



May 12, 2025

The Honorable Charles Perry
1100 Congress Avenue
Austin, TX 78701

RE: Opposition to SB2677, Relating to disclosures for certain commercial sales-based financing transactions and the registration of commercial sales-based financing brokers; authorizing a fee and providing a civil penalty.

Dear Senator Perry:

The Responsible Business Lending Coalition (RBLC) writes today in respectful opposition to SB2677 in its current form. The Responsible Business Lending Coalition represents over 1,000 for-profit and nonprofit small business lenders, fintechs, CDFIs, investors, and tens of thousands of small businesses themselves. Across many differences, our for-profit and nonprofit members oppose SB 2677 in its current form, because of a shared commitment to increasing small business' access to responsible financing and preventing the rise of non-transparent lending practices.

We commend you for raising this critical issue of small business financing transparency. Entrepreneurs in Texas deserve access to responsible, affordable capital that will help their businesses thrive, not force them out of business. But because of loopholes in current laws, some financing providers are misleading business owners into unnecessarily expensive financing with annual percentage rates (APRs) of as high as 350%, without ever disclosing those APRs transparently.¹

By our analysis, Texas small businesses are currently overpaying an estimated \$3.4 billion each year in unnecessary interest and fees. Meaningful transparent standards would help those business owners save an estimated \$1 billion each year, simply by empowering them to compare the prices of their financing options and choose a lower-cost option if they want to.

But as written, SB 2677 would not remedy this lack of transparency. It would rubber stamp it. Rather than protecting small businesses *with* transparency, it would protect higher-priced financing companies *from* transparency.

The Responsible Business Lending Coalition (RBLC) raised the need for transparency in small business financing to national attention by publishing the [Small Business Borrowers' Bill of Rights](#) in 2015. These industry standards for small business financing begin with "The Right to Transparent Pricing and Terms," which calls for small business financing providers to transparently disclose key terms including both the total dollar cost (also known as the "finance charge") and the APR--or Estimated APR in the case of sales-based financing.

¹ Accion Opportunity Fund, "[Unaffordable and Unsustainable: The New Business Lending On Main Street](#)" July 2016. see also Woodstock Institute, "[Analysis of Business Loan Terms](#)," Accessed 2024.

Unfortunately, financing companies selling what Federal Reserve research calls “higher-cost and less-transparent credit products”¹ have sought to undermine small businesses’ push for transparency. They have proposed advancing disclosure bills that don’t really solve the problem. These bills allow “higher-priced and less-transparent credit products” to continue to be “less-transparent” because they do not require disclosure of the APR. It is no coincidence that support for the disclosure provisions of SB 2677 comes from financing companies selling these “higher-cost and less-transparent credit products.”

Federal Reserve research finds that, without standardized disclosures including the APR, small businesses are more likely to choose higher-cost products. For example, Federal Reserve [research](#) found that when asked to compare financing 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. Federal Reserve research also found that when small businesses were shown a model disclose, “a majority of participants commented that APR was among its most helpful details.” A small business owner summarized: “Full disclosure, like on credit cards or mortgages... is what is necessary. They need to state the actual APR.”²

We urge you to strengthen the bill with disclosure of APR and other key elements, to truly protect small businesses with transparency. We would welcome the opportunity to discuss this with you further, and thank you for raising this crucial issue. Please do not hesitate to contact me at Louis@borrowersbillofrights.org.

Sincerely,

Louis Caditz-Peck
Executive Director
The Responsible Business Lending Coalition

¹ Federal Reserve Bank of Atlanta, “[Report on Minority-Owned Firms](https://www.fedsmallbusiness.org/reports/survey/2019/2019-report-on-minority-owned-firms),” Dec 2019. Page IV.
<https://www.fedsmallbusiness.org/reports/survey/2019/2019-report-on-minority-owned-firms>

² Federal Reserve, “Uncertain Terms: What Small Business Borrowers Find When Browsing Online Lender Websites” 2019;