



February 15, 2023

Chairman Michael O'Donnell
Missouri House Financial Institutions Committee
201 West Capitol Avenue-Room 411-A
Jefferson City, MO 65101

RE: Opposition to HB 584 Commercial Financing Disclosure Law

Dear Chairman O'Donnell,

The Responsible Business Lending Coalition (RBLC) writes today in opposition to the *Commercial Financial Disclosure Law* (HB 584) as introduced by Representative Bill Owen because the bill in its current form does not require a provider to disclose annual percentage rate (APR) or estimated APR. As are Chairman of the Missouri House Financial Institutions Committee we urge you to oppose the bill in its current form and ask that you support amending the bill to ensure that small business owners seeking financing are protected and have access to the information they need to compare products and make informed decisions.

The undersigned organizations are members of the RBLC, a coalition that includes nonprofit and for-profit lenders, FinTechs, CDFIs, investors, and small business advocates who share a commitment to innovations in small business lending that increase access to responsible small business financing and work to combat the rise of non-transparent lending practices.

The [Small Business Borrowers' Bill of Rights](#) (BBoR), developed by the RBLC, represents the first cross-sector consensus on standards of responsible lending to small businesses. Over 100 small business lenders, brokers, and lead generators, and advocacy organizations endorsed these standards. **The first right identified in the BBoR is the Right to Transparent Pricing and Terms, which calls for small business financing providers to clearly disclose the following to any prospective small business borrowers:**

1. Loan amount, and the total amount provided after deducting fees or charges
2. Annual percentage rate (APR) or estimated APR
3. Payment amount and frequency, including the actual or estimated total payment amount per month if payment frequency is other than monthly
4. Term or estimated term
5. All upfront and scheduled charges
6. Collateral requirements
7. Any prepayment charges

Disclosure of these seven key terms, particularly the APR or estimated APR, is critical to ensuring that a small business can compare different financing products available to make an informed decision. While HB 584 as introduced calls for the disclosure of some key terms, the bill does not require a provider to clearly disclose the term length or estimated term length. The bill also does not require a provider to disclose the APR or estimated APR, which is essential.

Currently, the 1968 federal Truth in Lending Act (TILA) requires that consumer creditors disclose vital financing information, including APR, in a clear and comparable format. APR is the time-tested rate that people know and expect because it is the legally required standard for mortgages, auto loans, credit cards, student loans, and personal loans, including short-term loans. APR is key because it is the only established metric that enables informed comparisons between products of different dollar amounts and term lengths over a single, standard unit of time: the year. APR is designed to capture the true cost of capital, taking into account both the interest rate and flat fees. [Research](#) indicates that too many small businesses are paying APRs as high as 94%, and or even 350%, without these high rates being properly disclosed. No such standard currently exists to protect millions of entrepreneurs.

APR disclosure also allows small business borrowers to make apples-to-apples comparisons across all financing providers and products. Without standardized disclosures from all financing providers, small business owners are more likely to choose higher-cost products. One [research study](#) found that when asked to compare a sample short-term loan product with a 9% “simple interest” rate to a credit card with a 21.9% interest rate, most participants in the study incorrectly guessed the short-term loan to be less expensive. What’s more, a [Federal Reserve study](#) demonstrated small businesses, particularly historically underserved Black and Hispanic-owned businesses, are more likely to use “high-cost” and “non-transparent” financing, referring specifically to merchant cash advances (MCAs) and factoring products. When small business owners unknowingly take out expensive financing, they can become trapped in cycles of debt that can lead to financial ruin or even closure of their business. Transparency in lending to protect small businesses is essential, but this legislation does not achieve that without APR disclosure.

Furthermore, calculating APR is not burdensome for providers or the marketplace. The consumer financing marketplace remains a vibrant, healthy, and competitive marketplace over fifty years after implementation of the consumer Truth-in-Lending Act and APR disclosure. Unlike a loan that accrues interest over time, a small business must pay a factor rate and repayment amount are determined upfront by revenue-based financing providers. Providers can easily calculate APR using common spreadsheet software. Many commercial financing providers across the country already disclose APR without disclosure impeding their operations. **Other providers, including revenue-based financing companies, need to disclose annualized yields to their investors without disclosing the true cost of funds, with all fees, for their borrowers.** These companies will soon be required to calculate and disclose APR in California and New York. Without the ability to make comparisons across products and providers with terms that small business owners have understood from a consumer perspective, fair competition would be stifled, and misleading providers gain an advantage. Once comprehensive disclosures are



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As currently written, the bill does not empower small business borrowers with clear information about the rates and terms of their financing. The bill would reinforce the status quo of inadequate disclosures and small business protections, as well as suppress healthy competition in the commercial financing marketplace. In the attached appendix, we included a document that dispels additional, common claims regarding transparent disclosure requirements. We urge you to amend the bill to include APR disclosure and the estimated term length for the benefit of small business owners in Missouri.

Sincerely,

The Responsible Business Lending Coalition





February 15, 2023

Vice Chairman Terry Thompson
Missouri House Financial Institutions Committee
201 West Capitol Avenue-Room -300
Jefferson City, MO 65101

RE: Opposition to HB 584 Commercial Financing Disclosure Law

Dear Vice Chairman Thompson,

The Responsible Business Lending Coalition (RBLC) writes today in opposition to the *Commercial Financial Disclosure Law* (HB 584) as introduced by Representative Bill Owen because the bill in its current form does not require a provider to disclose annual percentage rate (APR) or estimated APR. As are Chairman of the Missouri House Financial Institutions Committee we urge you to oppose the bill in its current form and ask that you support amending the bill to ensure that small business owners seeking financing are protected and have access to the information they need to compare products and make informed decisions.

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The Responsible Business Lending Coalition





February 15, 2023

Ranking Member Doug Clemens
Missouri House Financial Institutions Committee
201 West Capitol Avenue-Room 105-B
Jefferson City, MO 65101

RE: Opposition to HB 584 Commercial Financing Disclosure Law

Dear Ranking Member Clemens,

The Responsible Business Lending Coalition (RBLC) writes today in opposition to the *Commercial Financial Disclosure Law* (HB 584) as introduced by Representative Bill Owen because the bill in its current form does not require a provider to disclose annual percentage rate (APR) or estimated APR. As are Chairman of the Missouri House Financial Institutions Committee we urge you to oppose the bill in its current form and ask that you support amending the bill to ensure that small business owners seeking financing are protected and have access to the information they need to compare products and make informed decisions.

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The Responsible Business Lending Coalition





February 15, 2023

Rep. Joe Adams
Missouri House Financial Institutions Committee
201 West Capitol Avenue-Room 135-AC
Jefferson City, MO 65101

RE: Opposition to HB 584 Commercial Financing Disclosure Law

Dear Rep. Adams,

The Responsible Business Lending Coalition (RBLC) writes today in opposition to the *Commercial Financial Disclosure Law* (HB 584) as introduced by Representative Bill Owen because the bill in its current form does not require a provider to disclose annual percentage rate (APR) or estimated APR. As are Chairman of the Missouri House Financial Institutions Committee we urge you to oppose the bill in its current form and ask that you support amending the bill to ensure that small business owners seeking financing are protected and have access to the information they need to compare products and make informed decisions.

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Sincerely,

The Responsible Business Lending Coalition





February 15, 2023

Rep. Hardy Billington
Missouri House Financial Institutions Committee
201 West Capitol Avenue-Room 303-B
Jefferson City, MO 65101

RE: Opposition to HB 584 Commercial Financing Disclosure Law

Dear Rep. Billington,

The Responsible Business Lending Coalition (RBLC) writes today in opposition to the *Commercial Financial Disclosure Law* (HB 584) as introduced by Representative Bill Owen because the bill in its current form does not require a provider to disclose annual percentage rate (APR) or estimated APR. As are Chairman of the Missouri House Financial Institutions Committee we urge you to oppose the bill in its current form and ask that you support amending the bill to ensure that small business owners seeking financing are protected and have access to the information they need to compare products and make informed decisions.

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February 15, 2023

Rep. Steve Butz
Missouri House Financial Institutions Committee
201 West Capitol Avenue-Room 106-B
Jefferson City, MO 65101

RE: Opposition to HB 584 Commercial Financing Disclosure Law

Dear Rep. Butz,

The Responsible Business Lending Coalition (RBLC) writes today in opposition to the *Commercial Financial Disclosure Law* (HB 584) as introduced by Representative Bill Owen because the bill in its current form does not require a provider to disclose annual percentage rate (APR) or estimated APR. As are Chairman of the Missouri House Financial Institutions Committee we urge you to oppose the bill in its current form and ask that you support amending the bill to ensure that small business owners seeking financing are protected and have access to the information they need to compare products and make informed decisions.

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Missouri House Financial Institutions Committee
201 West Capitol Avenue-Room 317-A
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2. Annual percentage rate (APR) or estimated APR
3. Payment amount and frequency, including the actual or estimated total payment amount per month if payment frequency is other than monthly
4. Term or estimated term
5. All upfront and scheduled charges
6. Collateral requirements
7. Any prepayment charges

Disclosure of these seven key terms, particularly the APR or estimated APR, is critical to ensuring that a small business can compare different financing products available to make an informed decision. While HB 584 as introduced calls for the disclosure of some key terms, the bill does not require a provider to clearly disclose the term length or estimated term length. The bill also does not require a provider to disclose the APR or estimated APR, which is essential.

Currently, the 1968 federal Truth in Lending Act (TILA) requires that consumer creditors disclose vital financing information, including APR, in a clear and comparable format. APR is the time-tested rate that people know and expect because it is the legally required standard for mortgages, auto loans, credit cards, student loans, and personal loans, including short-term loans. APR is key because it is the only established metric that enables informed comparisons between products of different dollar amounts and term lengths over a single, standard unit of time: the year. APR is designed to capture the true cost of capital, taking into account both the interest rate and flat fees. [Research](#) indicates that too many small businesses are paying APRs as high as 94%, and or even 350%, without these high rates being properly disclosed. No such standard currently exists to protect millions of entrepreneurs.

APR disclosure also allows small business borrowers to make apples-to-apples comparisons across all financing providers and products. Without standardized disclosures from all financing providers, small business owners are more likely to choose higher-cost products. One [research study](#) found that when asked to compare a sample short-term loan product with a 9% “simple interest” rate to a credit card with a 21.9% interest rate, most participants in the study incorrectly guessed the short-term loan to be less expensive. What’s more, a [Federal Reserve study](#) demonstrated small businesses, particularly historically underserved Black and Hispanic-owned businesses, are more likely to use “high-cost” and “non-transparent” financing, referring specifically to merchant cash advances (MCAs) and factoring products. When small business owners unknowingly take out expensive financing, they can become trapped in cycles of debt that can lead to financial ruin or even closure of their business. Transparency in lending to protect small businesses is essential, but this legislation does not achieve that without APR disclosure.

Furthermore, calculating APR is not burdensome for providers or the marketplace. The consumer financing marketplace remains a vibrant, healthy, and competitive marketplace over fifty years after implementation of the consumer Truth-in-Lending Act and APR disclosure. Unlike a loan that accrues interest over time, a small business must pay a factor rate and repayment amount are determined upfront by revenue-based financing providers. Providers can easily calculate APR using common spreadsheet software. Many commercial financing providers across the country already disclose APR without disclosure impeding their operations. **Other providers, including revenue-based financing companies, need to disclose annualized yields to their investors without disclosing the true cost of funds, with all fees, for their borrowers.** These companies will soon be required to calculate and disclose APR in California and New York. Without the ability to make comparisons across products and providers with terms that small business owners have understood from a consumer perspective, fair competition would be stifled, and misleading providers gain an advantage. Once comprehensive disclosures are



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As currently written, the bill does not empower small business borrowers with clear information about the rates and terms of their financing. The bill would reinforce the status quo of inadequate disclosures and small business protections, as well as suppress healthy competition in the commercial financing marketplace. In the attached appendix, we included a document that dispels additional, common claims regarding transparent disclosure requirements. We urge you to amend the bill to include APR disclosure and the estimated term length for the benefit of small business owners in Missouri.

Sincerely,

The Responsible Business Lending Coalition





February 15, 2023

Rep. Rick Francis
Missouri House Financial Institutions Committee
201 West Capitol Avenue-Room 306-A
Jefferson City, MO 65101

RE: Opposition to HB 584 Commercial Financing Disclosure Law

Dear Rep. Francis,

The Responsible Business Lending Coalition (RBLC) writes today in opposition to the *Commercial Financial Disclosure Law* (HB 584) as introduced by Representative Bill Owen because the bill in its current form does not require a provider to disclose annual percentage rate (APR) or estimated APR. As are Chairman of the Missouri House Financial Institutions Committee we urge you to oppose the bill in its current form and ask that you support amending the bill to ensure that small business owners seeking financing are protected and have access to the information they need to compare products and make informed decisions.

The undersigned organizations are members of the RBLC, a coalition that includes nonprofit and for-profit lenders, FinTechs, CDFIs, investors, and small business advocates who share a commitment to innovations in small business lending that increase access to responsible small business financing and work to combat the rise of non-transparent lending practices.

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Sincerely,

The Responsible Business Lending Coalition





February 15, 2023

Rep. Mike McGirl
Missouri House Financial Institutions Committee
201 West Capitol Avenue-Room 303-A
Jefferson City, MO 65101

RE: Opposition to HB 584 Commercial Financing Disclosure Law

Dear Rep. McGirl,

The Responsible Business Lending Coalition (RBLC) writes today in opposition to the *Commercial Financial Disclosure Law* (HB 584) as introduced by Representative Bill Owen because the bill in its current form does not require a provider to disclose annual percentage rate (APR) or estimated APR. As are Chairman of the Missouri House Financial Institutions Committee we urge you to oppose the bill in its current form and ask that you support amending the bill to ensure that small business owners seeking financing are protected and have access to the information they need to compare products and make informed decisions.

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Sincerely,

The Responsible Business Lending Coalition





February 15, 2023

Rep. Jay Mosley
Missouri House Financial Institutions Committee
201 West Capitol Avenue-Room 200-BC
Jefferson City, MO 65101

RE: Opposition to HB 584 Commercial Financing Disclosure Law

Dear Rep. Mosley,

The Responsible Business Lending Coalition (RBLC) writes today in opposition to the *Commercial Financial Disclosure Law* (HB 584) as introduced by Representative Bill Owen because the bill in its current form does not require a provider to disclose annual percentage rate (APR) or estimated APR. As are Chairman of the Missouri House Financial Institutions Committee we urge you to oppose the bill in its current form and ask that you support amending the bill to ensure that small business owners seeking financing are protected and have access to the information they need to compare products and make informed decisions.

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Sincerely,

The Responsible Business Lending Coalition





February 15, 2023

Rep. Philip Oehlerking
Missouri House Financial Institutions Committee
201 West Capitol Avenue-Room 115-D
Jefferson City, MO 65101

RE: Opposition to HB 584 Commercial Financing Disclosure Law

Dear Rep. Oehlerking,

The Responsible Business Lending Coalition (RBLC) writes today in opposition to the *Commercial Financial Disclosure Law* (HB 584) as introduced by Representative Bill Owen because the bill in its current form does not require a provider to disclose annual percentage rate (APR) or estimated APR. As are Chairman of the Missouri House Financial Institutions Committee we urge you to oppose the bill in its current form and ask that you support amending the bill to ensure that small business owners seeking financing are protected and have access to the information they need to compare products and make informed decisions.

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Sincerely,

The Responsible Business Lending Coalition





February 15, 2023

Rep. Bill Owen
Missouri House Financial Institutions Committee
201 West Capitol Avenue-Room 410-A
Jefferson City, MO 65101

RE: Opposition to HB 584 Commercial Financing Disclosure Law

Dear Rep. Owen,

The Responsible Business Lending Coalition (RBLC) writes today in opposition to the *Commercial Financial Disclosure Law* (HB 584) as introduced by Representative Bill Owen because the bill in its current form does not require a provider to disclose annual percentage rate (APR) or estimated APR. As are Chairman of the Missouri House Financial Institutions Committee we urge you to oppose the bill in its current form and ask that you support amending the bill to ensure that small business owners seeking financing are protected and have access to the information they need to compare products and make informed decisions.

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Sincerely,

The Responsible Business Lending Coalition





February 15, 2023

Rep. Chris Sander
Missouri House Financial Institutions Committee
201 West Capitol Avenue-Room 235-BA
Jefferson City, MO 65101

RE: Opposition to HB 584 Commercial Financing Disclosure Law

Dear Rep. Sander,

The Responsible Business Lending Coalition (RBLC) writes today in opposition to the *Commercial Financial Disclosure Law* (HB 584) as introduced by Representative Bill Owen because the bill in its current form does not require a provider to disclose annual percentage rate (APR) or estimated APR. As are Chairman of the Missouri House Financial Institutions Committee we urge you to oppose the bill in its current form and ask that you support amending the bill to ensure that small business owners seeking financing are protected and have access to the information they need to compare products and make informed decisions.

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7. Any prepayment charges

Disclosure of these seven key terms, particularly the APR or estimated APR, is critical to ensuring that a small business can compare different financing products available to make an informed decision. While HB 584 as introduced calls for the disclosure of some key terms, the bill does not require a provider to clearly disclose the term length or estimated term length. The bill also does not require a provider to disclose the APR or estimated APR, which is essential.

Currently, the 1968 federal Truth in Lending Act (TILA) requires that consumer creditors disclose vital financing information, including APR, in a clear and comparable format. APR is the time-tested rate that people know and expect because it is the legally required standard for mortgages, auto loans, credit cards, student loans, and personal loans, including short-term loans. APR is key because it is the only established metric that enables informed comparisons between products of different dollar amounts and term lengths over a single, standard unit of time: the year. APR is designed to capture the true cost of capital, taking into account both the interest rate and flat fees. [Research](#) indicates that too many small businesses are paying APRs as high as 94%, and or even 350%, without these high rates being properly disclosed. No such standard currently exists to protect millions of entrepreneurs.

APR disclosure also allows small business borrowers to make apples-to-apples comparisons across all financing providers and products. Without standardized disclosures from all financing providers, small business owners are more likely to choose higher-cost products. One [research study](#) found that when asked to compare a sample short-term loan product with a 9% “simple interest” rate to a credit card with a 21.9% interest rate, most participants in the study incorrectly guessed the short-term loan to be less expensive. What’s more, a [Federal Reserve study](#) demonstrated small businesses, particularly historically underserved Black and Hispanic-owned businesses, are more likely to use “high-cost” and “non-transparent” financing, referring specifically to merchant cash advances (MCAs) and factoring products. When small business owners unknowingly take out expensive financing, they can become trapped in cycles of debt that can lead to financial ruin or even closure of their business. Transparency in lending to protect small businesses is essential, but this legislation does not achieve that without APR disclosure.

Furthermore, calculating APR is not burdensome for providers or the marketplace. The consumer financing marketplace remains a vibrant, healthy, and competitive marketplace over fifty years after implementation of the consumer Truth-in-Lending Act and APR disclosure. Unlike a loan that accrues interest over time, a small business must pay a factor rate and repayment amount are determined upfront by revenue-based financing providers. Providers can easily calculate APR using common spreadsheet software. Many commercial financing providers across the country already disclose APR without disclosure impeding their operations. **Other providers, including revenue-based financing companies, need to disclose annualized yields to their investors without disclosing the true cost of funds, with all fees, for their borrowers.** These companies will soon be required to calculate and disclose APR in California and New York. Without the ability to make comparisons across products and providers with terms that small business owners have understood from a consumer perspective, fair competition would be stifled, and misleading providers gain an advantage. Once comprehensive disclosures are



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implemented, the only reason that a provider would stop operating is as a natural consequence of market competition.

As currently written, the bill does not empower small business borrowers with clear information about the rates and terms of their financing. The bill would reinforce the status quo of inadequate disclosures and small business protections, as well as suppress healthy competition in the commercial financing marketplace. In the attached appendix, we included a document that dispels additional, common claims regarding transparent disclosure requirements. We urge you to amend the bill to include APR disclosure and the estimated term length for the benefit of small business owners in Missouri.

Sincerely,

The Responsible Business Lending Coalition





February 15, 2023

Rep. Bob Titus
Missouri House Financial Institutions Committee
201 West Capitol Avenue-Room 203-A
Jefferson City, MO 65101

RE: Opposition to HB 584 Commercial Financing Disclosure Law

Dear Rep. Titus,

The Responsible Business Lending Coalition (RBLC) writes today in opposition to the *Commercial Financial Disclosure Law* (HB 584) as introduced by Representative Bill Owen because the bill in its current form does not require a provider to disclose annual percentage rate (APR) or estimated APR. As are Chairman of the Missouri House Financial Institutions Committee we urge you to oppose the bill in its current form and ask that you support amending the bill to ensure that small business owners seeking financing are protected and have access to the information they need to compare products and make informed decisions.

The undersigned organizations are members of the RBLC, a coalition that includes nonprofit and for-profit lenders, FinTechs, CDFIs, investors, and small business advocates who share a commitment to innovations in small business lending that increase access to responsible small business financing and work to combat the rise of non-transparent lending practices.

The [Small Business Borrowers' Bill of Rights](#) (BBoR), developed by the RBLC, represents the first cross-sector consensus on standards of responsible lending to small businesses. Over 100 small business lenders, brokers, and lead generators, and advocacy organizations endorsed these standards. **The first right identified in the BBoR is the Right to Transparent Pricing and Terms, which calls for small business financing providers to clearly disclose the following to any prospective small business borrowers:**

1. Loan amount, and the total amount provided after deducting fees or charges
2. Annual percentage rate (APR) or estimated APR
3. Payment amount and frequency, including the actual or estimated total payment amount per month if payment frequency is other than monthly
4. Term or estimated term
5. All upfront and scheduled charges
6. Collateral requirements
7. Any prepayment charges

Disclosure of these seven key terms, particularly the APR or estimated APR, is critical to ensuring that a small business can compare different financing products available to make an informed decision. While HB 584 as introduced calls for the disclosure of some key terms, the bill does not require a provider to clearly disclose the term length or estimated term length. The bill also does not require a provider to disclose the APR or estimated APR, which is essential.

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The Responsible Business Lending Coalition

