



February 21, 2023

The Honorable Noel Williams, Jr.
Chairman, House Committee on
Banks and Banking
417-B State Capitol
Atlanta, Georgia 30334

The Honorable Will Wade
Vice-Chairman, House Committee on
Banks and Banking
109 State Capitol
Atlanta, Georgia 30334

RE: Opposition to HB 84, Commerce and trade; provide for commercial financing disclosures

Dear Chairman Williams, Vice-Chairman Wade, and Members of the Committee:

As representatives of Georgia's 1.2 million small businesses, Small Business Majority, LISC Atlanta, New Town Macon, the Atlanta Wealth Building Initiative and Albany Community Together, Inc. write today in opposition to HB 84, legislation that would make Georgia small businesses vulnerable to non-transparent financing providers by failing to require all providers to disclose the annual percentage rate (APR) or estimated APR. We urge all members to vote against this bill next week when it is considered by the Georgia House of Representatives.

Small Business Majority is a small business organization that empowers Georgia's diverse entrepreneurs to build a thriving and equitable economy. As part of our commitment to advocate for public policy solutions that promote inclusive small business growth, we would like to highlight the importance of increasing 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 Responsible Business Lending Coalition, represents the first cross-sector consensus on standards of responsible lending to small businesses. More than 100 small business lenders, brokers, lead generators, and advocacy organizations have 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:

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

Disclosure of these seven key terms and conditions, 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 84, as introduced, calls for the disclosure of some key terms and conditions, 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 to ensure that Georgia small businesses are protected against non-transparent lending practices.

Currently, the federal Truth in Lending law 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. [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 at the time of loan signing. No such standard currently exists to protect millions of entrepreneurs, leaving them unprotected and in a vulnerable position.

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. Currently HB 84 does not empower Georgia small business borrowers with clear information about the rates and terms of the financing available to them. The bill would reinforce the status quo of inadequate disclosures and small business protections, and suppress healthy competition in the commercial financing marketplace. We urge you to oppose this bill for the benefit of small business owners in Georgia.

Sincerely,

Small Business Majority
Albany Community Together, Inc.
Atlanta Wealth Building Initiative
LISC Atlanta
New Town Macon