

Illinois small businesses lose more than **\$400 million** every year due to non-transparent and often misleading financing terms that prevent them from shopping for the most affordable loan for their businesses. When small businesses are forced to compare loans with different metrics, they find it difficult to tell which loan is more expensive.

For example, a business may receive one loan with a clearly stated 10% APR and another using a “factor rate” that appears cheaper but actually results in a significantly higher annual cost. Without standardized disclosures, business owners can unknowingly choose the more expensive option.

An increasing number of businesses go bankrupt each year due to merchant cash advances (MCAs), a form of revenue-based financing that does not disclose APR.

Not all small business loans speak the same language.

Loan Type	APR Disclosure	Monthly Payment	Fees
Bank Term Loan	Typically disclosed	Typically fixed	Disclosed upfront
Online Loan	Not always disclosed	Fixed or variable	Often unclear
Merchant Cash Advance	Typically not disclosed	Varies with revenue	Built into factor rate

For decades, consumers have been entitled to know the APR of a loan. Small businesses are deprived of this same basic right. This bill will close that loophole by requiring non-bank lenders to **disclose APR** before a loan agreement is signed.

The affordability of goods and services is directly tied to businesses' financing costs. By requiring non-bank lenders to disclose the APR of their loans to small businesses, this legislation will empower small businesses to shop for the best price when borrowing money, improving **affordability** for Illinois residents as a result.

Small businesses should be able to grow without fear of hidden costs. Financing transparency will help Illinois small businesses expand, hire, and drive local economic growth.