

Small Business Financing Transparency Act

APR for All

HB744 HA #1 (CANTY-MASON-GUZZARDI-CASSIDY-BUCKNER)

COALITION FOR

small business
LOAN TRANSPARENCY

EXEC. BRANCH ENDORSEMENTS



OFFICE OF THE ILLINOIS
ATTORNEY GENERAL



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COOK COUNTY
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PRESIDENT



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CITY OF CHICAGO

The affordability of goods and services is directly tied to a small business's costs of financing. By requiring non-bank lenders to disclose the annual percentage rate (APR) of their loans to small businesses, the SBFTA would make day-to-day life more affordable for the average Illinoisan by empowering small businesses to shop for the best price when borrowing money.

Illinois small businesses lose an estimated \$459 million every year due to nontransparent and often misleading financing terms that prevent them from shopping for the most affordable loan for their businesses.¹

- + This effect disproportionately harms Black- and Brown-owned small businesses, which annually lose an estimated \$61 million and \$57 million respectively.²
- + Research shows that when small business owners compare a loan with an APR to loans with other metrics, borrowers often can't tell which loan is more expensive.³
- + An increasing number of business bankruptcies in 2023 were attributed to "merchant cash advances" or MCAs, a form of revenue-based financing which does not disclose APR.⁴

For decades, consumers have been entitled to know the APR of a loan (See image at right). Small businesses are deprived of this same basic right. This bill would close this loophole.

- + A Woodstock analysis of small business loans found effective interest rates as high as 352.64%.⁵ The lenders did not disclose these rates to the borrowers.



APR competition helps consumers shop for the best price. Small businesses should be empowered to do the same.

The lack of transparency disproportionately harms small businesses in Black, Brown, and lower income neighborhoods.

- + The Federal Reserve finds that Black and Brown businesses owners are twice as affected by what the Fed calls "higher-cost and less-transparent credit products."⁶
- + Small businesses in lower-income communities in Illinois are driven to predatory lenders in part because they are unable to obtain financing from traditional sources.

PROPOSERS



Chummy's Organix

The House of Mary Corp.

Jenny Capp Co.

Lotus Cafe & Bahn Mi Sandwiches

Not Just Cookies Wholesale Bakery

Uni-Pres Kindercottage

QUESTIONS?

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Footnotes:

1. Responsible Business Lending Coalition, "Small Business Lending Research" 2025.
2. *Id.*
3. Federal Reserve Board of Governors, *Uncertain Terms: What Small Business Borrowers Find When Browsing Online Lender Websites* (Dec. 2019).
4. MCAs disclose Estimated APR as required by law in California and New York.
5. Woodstock Institute, *Analysis of Business Loan Terms* (2016). Updated 2025. <https://woodstockinst.org/research/analysis-business-loan-terms/>.
6. Federal Reserve Bank of Atlanta. *Report on Minority-Owned Firms* (2019). <https://bit.ly/FedReportPDF>.