



RE: Support for S. 233

June 16, 2021

Dear Chair Pou, Vice-Chair Cryan, Senator Bucco, Senator Corrado, and Senator Scutari:

The Responsible Business Lending Coalition (RBLC) writes to express our strong support for Senator Singleton and Chair Pou's S. 233. The RBLC is the leading national voice on small business financial protection issues, including small business truth-in-lending disclosures. We are a unique cross-sector coalition of nonprofits and industry participants, including community development financial institutions (CDFIs), fintechs, investors, and small business advocates, that came together to respond to the rise of predatory small business lending practices and to promote responsible innovation.¹

In 2018, the RBLC led the passage of the first Small Business Truth in Lending Law in the nation, California's SB 1235. Last year, we worked closely with industry, nonprofit, and advocacy stakeholders to secure passage of the second such bill, New York's Small Business Truth in Lending Act, on which S. 233 is largely based.

Both of these bills were inspired and informed by the RBLC's [Small Business Borrowers' Bill of Rights](#), 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 have endorsed these standards.

The Borrowers' Bill of Rights includes the Right to Transparent Pricing and Terms, which calls for small business financing providers to clearly disclose seven key elements to small businesses applying for credit:

1. Loan amount, and total amount provided after deducting fees or charges
2. Annual percentage rate (APR) or estimated APR

¹ The Executive Committee of the Responsible Business Lending Coalition includes Accion Opportunity Fund, Community Investment Management, Funding Circle, LendingClub, Opportunity Finance Network, Small Business Majority, and the Aspen Institute.

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 helping small businesses compare different financing products and make informed decisions. APR is the only metric that enables apples-to-apples comparisons of the full scope of products available to small businesses, with different fees, interest, and term lengths, over a common unit of time. Federal Reserve Research has found that small businesses are misled by commercial financing offers that exclude APR and present pricing in unfamiliar terms, often quoted as “rates” that are not actually interest rates.²

Many financing providers, including members of the RBLC and Innovative Lending Platform Association (ILPA), already disclose APR to borrowers voluntarily, including for revenue-based products such as merchant cash advances. These providers demonstrate that APR disclosure is feasible for all financing products. Of course, transparent disclosure of the price of financing does not restrict access to capital for the small businesses that seek alternative products. It simply empowers small businesses to make better-informed financial decisions.

The RBLC supports S. 233 and its provisions requiring disclosure of the seven key terms by all commercial financing providers. We applaud the Committee’s inclusion of APR or estimated APR as a required disclosure metric, so that New Jersey small businesses can easily compare financing offers and select an affordable option that best meets the business’ needs. The RBLC wishes to note that we have identified non-substantive areas for improvement in the broker disclosure provisions, which we commend the sponsors for including, and is working with other supporters to finalize recommendations that would strengthen the bill before full passage.

We thank you for the opportunity to comment on this important legislation and urge the Senate Commerce Committee to approve it without delay. We are happy to serve as a resource as you proceed.

² Federal Reserve Board of Governors, “Uncertain Terms: What Small Business Borrowers Find When Browsing Online Lender Websites,” 2019.
<https://www.federalreserve.gov/publications/files/what-small-business-borrowers-find-when-browsing-online-lender-websites.pdf>

Sincerely,

The Responsible Business Lending Coalition
CC: Senator Singleton and Chair Pou