end credit to make the following assumptions:
  - i. the borrower will draw the full amount of the credit limit at origination,
  - ii. the borrower will make no subsequent draws, and
  - iii. the borrower will make only minimum payments of principal.<sup>6</sup>

These assumptions are counterfactual. Borrowers generally do not draw the maximum credit limit right away, they typically make subsequent draws, and they sometimes repay in amounts greater than the minimum required. In other words, New York’s regulations require a provider of open-end commercial loans to pretend the transaction is a closed-end loan to calculate an “APR.”

- b. For sales-based financing and factoring transactions that do not have a fixed term for repayment, to calculate and disclose a so-called “Estimated APR” based on required assumptions such as:
  - i. the business recipient of the financing will have exactly the same amount of revenue every month,<sup>7</sup> or
  - ii. all account(s) will be fully paid upon the date that each legally enforceable claim becomes due and payable.<sup>8</sup>

These required assumptions to calculate an “Estimated APR” are likely counterfactual – for example, businesses typically do not have exactly the same amount of revenue every month.

SB 881 adopts the same approach. Instead of adopting legislation that works for Maryland’s small businesses, SB 881 would mimic New York’s APR calculations that are inconsistent with TILA.

**3. In December 2025, the New York Federal Reserve published Staff Report No. 1173, which examines the negative real-world effects of APR centric policy on borrowers.**

---

<sup>6</sup> New York Admin. Code § 600.3(d).

<sup>7</sup> See New York Admin. Code § 600.3(b).

<sup>8</sup> New York Admin. Code § 600.13.

In December 2025, the New York Fed published Staff Report No. 1173, “*Less for You, More for Me: Credit Reallocation and Rationing Under Usury Limits.*”<sup>9</sup> The paper examines the real-world effects of APR-based restrictions on consumer credit markets. While the report does not critique APR disclosures directly, its findings provide important context for understanding the limitations of APR-centric policymaking.

The paper demonstrates that pricing constraints tied to APR or interest-rate limits, do not make credit meaningfully safer. Instead, credit is reallocated. Higher-risk borrowers – often those with the fewest alternatives – lose access to credit altogether, while lower-risk borrowers receive increased access. Notably, the reduction in credit availability for higher-risk consumers does not meaningfully improve delinquency or distress outcomes. In other words, restricting high-APR products may reduce access to credit without producing corresponding consumer benefits.

These findings underscore a broader concern with relying on APR as a proxy for harm. APR is an annualized metric designed for long-term, amortizing loans. When applied to short-duration and non-amortizing products, it can overstate perceived cost, obscure total dollars repaid, and distort comparisons between fundamentally different financial products. Policies that focus primarily on APR risk regulating based on appearance rather than outcomes – limit choice without improving outcomes.

#### **4. SB 881 is Outdated and Diverges From Nine Other State Disclosure Models - Including Virginia. Businesses of the DMV Should Receive the Same Disclosure Information.**

We respectfully suggest that the Maryland legislature enact a disclosure law similar to Virginia’s – creating a uniform disclosure standard for the DMV area to ensure that business owners are receiving the same disclosure information across the region. SB 881 diverges from Virginia’s disclosure requirements in a way that prevents uniformity across the region and is counterproductive to the goal of any disclosure law, which is to provide meaningful comparisons.

Nine state legislatures across the country have adopted a “Total Cost of Capital” model of disclosure for commercial financing products instead of models that include an “Estimated APR” disclosure, including:

- Virginia<sup>10</sup>
- Utah<sup>11</sup>
- Connecticut<sup>12</sup>

---

<sup>9</sup> <https://url.us.m.mimecastprotect.com/s/lfiECL9V93cPwO87lqhYHyvY4v?domain=newyorkfed.org>

<sup>10</sup> <https://law.lis.virginia.gov/admincode/title10/agency5/chapter240/section30/>

<sup>11</sup> <https://dfi.utah.gov/non-depository/commercial-financing/>

<sup>12</sup> <https://www.cga.ct.gov/2023/act/pa/pdf/2023PA-00201-R00SB-01032-PA.pdf>

- Florida<sup>13</sup>
- Georgia<sup>14</sup>
- Kansas<sup>15</sup>
- Missouri<sup>16</sup>
- Texas<sup>17</sup>
- Louisiana<sup>18</sup>

In 2021, the Virginia legislature codified “Total Cost of Capital” legislation to enact a disclosure regime within the state for sales-based financing products. Disclosures in the Virginia law include the total amount of the sales-based financing, the disbursement amount, if different from the financing amount, and any fees deducted or withheld at disbursement, among others.<sup>19</sup> The law went into effect on July 1, 2022.<sup>20</sup> We have included a copy of the Virginia Sales-Based Financing Disclosure form in this letter (Figure 1.).

Instead of a “Total Cost of Capital” disclosure regime, the Maryland legislature has been debating the passage of an “APR-style” disclosure law<sup>21</sup> for the past several years. The key differences between the Maryland legislature’s proposal as it compares to Virginia’s law are as follows:

- Expansion of the bill’s purview to cover all non-bank commercial financing products, equipment lease agreements, and factoring transactions; and
- Inclusion of the disclosure of an estimated Annual Percentage Rate (APR);
  - This metric is not suitable for the sales-based financing product and leads to an inaccurate and misleading disclosure.<sup>22</sup>
  - Sales-based financing products are not loans and do not have interest rates or compounding interest.<sup>23</sup>
  - Calculating an APR, or estimated APR, for these commercial financing products does not give a small business owner a clear indication of how much money they will pay back to a funder.<sup>24</sup>

<sup>13</sup> <https://www.flsenate.gov/Session/Bill/2023/1353/BillText/er/PDF>

<sup>14</sup> <https://www.lexology.com/library/detail.aspx?g=9a8486de-37b4-4c6c-a9ab-6a83f9e6ca1a>

<sup>15</sup> [https://kslegislature.gov/li\\_2024/b2023\\_24/measures/documents/summary\\_sb\\_345\\_2024](https://kslegislature.gov/li_2024/b2023_24/measures/documents/summary_sb_345_2024)

<sup>16</sup> [https://www.senate.mo.gov/24info/BTS\\_Web/Bill.aspx?SessionType=R&BillID=101](https://www.senate.mo.gov/24info/BTS_Web/Bill.aspx?SessionType=R&BillID=101)

<sup>17</sup> <https://statutes.capitol.texas.gov/Docs/FI/htm/FI.398.htm>

<sup>18</sup> <https://www.legis.la.gov/legis/Law.aspx?d=1429292>

<sup>19</sup> [Sales-Based Financing Disclosure Form-20220503090011.pdf](#)

<sup>20</sup> [10VAC5-240-30. Sales-Based Financing Disclosure Form.](#)

<sup>21</sup> [Legislation - SB0509](#)

<sup>22</sup> [20240124\\_03.pdf](#)

<sup>23</sup> [What You Should Know About Revenue-Based Financing For The E-Commerce Industry](#)

<sup>24</sup> [15ws6c9Rk\\_bWMV SXdkSanIdoPIJj0o5sZ.pdf](#)

For uniformity purposes, Maryland should consider adopting a Virginia-style disclosure model to promote a uniform disclosure across the DMV area.

**5. SB 881 would require commercial financing providers to provide a misleading “Estimated APR” disclosure. “Estimated APR” Defeats the Purpose of an APR disclosure and does not allow for a true cost comparison across RBF offers or different financial products.**

An APR calculation is designed to provide the proverbial apples-to-apples comparison of the cost of various closed-end consumer loan offers. As explained in the American Bar Association’s treatise, *The Law of Truth in Lending*<sup>25</sup>:

Of all the credit terms that TIL requires the creditor to disclose, consumer borrowers are most aware of the APR. Indeed, the APR is probably the most valuable TIL disclosure, for APRs allow debt alternatives to be compared conveniently and meaningfully even if the borrowings differ in amount or duration or repayment arrangements...

A primary purpose of TIL is to enhance cost awareness and to promote market information about credit terms and price, any success that TIL enjoys in this regard is due in large part to the credit cost comparisons that APR permits. A rate comparison allows debts configured quite differently to be compared as to level of cost, that is, the relative cost of a unit of credit for a constant amount of time. Such a comparison is only possible if a comprehensive effective “interest rate” measure (such as APR) is available.<sup>26</sup>

Unfortunately, this is where the “Estimated APR” disclosure<sup>27</sup> for commercial financing falls flat. In particular, sales-based financing providers offer a product that is materially different from the closed-end consumer loans contemplated by the Truth in Lending Act. The “Estimated APR” disclosure required for sales-based financing is based on a fictitious payment schedule. By contrast, an actual APR disclosure is based on an actual payment schedule. Estimated APR will always fail to provide an apples-to-apples comparison with an actual APR.

A. How to Calculate an “APR.”

A financing provider needs three data points to calculate an APR:

---

<sup>25</sup> [The Law of Truth in Lending, Fourth Edition](#)

<sup>26</sup> Ralph Rohner & Frederick Miller (Alvin C. Harrell, editor), *The Law of Truth in Lending* (2014) at 255-257, citing T. Durkin & G. Elliehausen, 1977 Consumer Credit Survey 17 (Federal Reserve Board 1978) and associated tables.

<sup>27</sup> Forms of commercial financing with fixed repayment terms, such as closed-end loans, require disclosure of an Annual Percentage Rate, not an Estimated Annual Percentage Rate.

1. The amount of financing provided;
2. The finance charge; and
3. The repayment schedule.

The financing provider then applies the mathematical formula supplied by Appendix J of Regulation Z, which implements the federal Truth-in-Lending Act.

B. How to Calculate an “Estimated APR” for Sales-Based Financing – Create a Fictional Payment Schedule Based on Unreliable Estimates and Assumptions.

A sales-based financing provider needs three data points to calculate an APR:

1. The amount of financing provided;
2. The finance charge; and
3. A fictional repayment schedule. A sales-based financing transaction does not have a repayment schedule. Payments are based on the amount of daily revenue a business receives. Estimated APR forces a sales-based financing provider to create a fictional payment schedule that does not reflect the legal obligation of the parties under the financing contract and using the following procedure:

Fictional Repayment Schedule Step 1: Choose whether to use the “Historical Method” or the “Opt-In Method” to calculate the business’s estimated future monthly revenue:

- The “Historical Method” requires a financing provider to consider between one and 12 months’ worth of average sales data, with each financing provider allowed to choose how many months’ worth of data to review. As a result, two different financing providers could calculate different amounts of estimated future monthly revenue for the same business, depending on how many months of data they choose to review.
- The “Opt-In Method” instead allows a finance provider to use whatever “projected sales volume that the provider elects for each disclosure.” As a result, two different financing providers could calculate different amounts of projected sales volume for the same business, depending on whatever information they elect to review.

The Estimated APR disclosure assumes that the business’s revenue in the future will be similar to the business’s revenue in the past. As noted, it is not possible to know the schedule of payments the financing provider will receive in connection with sales-based financing because the payments are contingent on actual sales. The financing provider agrees to purchase a certain dollar amount of a business’s receivables in return for (typically) daily remittances of a fixed percentage of the business’s daily sales. Because the financing provider cannot know the amount of sales the business will achieve on any particular date, an initial estimated daily payment amount is established by the financing provider.

Fictional Repayment Step 2: Consider how the “True-Up” mechanism changes the fictional repayment schedule:

- In sales-based financing, the business’s payment obligation is based on the business’s sales revenue. The business has the right to a “true-up,” which recalculates the business’s periodic payment to more closely approximate the percentage of sales the business is obligated to deliver to the financing provider. For example, it is possible that a “true-up” would reduce the business’s daily or weekly payment from \$1,000 per day to \$500 per day. A sales-based financing provider cannot predict with certainty which businesses will be among those obtaining a true-up because it cannot know which businesses will have a slowdown in sales.
- It also is likely that two financing providers, even if both were to correctly anticipate a true-up, would assume different adjusted payment amounts and new payment schedules. Because the resulting new payment schedules would be different, the disclosed Estimated APR would be different, even for the same offer to the same business. The fact that the same financing terms can result in very different Estimated APRs highlights the ineffectiveness (and misleading nature) of an annualized rate disclosure for sales-based financing.
- Because longer repayment terms result in lower APRs (all else being equal), the requirement to account for true-ups allows manipulation of the Estimated APR. The lower the new payment after a true-up, the longer the repayment term and the lower the Estimated APR. A financing provider desiring to get a competitive edge may be encouraged to assume that businesses will request true-ups and that the resulting adjusted payments will be significantly less than the initial payments.

Fictional Repayment Step 3: Create a fictional repayment schedule based on Steps 1 and 2. Include additional assumptions that impact the payment schedule such as bank holidays.

To summarize, in order for an APR disclosure to be meaningful, identical offers should produce identical estimated annual percentage rates. As explained above, with an “Estimated APR” disclosure there is little likelihood of that.

### C. Hypothetical Examples Highlighting the Issues Cited Above.

We calculated Estimated APRs for a single hypothetical sales-based financing transaction. These examples all assume the financing provider has agreed to purchase \$60,000 of future receipts for \$50,000 and that payments are due daily starting May 2, 2023. In each case, payments are set at an amount that is 10% of the anticipated daily income of the recipient. There are no prepaid finance charges. In each case, the “amount financed” is \$50,000 and the “finance charge” is \$10,000.

These examples highlight the wide discrepancy in Estimated APRs that result from different financing providers making different assumptions in preparing disclosures for the same offer. The Estimated APRs vary from 25.20% to 46.97%, depending on:

1. The method of determining the recipient's average monthly income (which impacts the daily payment amount);
  2. Whether the financing provider reasonably anticipates a true-up;
  3. The timing of any reasonably-anticipated true-up; and
  4. The amount of the payment after a reasonably anticipated true-up. Spreadsheets showing the calculations and results for each of these examples are available upon request.
- Calculation #1: In this example, the financing provider uses the Historical Method to estimate daily income of \$2,500 using four months of historical data. This results in 240 payments of \$250 per day.

Estimated Annual Percentage Rate: 39.09%

- Calculation #2: In this example, the financing provider also uses the Historical Method to estimate daily income but uses 10 months of historical data instead of four and, as a result, estimates daily income of \$3,000. This results in 200 payments of \$300 per day.

Estimated Annual Percentage Rate: 46.97%

- Calculation #3: In this example, the financing provider uses the Opt-In Method and estimates daily income of \$2,000. This results in 300 payments of \$200 per day. (This could also result from using the Historical Method and a different number of months of historical data than used in Calculations 1 and 2).

Estimated Annual Percentage Rate: 31.30%

- Calculation #4: In this example, the financing provider estimates \$2,500 in daily income (the same as in Calculation #1), but believes it is reasonable to anticipate a true-up after the 20<sup>th</sup> payment. As a result of the reasonably anticipated true-up, the financier assumes a new payment of \$200 per day for 275 payments (the remainder of the obligation) starting with the 21<sup>st</sup> payment.

Estimated Annual Percentage Rate: 32.40%

- Calculation #5: In this example, the financing provider estimates \$2,500 in daily income (the same as in Calculation #1), but believes it is reasonable to anticipate a true-up after the 40<sup>th</sup> payment, instead of after the 20<sup>th</sup> payment as in Calculation #4. As a result of the reasonably anticipated true-up, the financing provider assumes a new payment of \$200 per day for 250 payments (the remainder of the obligation) starting with the 41<sup>st</sup>

payment. Here, the payment after true-up is the same as in Calculation #4, but the financing provider assumed a different timing for the true-up. This disparity would be further amplified by a lengthier delay between origination and the assumed timing of the true-up.

Estimated Annual Percentage Rate: 33.45%

- Calculation #6: In this example, the financing provider estimates \$2,500 in daily income (see Calculation #1), but believes it is reasonable to anticipate a true-up after the 20<sup>th</sup> payment (same as in Calculation #4). However, this financing provider assumes the daily payment after true-up will be \$150 (not \$200) per day. As a result of the reasonably anticipated true-up, the financing provider assumes a new payment of \$150 per day for 366 payments and a final payment of \$100 (the remaining balance).

Estimated Annual Percentage Rate: 25.20%

As made clear by the above examples, the annual percentage rate is a misleading measure of the cost of financing. The finance charge is \$10,000 in each of these examples, but the disclosed “Estimated APR” swings from 25.20% to 46.97%. This hinders the goal of providing for apples-to-apples comparisons.

## **5. What is Revenue Based Financing?**

RBFC members help meet the needs of American small business entrepreneurs by providing financing to qualified small businesses. Revenue-based financing (“RBF”) is a form of flexible financing in which payments are adjusted as a percentage of business revenue. RBF allows businesses to access funds for, as an example, a seasonal inventory surge or to replace an unexpected major equipment failure.

In an RBF agreement:

- As opposed to traditional lending products, the business remits a contractually specified percentage of its future revenue. If revenue decreases, then the business has the right to correspondingly decrease its remittances.
- The RBF funder agrees up front to take the risk that the business’s revenue will be generated slower than expected, along with the risk that the business will fail or go bankrupt.
- Example. If an RBF company purchases 10% of a business’s future revenue up to a purchased amount of \$10,000, the transaction would be completed whenever the business succeeded in generating \$100,000 in revenue and remitted 10% of that revenue to the RBF funder. This milestone could be achieved in a month, a year, or never.

Advantages of Revenue Based Financing:

- Unlike traditional consumer loans or other loan products, there is no absolute obligation to pay. If, in the ordinary course of doing business, the business fails, then the RBF funder will have no recourse against the business.
- Funds can be provided to the business in as little as 24 hours.
- The incentives of the RBF funder and the business are aligned because the RBF funder's compensation is contingent on the business's continued success.
- The cost of the transaction is fixed at the onset of the agreement. There is no accrued interest in an RBF transaction.
- Unlike most Small Business Association loans, the business owner does not need to use his or her house as collateral.
- The business owner does not enter into a partnership, nor does it give up control of the business.

Thank you for the opportunity to provide comments. We look forward to participating in discussions regarding this legislation.

Sincerely,

A handwritten signature in cursive script that reads "Mary Donohue".

Mary Donohue  
Executive Director  
Revenue Based Finance Coalition

## SALES-BASED FINANCING DISCLOSURE FORM

<b>Total Amount of the Sales-Based Financing</b>	\$	<b>Disclosure Date:</b>  <b>Recipient's Name:</b>  <b>Recipient's Address:</b>  <b>Provider's Name:</b>  <b>Provider's Address:</b>  <b>Provider's Phone Number:</b>  <b>Provider's E-mail Address:</b>	
<b>Fees Deducted or Withheld at Disbursement</b>	\$		
<b>Disbursement Amount</b> <small>[Total Amount of the Sales-Based Financing minus (-) Fees Deducted or Withheld at Disbursement]</small>	\$		
<b>Finance Charge</b>	\$		
<b>Total Repayment Amount</b> <small>[Disbursement Amount plus (+) Finance Charge]</small>	\$		
<b>Estimated Number of Payments</b> <small>[Number of payments expected, based on the projected sales volume, to equal the Total Repayment Amount]</small>  <small>A reasonable range may be provided ONLY for transactions with a variable payment schedule.</small>			
<b>Payment Schedule</b> <input type="checkbox"/> Amount of each fixed payment: \$ <input type="checkbox"/> Frequency of fixed payments:  <input type="checkbox"/> Variable payment schedule, or <input type="checkbox"/> Description of the method used to calculate the amount and frequency of each variable payment:    Method of payment: <span style="float: right;"><input type="checkbox"/> SEE PAGE 2</span>			
<b>Description of All Other Potential Fees and Charges <u>NOT</u> Included in the Finance Charge</b>	<input type="checkbox"/> SEE PAGE 2		
<b>Description of Collateral Requirements or Security Interests</b>	<input type="checkbox"/> SEE PAGE 2		
<b>Broker Compensation</b>	Is provider paying compensation directly to a broker? <input type="checkbox"/> Yes <input type="checkbox"/> No	If Yes, amount of compensation being paid directly to broker: \$	
<b>Description of Prepayment Policies</b>	<input type="checkbox"/> SEE PAGE 2		

I acknowledge that I have received a copy of this disclosure form.

\_\_\_\_\_

Signature

\_\_\_\_\_

Date

**SALES-BASED FINANCING DISCLOSURE FORM - PAGE 2****Recipient's Name:****Disclosure Date:****Recipient's Address:****Provider's Name:****The information provided below relates to the following checked item(s):**

- Variable payment schedule
- Description of the method used to calculate the amount and frequency of each variable payment
- Method of payment
- Description of all other potential fees and charges not included in the finance charge
- Description of collateral requirements or security interests
- Description of prepayment policies

I acknowledge that I have received a copy of this disclosure form.

---

Signature

---

Date

# **SB881 - Financial Technology Association Oppositio**

Uploaded by: Leo Garcia

Position: UNF

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

---

<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

# **ETA Opposition - MD SB 881.pdf**

Uploaded by: Maureen Shacklette

Position: UNF

**March 27, 2026**

**The Honorable Kriselda Valderrama  
Chair of House Committee on Economic Matters  
Maryland House of Delegates  
230 Taylor House Office Building  
Annapolis, MD 21401**

**RE: Opposition to SB 881**

Chair Valderrama, Vice Chair Charkoudian, and Distinguished Members of the Committee,

On behalf of the Electronic Transactions Association (“ETA”), the leading trade association representing the payments industry, I appreciate the opportunity to share our opposition and broad concerns with SB 881.

ETA supports disclosures that promote transparency and accountability for small business borrowers. However, as drafted, the disclosures required in SB 881 could be confusing for both online companies that provide financing to small business and the small business community. Moreover, ETA is concerned that the legislation’s effective date will not provide regulators with the necessary time to promulgate rules required by the legislation and will not give providers of commercial financing enough time to comply.

Small businesses are the backbone of the economy and have different needs and objectives than consumers. In response, providers of commercial financing to small businesses have developed credit products specifically designed to meet those needs and objectives. ETA supports maintaining choice in small business financing, however, SB 881, would impose burdensome barriers for providers of commercial financing, and likely result in less options for the very businesses the legislation aims to protect. Therefore, ETA would like to work with the committee to incorporate changes to the current bill and oppose SB 881 as currently drafted.

**ETA’s concerns with SB 881 can be summarized as follows:**

**Annualized Percentage Rate:**

- **APR as applied to Commercial Financing:** ETA is concerned that SB 881, by mandating an annual percentage rate or estimated annual percentage rate (collectively “APR”) disclosure for commercial financing, will create significant confusion and uncertainty for Maryland small businesses trying to make informed decisions about the cost of financing products. The Truth in Lending Act (“TILA”) was enacted strictly for consumer transactions, not commercial transactions and does not take into account the unique payment features of sales-based financing products, which do not have a fixed term, fixed payments, or have an absolute right to repay. The Consumer Financial Protection Bureau (CFPB) stated that because these types of products do not have a defined term or a periodic payment

amount, it would require a funding company to assume or estimate parts of the APR formula, which only increases complexity.

- **Alternative Measurement:** ETA urges the Committee to consider Total Cost of Capital (“TCC”) as the method for disclosing the cost of financing products. The TCC method has been enacted in Connecticut, Florida, Georgia, Kansas, Missouri, Utah, and Virginia, and is a key measurement that matters to small business owners.

**Effective Date:** The current effective date and timeline for implementation of SB 881 would place an undue regulatory compliance burden on the industry. ETA respectfully recommends allowing for a longer regulatory comment and approval process, and a 180-day compliance period that begins after final rules are published.

**Requirements to Report Certain Items to the Commissioner:**

SB 881 requires a provider to disclose to the Commissioner: 1. the method in which a provider is calculating the estimated annual percentage rate (APR); 2. the estimated APR given to a recipient; 3. requiring a provider to retroactively calculate the actual APR of completed sales-based financing transactions. This is extremely overreaching and is not required by any other state that has implemented a disclosure law. There is no indication that the Commissioner has the capability at this time to process this type of information. These requirements are overreaching and should be stricken from SB 881.

**Definitions:**

- **Provider:** The definition of “provider” should exclude “1st party financing;” specifically, where the owner of the product or service is the one offering the financing opportunity.
- **Interest Accrued:** The legislation references “interest accrued,” without definition. Clarifications are necessary to provide certainty of the bill’s requirements and to help ensure the ability to provide accurate and meaningful disclosures.
- **Recipient:** The definition of “recipient” should be limited to businesses that are principally managed or directed from Maryland, and providers should be permitted to rely on either (1) a representation from the recipient, or (2) the business address provided by the recipient. This would parallel the approach taken by New York.
- **Total Repayment Amount:** The definition of “total repayment amount” should include any portion of the financing that is used to pay off a prior financing transaction, whether to a third-party or to the provider.

**TILA Disclosure Exemption:** The New York commercial financing disclosure law (“CFDL”) provides that the definition of “commercial financing” *(b) does not include any transaction in which a financier provides a disclosure required by the Truth in Lending Act, 15 U.S.C. § 1601 et seq., that is compliant with such Act.* This provision should be incorporated into SB 881 as it prevents the unnecessary duplication of disclosures from

providers who already provide TILA compliant disclosures in commercial financing transactions, and it encourages uniformity across the country, which reduces the burden of complying with the different disclosures in each state.

**Open-End Financing:** Section 12-1307 requires the disclosure of the credit limit along with the amount to be drawn at the time the offer is extended. There are two issues here. Firstly, it is not always known what the initial draw will be at the time the specific offer is presented to the recipient because the recipient is only selecting a credit limit, not a credit limit plus initial draw. Secondly, it appears that the entire disclosure for an open-end product is based on the assumption that the total credit limit is being drawn. For products like a commercial credit card or line of credit, where a customer is receiving access to the card or line with an available credit limit, requiring an initial disclosure with the credit limit and initial draw is not possible. As such, we recommend removing the requirement to disclose the initial draw and only require disclosure of the overall credit limit. Moreover, the requirement to base the disclosures on the entire credit limit being drawn is misleading as the majority of small businesses do not draw the entire credit limit at the initial draw.

\* \* \*

We appreciate you taking the time to consider these important issues. If you have any questions or wish to discuss any aspect of our comments, please contact me.

Respectfully Submitted,

Christy Ellerbee  
VP of State Government Relations  
Electronic Transactions Association  
202.677.7714 | [cellerbee@electran.org](mailto:cellerbee@electran.org)

# **SB 881 HB 1007 Coalition Letter.pdf**

Uploaded by: Michael Sakata

Position: UNF

March 27, 2026

Dear Members of the Maryland General Assembly,

The undersigned organizations write in opposition to **SB 881/HB 1007** as currently drafted, and respectfully urge the General Assembly to adopt a targeted amendment exempting manufacturer-supported heavy equipment financing from the bill's disclosure requirements.

SB 881/HB 1007 seeks to increase transparency in commercial financing by requiring uniform APR disclosures. We support the bill's stated goal of protecting small & minority-owned businesses from predatory lenders. However, the bill as written does not distinguish between merchant cash advance products and the heavy equipment financing programs that Maryland's small contractors, trucking companies, construction firms, and service providers depend on every day.

The businesses most at risk are Maryland's small contractors, many of them minority-owned. Roughly **one in three** captive equipment finance customers fall into this category. These are businesses that cannot secure appropriately structured financing from traditional lenders. Manufacturer-supported heavy equipment financing fills that gap, by offering seasonal payment schedules, deferred payments, and project-aligned terms that match how these businesses actually operate.

More than **80 percent** of these customers also bundle extended warranties and service contracts into their financing at the point of sale. This is not a luxury; it is how small contractors manage unpredictable repair costs and protect their ability to meet project deadlines. A breakdown without coverage can mean a missed contract, a laid-off crew, or a business that does not recover. The bill as written would eliminate the ability to offer these bundled solutions.

Applying consumer-style APR formulas to heavy equipment financing does not improve transparency for these borrowers. Seasonal structures, deferred payments, and project-aligned terms cannot be accurately expressed through standardized APR calculations. In practice, forcing these disclosures would make the most flexible and suitable financing options appear more expensive on paper than conventional loans — misleading, not protecting, the small businesses the bill intends to serve.

Of the 11 states that have adopted similar commercial financing disclosure legislation, nine — **Virginia, Utah, Georgia, Florida, Connecticut, Tennessee, Missouri, Colorado, and Illinois** — implemented narrower, more targeted definitions with clear exemptions for equipment financing. By learning from earlier experiences elsewhere, these states avoided unintended consequences for heavy equipment lending and preserved access to capital and flexibility for small and medium-sized businesses that rely on and off-road heavy equipment. **Maryland should follow their lead.**

If Maryland does not adopt this exemption, Maryland contractors will be competing against businesses in Virginia, Georgia, Florida, and other states that retain access to flexible, bundled equipment financing. That is a direct competitive disadvantage for Maryland's small businesses.

We respectfully request that the General Assembly amend SB 881/HB 1007 to exempt:

**“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.”**

**“Any purchase money obligation as defined in the Section 9-103 of the uniform Commercial Code”**

While statutes vary by state, nine have adopted provisions that achieve this same exemption in practice. This language preserves the bill's transparency objectives while protecting the equipment financing Maryland's small and minority-owned contractors depend on.

We appreciate your consideration and urge your support for this amendment.

Respectfully submitted:

Maryland Transportation Builders & Materials Association (MTBMA)  
Maryland Chapter, Associated General Contractors of America (MDAGC)  
Maryland Motor Truck Association  
ABC of Metro Washington  
Maryland Asphalt Association  
Associated Utility Contractors of Maryland (AUC of MD)  
Maryland Hispanic Chamber of Commerce (MDHCC)  
Maryland Automobile Dealers Association (MADA) (representing medium & heavy truck dealers)

**SB881 MTBMA.pdf**

Uploaded by: Michael Sakata

Position: UNF

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

### Why Subcontractors Are Most at Risk

<p><b>Capital access gap:</b> 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><b>Cash flow timing:</b> Project-based revenue is seasonal and delayed. Captive financing is structured for this reality; bank products are not.</p>
<p><b>Bundled protection:</b> 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><b>MBE/DBE impact:</b> 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><b>Proposed Exemption:</b> "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>
--

### 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.

# **Unfavorable S.B. 0881 - Rapid Financial Services L**

Uploaded by: Natalie Pappas

Position: UNF



March 27, 2026

**The Honorable Kriselda Valderrama  
Chair of House Committee on Economic Matters  
Maryland House of Delegates  
230 Taylor House Office Building  
Annapolis, MD 21401**

**RE: Opposition to S.B. 0881 – Small Business Truth In Lending Act**

Chair Valderrama, Vice Chair Charkoudian and Distinguished Members of the Committee,

My name is Natalie Pappas, and I am here today on behalf of Rapid Financial Services, LLC (“Rapid Finance”). Rapid Finance was founded in 2006 and has been headquartered in Montgomery County, Maryland since its inception. To date we have provided over \$2 billion in working capital to small businesses throughout the United States. We employ nearly 200 employees at our Bethesda office. I appreciate the opportunity to share our opposition and broad concerns with S.B. 0881.

Rapid Finance supports disclosures that promote transparency and accountability for small business. However, as drafted, S.B. 0881 could be confusing for both providers of commercial financing and small businesses. We share a common goal of increasing access to fair and responsible capital; however, this legislation fails to provide small businesses a simple disclosure to compare the cost of all types of small business finance products. Because of this, Rapid Finance asks this committee to reject S.B. 0881 as currently drafted.

**Rapid Finance’s concerns with S.B. 0881 are as follows:**

1. **Annualized Percentage Rate:** S.B. 0881, requirement to disclose an annual percentage rate or estimated annual percentage rate (collectively “APR”) for commercial financing, will create significant confusion and uncertainty for Maryland small businesses trying to make informed decisions about the cost of financing products. The Truth in Lending Act (“TILA”) was enacted strictly for consumer transactions, not commercial transactions and does not take into account the unique payment features of sales-based financing products, which do not have a fixed term, fixed payments, or have an absolute right to repay.
2. **Effective Date:** The current effective date and timeline for implementation of S.B. 0881 would place an undue regulatory compliance burden on the industry. Rapid Finance respectfully recommends allowing for a regulatory comment and approval process, and a 180-day compliance period after final regulations are published which is similar to timeframes provided by other states.

3. **Requirements to disclose certain items to the Commissioner:** S.B. 0881 requires a provider to disclose to the Commissioner (i) the method in which a provider is calculating the APR; (ii) the APR given to a recipient at the time the disclosure is provided to the recipient; (iii) the actual APR for the financing, which means requiring a provider to retroactively calculate the actual APR; and (iv) any other information in a report that the Commissioner deems necessary. This is extremely overreaching and is not required by any other state that has implemented a disclosure law. It provides unnecessary burdens to providers. Furthermore, there is no indication that the Commissioner wants to receive this information or even has the capability at this time to process this type of information. These requirements are overreaching and should be stricken from S.B. 0881.
4. **Definitions:**
  - a. **Specific Offer:** The definition should be amended as follows:
    - i. means a written communication to a recipient, based upon information from, or about, the recipient, of a (i) periodic payment amount, irregular payment amount, or financing amount, and (ii) any rate, price, or cost of financing (including, without limitation, any total repayment amount), in connection with a commercial financing, which offer, if accepted by a recipient, shall be binding upon a provider. *Information about the recipient* includes information about the recipient that informs the provider's quote to the recipient, such as the recipient's financial or credit information, but not the recipient's name, address, or general interest in financing.
  - b. **Recipient:** The definition of "recipient" should be limited to businesses with a principal place of business in Maryland, relying on either (1) a representation from the recipient, or (2) the business address provided by the recipient. All other state disclosures limit the definition of "recipient" to a business located within the state.
  - c. **Total Repayment Amount:** S.B. 0881 defines "total repayment amount" as the "disbursement amount plus the finance charge". This definition needs to be refined to address situations where the two amounts are not the same.
5. **Renewal Financing:** S.B. 0881 requires disclosures for renewal financing but the bill provides only confusing guidance on calculation. It also requires providers to disclose any "double dipping" as described in the legislation. First, "double dipping" is not a formal term and is not widely used throughout the industry. Second, the term, as defined, fails to consider how renewal financing works in practice.
6. **Average Monthly Cost Disclosure (for periodic payments that are not monthly):** This required disclosure is problematic because (i) it is confusing to the small business as they may believe they have monthly payments instead of daily or weekly and (ii) it expresses a preference for products that ultimately may be more expensive.
7. **Signature Requirement:** Section 12-1311 requires the provider to obtain the recipient's signature "before a provider may allow the recipient to proceed with the commercial financing application." This is not practical and a signature should only be required "prior to consummating a commercial financing". S.B. 0881 should be amended to reflect that a signature is only required prior to consummating the financing, which reflects similar signature requirements in other states.
8. **Disclosure Requirements:**
  - a. **APR for Sales-Based Financing:** This should be disclosed as an "Estimated APR" instead of "APR" as it is an estimate.
  - b. **Open-End Financing:**

- i. Section 12-1307(A)(B) requires the disclosure of the credit limit along with the amount to be drawn at the time the offer is extended. There are two issues here. Firstly, it is not always known what the initial draw will be at the time the specific offer is presented to the recipient because the recipient is only selecting a credit limit at the time and not a credit limit plus initial draw. Secondly, it appears that the entire disclosure for an open-end product is based on the assumption that the total credit limit is being drawn. Therefore, it does not make sense to include the initial draw requirement and we would request that be deleted and the entire disclosure be based on the entire credit limit. Furthermore, the majority of small businesses do not draw the entire credit limit on the initial draw so the disclosure may initially be misleading.
- ii. Section 12-1307(C)(3)(II) requires the Open-End Financing APR calculation be calculated in accordance with TILA Regulation Z, 12 C.F.R. § 1026.22, which is the calculation for closed-end loans. It does not make sense to calculate the APR for an open-end loan with a closed-end loan calculation as they are fundamentally different.

We appreciate you taking the time to consider our comments. If you have any questions or concerns or would like to discuss our comments further, do not hesitate to reach out to me.

Respectfully,

*Natalie Pappas*

Natalie Pappas  
Assistant General Counsel  
Rapid Financial Services, LLC  
4500 East West Highway, 6<sup>th</sup> Floor  
Bethesda, MD 20814  
240-514-3189 (Direct)  
2410-283-1080 (Fax)  
[nataliepappas@rapidfinance.com](mailto:nataliepappas@rapidfinance.com)

**SB 881\_MAA\_UNF\_ECM.pdf**

Uploaded by: Tim Smith

Position: UNF



Delegate Kriselda Valderrama, Chair  
House Economic Matters Committee  
230 Taylor House Office Building  
Annapolis, MD 21401

March 31, 2026

**RE: SB 881 – UNFAVORABLE – Commercial Financing – Small Business Truth in Lending Act**

Dear Chair Valderrama and Members of the Committee:

The Maryland Asphalt Association (MAA) represents approximately 110+ members, including 20 material producers, contractors, engineering firms, and associate members, supporting a 7,000-person workforce. MAA actively collaborates with regulatory agencies to advocate for the asphalt industry, ensuring fair regulations at both the state and federal levels. Additionally, we support adequate funding for Maryland’s multimodal transportation system.

MAA respectfully opposes SB 881 because, as currently written, it would have an extensive impact on our members. Captive commercial equipment finance is a business-to-business tool tied directly to the financing of equipment, secured by the equipment itself, not a cash-loan product. It features clear, upfront terms and underwriting aligned with equipment value, depreciation, and duty cycles. Captive finance is fundamentally different from the high-cost, opaque financing models SB 881 is intended to address.

Maryland’s off-road and heavy equipment users operate on seasonal and project-driven cycles. Captive finance provides practical options, seasonal/skip payments, step or balloon structures, and project-aligned terms, that match real cash flow. This flexibility helps small and mid-sized contractors, farmers, and public works suppliers avoid downtime, preserve working capital, and meet schedules that impact roads, bridges, utilities, and site work across the state.

As drafted, SB 881 would require significant systems, legal, and process changes for captive finance organizations. That will increase costs, reduce flexibility, and slow approvals, directly affecting dealers, contractors, and project schedules. For smaller firms, delays and higher costs can mean missed bids, lost jobs, or deferred equipment purchases.

Therefore, we respectfully request the following amendment to the bill:

**“Any entity principally engaged in 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; or any purchase money obligation as defined in Section 9-103 of the Uniform Commercial Code.”**



Several other states, including Virginia have added a similar provision to their law to provide for this exemption. We respectfully ask that if the Committee plans to pass this legislation that you consider adding this amendment. We thank you for your time.

Sincerely,

A handwritten signature in black ink that reads 'Tim Smith'.

Tim E. Smith. P.E.  
President  
Maryland Asphalt Association