

**January 19, 2024**

**The Honorable C. T. Wilson  
Chair of House Committee on Economic Matters**

**The Honorable Brian M. Crosby  
Vice Chair of House Committee on Economic Matters**

**Maryland House of Delegates  
House Office Building, Room 231  
6 Bladen St., Annapolis, MD 21401**

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**Re: Opposition Testimony to House Bill 254 – True Lender Act**

Chair Wilson and Vice-Chair Crosby,

On behalf of the Electronic Transactions Association (“ETA”), the leading trade association for the payments industry, we appreciate the opportunity to provide this written testimony in opposition to House Bill 254 known as the “True Lender Act” that poses a significant threat to the stability of the lending market and, more importantly, to the ability of consumers and small businesses in Maryland to access affordable capital.

House Bill 254 would have far-reaching consequences on consumers and commercial lending in Maryland. Not only does this section raise serious concerns about disrupting the well-established framework for providing secure, long-term stability in the lending market, but it also runs counter to and conflicts with the principles outlined in the Maryland Installment Loan Act, specifically under Section 12-103 of the Maryland Code.

Small businesses, the backbone of our nation's economy, heavily rely on affordable and accessible capital to fuel their growth, hire new workers, and invest in their products. House Bill 254, however, introduces subjective factors that designate financial technology (“Fin Tech”) companies as the “true lenders,” thereby disregarding the crucial role played by banks in originating loans through contracted partnerships. This shift in perspective threatens to disrupt the highly regulated financial options that currently support credit-constrained small businesses in Maryland.

Rather than stifling innovation and disrupting well-established partnerships, ETA supports legislative efforts that encourage and promote new and leading-edge online lending models. Such models have the potential to strengthen the ability for consumers and small businesses to access credit by fostering innovation, encouraging healthy competition, ensuring affordability, and maintaining overall stability.

**Section 12-1502(b)** not only voids out any fees or interest on a loan in violation of the bill's provisions, but also voids out the principal of the loan. ETA encourages legislative efforts to modify this language so that the lender would be made whole and paid back the principal loan amount while waiving any interest, fees, or other charges if the loan conflicts with provisions of HB 254.

**Section 12-1503(a)** states that “a person is a lender subject to the requirements of the bill notwithstanding a claim by the person to be acting as an agent, as a service provider, or in another capacity for a covered lender...”. ETA encourages an amendment to provide more flexibility to lenders by inserting the word “or” after “agent” and removing the term “or in another capacity”.

**Section 12-503(4)** uses the same term “or in another capacity” that ETA requests to be removed from the bill to provide more flexibility to lenders.

HB 254 will restrict banks from assigning or transferring loans, with interest permissible prior to the transfer not allowed to follow the transfer of the loan. This disruption will harm the industry's on-going efforts to provide opportunities for all consumers and small businesses to access and benefit from innovative and inclusive financial products and services.

ETA and its members support an inclusive financial system that provides high quality, secure, and affordable financial services for the broadest possible set of consumers and small businesses. ETA encourages policymakers to support these efforts through policies that support innovation and the use of technology in financial products and services rather than legislative efforts to restrict this innovation and ability to access credit.

ETA stands ready to engage in constructive dialogue and collaboration to address the concerns raised by House Bill 254. We believe that by working together, we can find solutions that support the growth of small businesses, foster innovation, and maintain the stability of the lending market in Maryland.

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We appreciate you taking the time to consider these important issues. If you would like to discuss any aspect of our comments, please contact me or ETA Executive Vice President Scott Talbott at [Stalbott@electran.org](mailto:Stalbott@electran.org).

Respectfully Submitted,



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