



## Small Business Borrowers' Bill of Rights

### Attestation Form and Attestation Worksheet for Brokers and Lead Generators, 2021<sup>1</sup>

In order for a broker or lead generator to become a signatory of the Small Business Borrowers' Bill of Rights, its chief executive must attest that it abides by all practices described in the Small Business Borrowers' Bill of Rights by completing both the **Attestation Form** and the **Attestation Worksheet** below, and, if requested, promptly provide additional documentation evidencing compliance with any or all of the enumerated practices (the "**Supporting Documents**"). The Supporting Documents shall be in a form acceptable to the Responsible Business Lending Coalition. Once completed, the Attestation Form, Attestation Worksheet and, if applicable, any Supporting Documents should be emailed to [bbor@borrowersbillofrights.org](mailto:bbor@borrowersbillofrights.org).

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<sup>1</sup> The Small Business Borrowers Bill of Rights has been updated in December, 2020 to incorporate feedback and learning since the previous revision in 2017. The Small Business Borrowers' Bill of Rights was first launched in August 2015.

# Small Business Borrowers' Bill of Rights (2021)

## Attestation Form for Brokers and Lead Generators

### Summary of Attestation

By checking the boxes below, I affirm that my organization actively supports and adheres to the *Small Business Borrowers' Bill of Rights* and abides by all of the practices described in the attached Attestation Worksheet:

- The Right to Transparent Pricing and Terms
- The Right to Fair Treatment from Brokers
- The Right to Inclusive Credit Access

Note: You must be able to truthfully check all five boxes to be deemed a Signatory of the Small Business Borrowers' Bill of Rights and thereby eligible to have your organization's logo appear on the Small Business Borrowers' Bill of Rights website, [www.BorrowersBillOfRights.org](http://www.BorrowersBillOfRights.org).

### Terms of this Attestation

- a. I have read and understand the *Small Business Borrowers' Bill of Rights*.
- b. I have completed the attached Attestation Worksheet. My organization abides by *all* the enumerated practices.
- c. I have provided all Supporting Documents (as defined in this Attestation Form) in a form acceptable to the Responsible Business Lending Coalition.
- d. By completing this Attestation Form and attesting that my organization abides by *all* of the enumerated practices in the attached Attestation Worksheet, I consent to having this Attestation Form and my organization's logo posted on the Small Business Borrowers' Bill of Rights Website.
- e. I understand that this Attestation Form and my organization's logo may be removed from the Small Business Borrowers' Bill of Rights website if (i) my organization does not complete and submit a satisfactory updated Attestation Form within one calendar year from the date of my signature below, and (ii) each successive year thereafter, or (iii) if my organization ceases to abide by this Attestation; or (iv) if, after receiving a request from the Responsible Business Lending Coalition, my organization fails to promptly provide any Supporting Documents or inadequate Supporting Documents (as applicable).
- f. I agree, on behalf of my organization, that my organization assents to and will be bound by the Terms of Use for the Small Business Borrowers' Bill of Rights website.
- g. Anyone with questions for my organization regarding this Attestation Form completed by my organization can contact the following individual (include name, title, email address, and phone number): \_\_\_\_\_
- h. I attest that the information above is accurate and represents the standard practices for all financing products and services offered through my organization to small businesses. Furthermore, I hereby certify that I am authorized to sign this Attestation Form on behalf of my organization.

\_\_\_\_\_  
Organization Name

\_\_\_\_\_  
Chief Executive Signature

\_\_\_\_\_  
Chief Executive Name

\_\_\_\_\_  
Date

# Small Business Borrowers' Bill of Rights, 2021

## Attestation Worksheet for Brokers and Lead Generators

In order for an organization to become a signatory it must attest that it abides by the Small Business Borrowers' Bill of Rights by having its chief executive complete this worksheet by checking each box below indicating that his or her organization abides by each of the practices set forth below.<sup>2</sup> Questions regarding the form can be directed to [bbor@borrowersbillofrights.org](mailto:bbor@borrowersbillofrights.org).

### The Right to Transparent Pricing and Terms

#### Transparent Rate

Disclose the Annual Percentage Rate (APR), or Estimated APR in the case of variable-term financing.

APR is the total cost of financing, including interest, fees, and other required charges, annualized and expressed as a single percentage number. This enables apples-to-apples price comparison between financing of different amounts and term lengths.

APR disclosure for small business financing may be required under state laws including California's SB 1235 and New York's Small Business Truth in Lending Act, which are based on the federal Truth in Lending Act. Where these state laws do not apply, APR should be calculated according to the Truth in Lending Act, as implemented in Regulation Z §1026.22, including the following guidelines:

- When disclosed, APR should not be of lesser prominence than any other term in the disclosure.
- For merchant cash advances and other sales-based financing, the estimated APR, payment amounts, and term disclosed should be calculated based on the projections for repayment that are used in underwriting the financing.
- For lines of credit and similar open-ended financing, APR should be calculated to include fees by assuming that the borrower draws the full amount on the origination date, and makes the minimum payments required.
- For factoring financing, the projected timing of payment should be established by the due date of the accounts receivable factored or based on data for the historical payment behavior of the firm named on the accounts receivable factored.
- If payment amounts vary, APR should be calculated based on the projected payment amounts, rather than an average payment amount.
- If a rate is promotional or introductory, the term sheet or its equivalent should clearly state this, and how the rate could change in the future.
- For assistance in calculating APR using standard formulas in programs such as Microsoft Excel, please see Appendix: "Sample APR Calculation Formulas."

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<sup>2</sup> The term "loan" and related terms used here such as "lending" are intended to be interpreted in the broadest sense possible so as to include loans, lines of credit, merchant cash advances, and similar products offered and provided to U.S. small businesses, whether or not such credit products are characterized legally or otherwise as loans. Similarly, the terms "lender" and "borrower" are intended to be interpreted in the broadest sense possible so as to include, in the case of lenders, credit marketplaces that facilitate loans on behalf of lenders, cash advance providers, factors, and all manner of persons providing financing to U.S. small businesses or evaluating the creditworthiness of such small businesses in connection with providing financing, and, in the case of borrowers, all U.S. small businesses who seek or obtain financing.

**Clear Comparison**

- Present the following seven key terms listed clearly and prominently, in writing, to the borrower whenever a specific loan offer is presented or summarized for the borrower, such as in a term sheet, offer summary, or equivalent:

- 1) Loan amount, and total amount provided after deducting fees or charges
- 2) 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 financing charge potentially due at prepayment

- If referring a small business to a lender who has not yet made a specific offer of financing, and who has not agreed to abide by the Right to Transparent Pricing and Terms by signing the Small Business Borrowers' Bill of Rights, then present a description of the range of the APRs, amounts, and terms offered by the provider.
- The Small Business Borrowers' Bill of Rights does not mandate a standardized form for these disclosures. Where the formatting of these disclosures is not mandated by state law, lenders may use their own designs that include these seven key terms, as described here in the Transparent Rate and Clear Comparison sections.

I have included in this Attestation, as a Supporting Document, a screenshot or other document demonstrating disclosure of these seven terms to borrowers in the manner described here in the Transparent Rate, Clear Comparison, and Plain-English Terms sections.

I have included in this Attestation, as a Supporting Document, a short description of when the screenshot or other disclosure documents I have included are presented to the borrower, and when any other summaries of loan terms are disclosed.

**Plain-English Terms**

- Describe all key terms in an easy-to-understand manner. Do not, at any stage of the financing process, use percentages or the term "rate" to describe pricing metrics that are not the actual interest rate or APR. Pricing described as a "factor rate," "simple interest rate," or other novel forms of percentage rates may be easily misunderstood to be interest rates or APRs, but mask that the actual interest rate or APR is much higher.

## **The Right to Fair Treatment from Brokers and Lead Generators**

**Transparent Loan Options**

- Disclose all loan options for which the borrower qualifies through the broker or lead generator's services, indicating the lowest APR option.

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- I have included in this Attestation, as a Supporting Document, a screenshot or other document demonstrating disclosure of all offers the borrower qualifies for, emphasizing the lowest APR option.
- Transparent Compensation**
  - Disclose all compensation paid to the broker or lead generator, by either the lender or borrower, in connection with each loan offer presented.
  - I have included in this Attestation, as a Supporting Document, a screenshot or other document demonstrating disclosure of all compensation in connection with each financing offer presented.
- Disclosure of Broker Incentives**
  - Disclose the broker's or lead generator's fee structure, and any other financial incentives they have, including whether the broker or lead generator receives higher fees for brokering certain loans. Brokers or lead generators who have not legally agreed to act in the best interest of the borrower may not state they are acting in the best interest of the potential borrower.
  - I have included in this Attestation, as a Supporting Document, a screenshot or other document demonstrating disclosure of financial incentives.
- No Fee for Failure**
  - No fees can be charged to the potential borrower if the broker or lead generator is unable to find the customer a loan or if the customer does not accept a loan secured through the broker or lead generator 's services.
- Responsive Complaint Management**
  - If a complaint is submitted requesting action or a response, provide a confirmation of receipt within five days and in writing. When possible, research and resolve the complaint in a timely manner.
  - I have included in this Attestation, as a Supporting Document, a short summary of the complaint response policy.

## **The Right to Inclusive Credit Access**

- Non-Discrimination**
  - Uphold the letter and intent of fair lending laws, including the Equal Credit Opportunity Act. Do not discriminate against small business owners on the basis of race, color, religion, national origin, gender identity, marital status, age, sexual orientation.
  - I have included in this Attestation, as a Supporting Document, a short summary of the non-discrimination policy.

## **Appendix: Sample APR Calculation Formulas**

APR calculation can be made simple by using standard formulas in common spreadsheet software programs. If used correctly, the following formulas in Microsoft Excel or Google Sheets can calculate APR for loans, merchant cash advances, lines of credit, factoring, and other types of financing, consistent with the Truth in Lending Act formulas in Regulation Z. Other formulas and calculators not shown here also calculate APR accurately; the formulas below are provided as one resource. To confirm that any specific application of these formulas complies with legal requirements, please consult with legal counsel.

### **1. For financing products with payments of equal amounts paid at equal intervals**

This may be appropriate for most loans, lines of credit, and merchant cash advances with flat sales projections and payments made daily, weekly, bi-weekly, or monthly.

*APR = RATE (Number of payments, payment amount as a negative number, disbursed amount after fees deducted) \* Number of payment periods in one year to annualize*

### **2. For financing products with payments of differing amounts paid at equal intervals**

This may be appropriate for loans with scheduled payments of different amounts, or for merchant cash advances considering sales projections that rise or fall over the payment period and with payments made daily, weekly, bi-weekly, monthly. It can also be used to include periods when charges are compounded but no payment is made.

This formula may be used for standard factoring financing by including the amount disbursed to the small business in the first cell, followed by cells with values of zero for each period in which charges are compounded but no payment is made, and a final payment cell when the invoice is paid representing the value of the invoice minus any amount not refunded to the small business.

*APR = IRR (select a series of cells indicating the flow of money, with the disbursed amount in the first cell, followed by cells representing the total payments in each subsequent payment period as negative numbers) \* Number of payment periods in one year to annualize*

### **3. For financing products paid at irregular intervals**

This may be appropriate for financing paid on weekdays only, skipping weekends, for example.

*APR = ((XIRR (select a series of cells in two columns with the first column indicating the flow of payments, with the disbursed amount in the first cell as a positive number and payments back to the financing provider in subsequent cells as negative numbers, and the second column indicating the corresponding dates of each disbursement or payment) +1)^(1/365)-1)\*365*