



June 15, 2023

Dear policymaker,

As representatives of organizations that support small business owners and aspiring entrepreneurs, we know firsthand how critical access to capital is to maintaining business operations and growth. That's precisely why all small businesses should be protected as they search for capital.

Currently the federal Truth in Lending Act (TILA) requires that only consumer creditors disclose critical financing information, including annual percentage rate (APR), in a clear and comparable format. However, Congress has not taken the critical step to extend these disclosure requirements to small business loans and other credit products, which means small businesses are vulnerable to irresponsible lenders, which is particularly true for people of color. In fact, minority small businesses are twice as likely to apply for high-cost and opaque credit products. What's more, small businesses have reported such opaque terms they unknowingly took loan products with APR rates as high as 350%.

In order to adequately protect small businesses, TILA disclosures must be extended to small business loan products. This must include the following measures:

- **Preventing alternative financing providers (e.g. merchant cash advances) from disclosing misleading “rates” that trap small businesses into debt cycles.** This would allow small business borrowers to make informed financing decisions and close the regulatory gap that has exempted business financing from the Truth in Lending Act's disclosure requirements since 1968.
- **Require financing providers (e.g., merchant cash advances and factoring) that disproportionately target minority communities, particularly Black and Hispanic small businesses, to provide transparent APR disclosures up front.** This would help reduce credit access disparities.
- **Establish estimated APR calculation methods for cash advance and factoring products in statute,** which are necessary for future commercial financing regulation (for example, Section 1071 of the Dodd-Frank Act will soon require that lenders collect APR and other information from commercial borrowers).

We urge you to help protect small businesses by supporting legislation like the Small Business Lending Disclosure Act this year, which would extend TILA disclosures to small business loan products.

Sincerely,

Small Business Majority

Access to Capital for Entrepreneurs (ACE)

ACT! Albany Community Together, Inc.

Allies for Community Business

American Booksellers Association

AmPac Business Capital

Atlanta Wealth Building Initiative
B:Side Fund & B:Side Capital
California Association for Micro Enterprise Opportunity (CAMEO)
California Black Chamber of Commerce
Cloud 9 Systems LLC
Colorado Black Chamber of Commerce (CBCC)
Common Future
Defy Ventures
Dreamspring
EforAll
Energize Colorado
First Affirmative Financial Network
First Southwest Community Fund
Freedom Equity Group
Greater Chatham Initiative
LISC
LIST Ventures
Los Angeles Area Chamber of Commerce (LAACC)
Marleon International, LLC
Microenterprise Collaborative of Inland Southern California
Multicultural Business Alliance
National Coalition for Asian Pacific American Community Development
National Veterans Chamber of Commerce
Northern Virginia (NOVA) Hispanic American Chamber of Commerce
Pacific Community Ventures - PCV
SBDC-East LA Initiative - SBDC Centro de Negocios
Slaton Group
Southwest Virginia Diverse Chamber of Commerce
Stanislaus Equity Partners
Startup Colorado
TeQuionBrookins LLC
United States Hispanic Chamber of Commerce
Urban Juncture Foundation
Women's Economic Ventures