



February 25, 2026

The Honorable Pamela Beidle
Chair, Senate Finance Committee
Maryland General Assembly

The Honorable Antonio Hayes
Vice Chair, Senate Finance Committee
Maryland General Assembly

Letter In Opposition to Senate Bill 881

Chair Beidle, Vice Chair Hayes, and Members of the Senate Finance Committee,

The Innovative Lending Platform Association (ILPA) appreciates the opportunity to submit testimony opposing Senate Bill 881, the Small Business Truth in Lending Act.

ILPA is the leading trade organization for online lenders and service companies serving small businesses. Our members¹ provide various innovative, digital commercial financing products. They proudly supply thousands of Maryland businesses with working capital to invest, purchase inventory, hire additional staff for the busy season, expand operations, or repair damaged or outdated equipment. Using innovative underwriting and advanced technology, our members assess credit risk and deliver financing in as little as 24 hours.

At ILPA, we are deeply committed to transparency. In 2016, we developed SMART Box[®], the industry's first model disclosure tool. SMART Box offered clear, comprehensive pricing metrics and highlighted key loan terms in plain language—a tool that directly informed New York's commercial financing law.

We greatly appreciate Senator Kramer and Delegate Fraser-Hidalgo's intention to provide small businesses with consistent, simple financing disclosures. We have worked closely with Senator Kramer in previous sessions to provide constructive technical assistance and continue to advocate for transparency in small business financing disclosures. However, as the market evolves, we must adapt with it. In the almost ten years since SMART Box was first introduced, financial technology companies have introduced several alternative financing models that better inform small businesses, while simultaneously fostering meaningful competition and choice.

Small business financing disclosure laws have now been adopted in multiple states, reflecting policymakers' efforts to keep pace with this evolving and increasingly innovative financing market. As new commercial products have emerged that don't fit neatly within traditional lending frameworks, states have recognized that the total cost of capital provides small businesses with clearer metrics and a more practical understanding of financing costs than annual percentage rates (APR) do. For this reason, since California and New York first passed commercial financing disclosure laws, every state that followed has intentionally chosen the total cost of capital over APR. Maintaining this parity across states is essential for our members to continue to provide small businesses with critical capital.

¹ Dedicated GBC, Fiserv, FundBox, Lendio, Mulligan Funding, and OnDeck

APR was initially created for traditional, long-term financing products, with fixed payment schedules or repayment dates, to help borrowers understand the cost of their financing year over year. It is not the best metric for short-term products or for products that do not include fixed payment terms, such as sales-based financing or factoring. APR can actually mislead small business borrowers, masking the actual cost of capital and leading them to enter into financing arrangements that cost more over a longer term because they were sold on a low APR. For example, a \$50,000 loan with a 10-year term and 10% APR has a total cost of capital of \$29,290. In contrast, a \$50,000 loan with a 5-year term and 15% APR would have a lower total cost of capital of \$21,369. While the 5-year loan with a higher APR could save the borrower money over the term of their financing agreement, the loan's APR doesn't provide the borrower with adequate information to make an informed financial decision.

Given the clear national trend of enacting commercial financing disclosure laws without APR—while still providing critical metrics such as total cost of capital, the length or estimated length of the financing, and estimated monthly payments— APR is no longer the most uniform disclosure metric for small businesses considering their financing options. A one-size-fits-all APR disclosure doesn't reliably translate across the evolving, disparate financing models being offered to small businesses.

While well-intentioned, the Small Business Truth in Lending Act reflects an outdated market and no longer ensures that small businesses receive the meaningful and relevant disclosures they deserve and need. ILPA remains committed to delivering straightforward, transparent, and responsible financing options that empower small businesses to make informed decisions.

For these reasons, ILPA opposes Senate Bill 881. Thank you for your consideration.

Respectfully,

Scott Stewart
CEO
Innovative Lending Platform Association
scott@innovativelending.org