



April 24, 2025

The Honorable Michael “Sarge” Pollock
702 Capitol Avenue, Room 416
Frankfort, KY 40601

RE: Opposition to HB680, AN ACT relating to commercial financing.

Dear Representative Pollock:

The Responsible Business Lending Coalition (RBLC) writes today in opposition to HB680, *AN ACT relating to commercial financing*, in its current form. We commend the State of Kentucky for raising this critical issue of small business financing transparency. Unfortunately, as currently written HB680 would set back disclosure efforts rather than delivering the transparency that businesses need when seeking credit. We urge you to amend the bill immediately so that small businesses in Kentucky can get the protections they deserve.

The RBLC represents a consensus combining financing industry, nonprofit, and small business voices. The Responsible Business Lending Coalition initiated the movement for commercial financing disclosure in 2015, through the publication of the [*Small Business Borrowers’ Bill of Rights*](#).

As the legislature deliberates this bill, it can accomplish only one of two very different projects. A commercial financing disclosure law can either:

- Protect small businesses and responsible lenders with price transparency, Or
- Protect high-rate financing companies from price transparency.

The law cannot do both. To achieve the former, we emphasize that it is crucial that this bill continue to include the Annual Percentage Rate (APR)—ideally by the same name it has been known for the 57 years since the Truth in Lending Act passed in 1968. Some companies that charge high APRs have objected to disclosing APRs transparently, with arguments shifting as quickly as they are refuted. Merchant cash advances are specifically described in Federal Reserve research as "[higher cost and less-transparent credit products](#)," perhaps for this very reason.

Every entrepreneur in Kentucky deserves access to responsible, affordable capital that will help their business thrive, not force them out of business. Because of loopholes in current laws, some financing providers are misleading business owners to take on harmful debt with annual percentage rates (APRs) of as high as 350%, without these rates ever being disclosed to them.¹ We support legislation that enables business owners to see the APR for any business financing option. APR is a time-tested rate that people

¹ [Unaffordable-and-Unsustainable-The-New-Business-Lending-on-Main-Street_Opportunity-Fund-Research-Report_May-2016.pdf \(aofund.org\)](#)

know and expect because it is the legally required standard for consumer products such as mortgages, auto loans, credit cards, and short-term personal loans. No matter who they are or where they're looking for capital, business owners deserve access to the same information so they can compare financial products and choose the best option for their business.

Clear and easy-to-compare disclosures are paramount as entrepreneurs and small businesses evaluate financing. Kentucky has an opportunity to amend this bill to improve fairness and transparency in the financing process so that entrepreneurs and Kentucky businesses can effectively evaluate and choose the best offer(s) available to them.

To ensure businesses are in fact protected, we refer you to the [Small Business Borrowers' Bill of Rights](#), which represents the first cross sector consensus on standards of responsible lending to small businesses and these standards have been endorsed by more than 100 small business lenders, brokers, lead generators, and advocacy organizations. The first right identified in the BBoR is the Right to Transparent Pricing and Terms, which calls for small business financing providers to clearly disclose the following to any prospective small business borrowers:

1. Loan amount, and the total amount provided after deducting fees or charges
2. Annual percentage rate (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 prepayment charges

Disclosure of these seven key terms, particularly the APR or estimated APR, is critical to ensuring that a small business can compare different financing products available to make an informed decision.

HB680 does not include the most critical disclosure term: the annual percentage rate (APR) or estimated APR. Without standardized disclosures, small businesses are more likely to choose higher-cost products. A recent [research study](#) found that when asked to compare a sample short-term loan product with a 9% "simple interest" rate to a credit card with a 21.9% interest rate, most participants in the study incorrectly guessed the short-term loan to be less expensive. What's more, a [Federal Reserve study](#) demonstrated small businesses, particularly historically underserved Black and Hispanic-owned businesses, are more likely to use "high-cost" and "non-transparent" financing, referring specifically to merchant cash advances (MCAs) and factoring products.

As currently written, the bill does not empower small business borrowers with clear information about the rates and terms of their financing. Ensuring that business owners are able to make accurate comparisons in the commercial financing marketplace would support a healthier financing market where providers are rewarded for providing high-quality, affordable products rather than misleading business owners to take on harmful debt. We urge you to amend the bill to include APR disclosure and the estimated term length for the benefit of small business owners in Kentucky.

Sincerely,

The Responsible Business Lending Coalition

Board members include: Accion Opportunity Fund, Aspen Institute, Bluevine, Camino Financial, Community Investment Management, LendingClub, Opportunity Finance Network, National Association for Latino Community Asset Builders, National Community Reinvestment Coalition, Small Business Majority

