



SB 894 – Third-Party Litigation Financing - Licensing and Regulation

Committee: Senate Finance Committee

Date: February 27, 2026

Position: Favorable

The Maryland Bankers Association (MBA) **SUPPORTS** SB 894. This legislation regulates third-party litigation financing by requiring licensing, treating litigation financing as a form of lending, and mandating disclosure and discovery of financing agreements in civil cases. SB 894 is designed to bring transparency, oversight, and accountability to a growing, yet largely unregulated, industry.

Third-party litigation financing agreements—where private companies like investment firms provide funds to plaintiffs in exchange for a portion of any future settlement or judgment—operate effectively as high-cost, non-traditional loans. Unlike licensed financial institutions, litigation financing companies operate outside the regulatory structures designed to ensure fair treatment of Maryland consumers. Without a clear regulatory framework, consumers may unknowingly enter into high-cost financing agreements that impact court strategy and settlement agreements to their detriment.

Maryland banks are among the most heavily regulated and transparent providers of consumer and commercial credit. Our members comply with stringent federal and state oversight, extensive disclosure obligations, and rigorous consumer protection standards. MBA believes all entities offering financing—regardless of structure—should be held to comparable standards. SB 894 ensures that litigation financiers who effectively act as lenders must meet the same basic expectations of fairness and transparency that apply across the financial system.

SB 894 represents a balanced, responsible, and forward-looking approach to regulating a growing financial activity. It protects consumers, improves transparency in litigation, enhances fairness in the marketplace, and aligns litigation financing with Maryland’s established regulatory standards for lending. Accordingly, the Maryland Bankers Association respectfully urges a **FAVORABLE** report on SB 894.

The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing thousands of Marylanders and holding \$194.8 billion in deposits in over 1,100 branches across our State. The Maryland banking industry serves customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.