

March 10, 2022

The Honorable Maxine Waters
Chairwoman, U.S. House Committee on
Financial Services
2221 Rayburn House Office Building
Washington, D.C. 20510

The Honorable Patrick McHenry
Ranking Member, U.S. House Committee on
Financial Services
2004 Rayburn House Office Building
Washington, D.C. 20510

Re: Support for H.R. 6054 The Small Business Lending Disclosure Act

Dear Chairwoman Waters and Ranking Member McHenry:

As a leading representative of America's 30 million small businesses, Small Business Majority writes today to strongly urge the Committee on Financial Services to swiftly pass H.R. 6054, in its current form. This bill would protect entrepreneurs from predatory lenders that offer unfair terms and conditions. Additionally, the measure would extend safeguards already required in consumer lending, through the Truth in Lending Act, to small business borrowers.

Currently the federal Truth in Lending Act (TILA) requires that consumer creditors disclose critical financing information, including annual percentage rate (APR), in a clear and comparable format. However, Congress has yet to extend these disclosure requirements to small business loans and other credit products, which means small businesses are vulnerable to irresponsible lenders. As small businesses recover from the pandemic, it should go without saying that transparent lending shouldn't be up for debate. Entrepreneurs deserve access capital without being concerned about exorbitant APR and unfair loan terms.

What's more, predatory lenders can legally offer opaque terms through deceptive practices. Sometimes borrowers discover that there are additional costs associated with their loan that they were not made aware of. The Federal Reserve found in at least four research studies that small businesses are misled into accepting higher-cost financing by pricing metrics commonly used today. In fact, that [research](#) indicated that minority-owned firms more frequently applied for "potentially higher-cost and less-transparent credit products," specifically merchant cash advance and factoring products. These predatory practices reinforce exacerbate existing access to capital disparities and diminishes entrepreneurship. Small businesses recognize the need for this type of protection, which is why [75% of small businesses](#) support this type of legislation.

Now more than ever small businesses need policies that bolster the small business ecosystem. Allowing small business owners access to responsible capital will ensure that small business can stay on the road to recovery. Help small business by passing H.R 6054 as is out of committee and bring it to the House floor for a vote.

Sincerely,

John Arensmeyer
Founder and CEO
Small Business Majority

cc

The Honorable Nancy Pelosi, Speaker of the
House of Representatives

The Honorable Kevin McCarthy, Minority
Leader of the House of Representatives