

Small Businesses Deserve Clear and Accurate Disclosures

The Revenue Based Finance Coalition (“RBFC”) supports disclosures. RBFC members are responsible finance companies that provide needed capital to small and medium sized businesses. We respectfully oppose SB 825. As currently written, SB 825 would result in inaccurate disclosures that will confuse small business owners and limit access to capital for small businesses.

The main problem is the proposed “APR” disclosure:

- APR is a concept from the federal Truth-in-Lending Act that does not apply to commercial finance products.
- California passed a disclosure bill in August of 2018 and the regulator still has not implemented the law or adopted APR.

As currently written, SB 825 is nearly identical to legislation passed in New York in 2020. The New York law has proven too complicated to implement.

- The New York law was effective January 1, 2022. However, the New York Department of Financial Services has been unable to implement the law because it is impossible to accurately calculate and disclose an “APR” for factoring and sales-based financing transactions.
- In response to the mess created by APR in California and New York, the only other state legislatures to pass commercial finance disclosure requirements (Virginia and Utah) do not require an APR disclosure. The Utah and Virginia regulators were against an APR disclosure because they did not want their agencies burdened with calculating and validating disclosed APRs in transactions that are not loans.
- [Virginia: HB 1027](#)
- [Utah: SB 183](#)

APR is not helpful and only confuses small business owners. The Small Business Finance Association commissioned a study on disclosure that included focus groups. The results of the study can be found on the SFBA’s website. The study found that APR was not helpful to small business owners.