

# Small Business Financing Transparency Act

# APR for All

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



### EXEC. BRANCH ENDORSEMENTS



OFFICE OF THE ILLINOIS  
ATTORNEY GENERAL



SUSANA A. MENDOZA  
ILLINOIS STATE COMPTROLLER



Illinois State Treasurer  
MICHAEL FRERICHS



COOK COUNTY  
OFFICE OF THE  
PRESIDENT



OFFICE OF THE MAYOR  
CITY OF CHICAGO

For decades, consumers have been entitled to know the annual percentage rate (APR) of a loan. Small businesses are not entitled to this same basic right. This bill would close this loophole.

- + A Woodstock analysis of small business loans found effective interest rates as high as 367.7%.<sup>1</sup>
- + 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.<sup>2</sup>

## THE WALL STREET JOURNAL.

FEB. 19, 2024 9:00 AM ET

BANKRUPTCY

### An Easy Financing Source Pushes Some Small Businesses Into Bankruptcy

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.”<sup>3</sup>
- + Small businesses in lower-income communities in Illinois are driven to predatory lenders due, in part, because they are unable to obtain financing from traditional sources. Transparent pricing standards would save small businesses an estimated \$459 million.<sup>4</sup>

Transparent APR disclosure is necessary for small businesses to make apples-to-apples price comparisons.

- + Requiring APR disclosures in the small business market will promote competition, which lowers prices, and will enable small businesses to compare products.
- + 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.<sup>5</sup>

# PROPONENTS



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?

Myanno Miller | Advocacy Associate | Woodstock Institute  
818-987-6958 (m) | 312-368-0310 x2025 (o) | mmiller@woodstockinst.org

### Footnotes:

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