



March 21, 2022

Senator Paul Wieland
Missouri State Senate
201 W Capitol Ave., Rm. 319
Jefferson City, Missouri 65101

RE: Opposition to SB 963 (Commercial Financing Disclosure Law)

Dear Chair Wieland:

The Responsible Business Lending Coalition (RBLC) writes today in opposition to SB 963 Commercial Financing Disclosure Law, introduced by Senator Justin Brown. We are writing to you in your role as Chair of the Missouri Senate Banking and Insurance Committee. We commend Senator Brown for raising this critical issue of small business financing transparency. Unfortunately, because the legislation does not require disclosure of annual percentage rate (APR), the bill would set back disclosure efforts rather than deliver the transparency that businesses need when seeking credit. We urge the Missouri Senate Banking and Insurance Committee to amend the bill immediately so that small businesses in Missouri can get the protections they deserve.

The undersigned organizations are members of the RBLC, a coalition that includes nonprofit and for-profit fintechs, CDFIs, investors, and small business advocates who share a commitment to innovation in small business lending and increasing access to responsible small business financing while at the same time combating the rise of financing

The [Small Business Borrowers' Bill of Rights](#) (BBoR), developed by the RBLC, 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 and 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 businesses borrower:

1. Loan amount, and 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 in order to make an informed decision. SB 963 includes some of these key terms, but not the term length or estimated term length. It also does not include the most critical disclosure term: the annual percentage rate (APR) or estimated APR.

Currently, the Truth in Lending law requires that consumer creditors disclose vital financing information, including APR, in a clear and comparable format. APR is the time tested rate that people know and expect because it is the legally required standard for mortgages, auto loans, credit cards, student loans and personal loans, including short-term loans. However, no such standard exists to protect millions of entrepreneurs. Transparency in lending to protect small businesses is essential, but this legislation does not achieve that without APR disclosure.

APR is key because it is the only established metric that enables informed comparisons of the cost of capital over time and between products of different dollar amounts and term lengths. [Research](#) indicates that too many small businesses are paying APRs of 94%, and as high as 350%, without these high rates being properly disclosed.

APR disclosure also enables small business borrowers to make apples-to-apples comparisons across all financing providers and products. Without standardized disclosures, small businesses are more likely to choose higher-cost products. One [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.

In the below appendices, we have included a document that dispels some of the common myths regarding transparent disclosure requirements along with several informational slides on the need for standardized disclosures and APR.

As currently written, the bill does not empower small business borrowers with clear information about the rates and terms of their financing. Without the ability to make fair comparisons in the commercial financing marketplace, competition would be stifled and misleading providers would gain an advantage. The bill would reinforce the status-quo of inadequate disclosures and would provide the high-cost financing industry with ammunition to fight against comprehensive truth in lending disclosure bills that do include APR.



We have sent a copy of our letter to Senator Brown as well as other members of the Missouri Senate Banking and Insurance Committee. We urge the Committee to amend the bill to include APR disclosure and the term length for the benefit of small business owners in Missouri.

Sincerely,
The Responsible Business Lending Coalition





Claims and Facts regarding S.B. 963

Comprehensive small business Truth in Lending disclosure bills are supported by leading fintech and bank for-profit lenders, nonprofit CDFIs, civil rights groups, and small business groups. However it may face opposition as well, such as from finance companies that charge relatively higher APRs and do not disclose them.

Claims critical of strong small business Truth in Lending disclosure bills were considered extensively in California and New York. After consideration, the legislatures of both states passed strong Truth in Lending Bills by wide, bipartisan margins (132-9 in the New York Assembly and 72-3 in the California Assembly). The following are common claims and facts about comprehensive small business Truth in Lending disclosure bills:

Claim: Disclosure of the APR is not needed in small business financing

Fact: APR is the only metric that enables comparison the price of financing of different types, amounts, and term lengths. In response to the rise of high-rate small business financing, the need for transparent disclosure in APR in small business financing has been raised by:

1. Multiple research studies published by the Federal Reserveⁱ
2. National Consumer Law Centerⁱⁱ
3. Bloomberg News editorial board (“Protect Small Businesses from Predatory Lending... The best solution would be for Congress to pass a [truth-in-lending](#) law for small business, along the lines of the rules that already exist for consumer loans.”)ⁱⁱⁱ
4. Federal Reserve Governor Lael Brainard^{iv}
5. Federal Reserve Board of Governors Community Advisory Council^v
6. The Conference of State Bank Supervisors’ Fintech Industry Advisory Panel
7. 110+ industry and nonprofit signatories and endorsers of the Responsible Business Lending Coalition’s *Small Business Borrowers Bill of Rights*^{vi}
8. A dozen member companies of the Innovative Lending Platform Association^{vii}
9. Bipartisan Policy Center^{viii}
10. Former Democratic and Republican SBA Administrators Karen Mills^{ix} and Chris Pilkerton
11. US Treasury officials^x
12. Numerous news articles (e.g. McClatchy, “Even Finance Whizzes Say It’s Impossible to Compare Online Small Business Loan Options.” June 2018)^{xi}

Why is APR so critical? The CFPB website explains that: “The APR, or annual percentage rate, is the standard way to compare how much loans cost. It lets you compare the cost of loan products on an ‘apples-to-apples’ basis.”^{xii} It can be especially useful for comparing different types of financing

products. The CFPB encourages credit seekers comparing short-term payday loans to longer-term installment loans or credit cards to “Focus on APRs.”^{xiii}

Claim: Revenue-based financing companies, also known as “merchant cash advances (MCAs)” can’t calculate APR.

Fact: Some MCA companies already disclose APR. Others advertise their high annualized yields to their investors, but don’t disclose these annualized percentage rates to their small business customers. Soon all revenue-based financing companies will disclose APR in California and New York. Connecticut small businesses deserve the same transparency.

Claim: California and New York regulators haven’t finished their regulations because the topic is complicated.

Fact: Several months ago, the regulations were finalized by California’s Department of Financial Protection and Innovation and submitted to the California Office of Administrative Law for review, which is scheduled to occur in several months. The New York Department of Financial services has stated that they expect their regulations to be finalized in the next few months.

Claim: Studies show that small business owners do not understand APRs.

Fact: Four successive Federal Reserve studies have demonstrated that small businesses are currently misled towards higher-cost financing by disclosures that lack APR, and that APR would be among the most helpful disclosure elements to small business owners.^{xiv}

Claim: Use of estimates in small business truth in lending disclosures will open commercial financing providers to a wave of litigation.

Fact: Estimates are anticipated and acceptable. Senator Proxmire, sponsor of the federal Truth in Lending Act, explained on the floor of the Senate in 1967 that in cases when an exact APR cannot be calculated, the Truth in Lending Act “makes it abundantly clear that lenders need only state an approximate annual rate and would not be held to absolute accuracy down to the last decimal point.”^{xv}

Claim: The bill’s disclosures related to the practice of double-charging borrowers while refinancing their loans is unnecessary, as this practice, called “double dipping,” is not a problem.

Fact: Double dipping is described as an irresponsible practice, even among small business financing providers. See, for example, “Beware: Double Dipping!” by financing company Next.^{xvi}

ⁱ Federal Reserve Board of Governors, “Uncertain Terms: What Small Business Borrowers Find When Browsing Online Lender Websites,” Dec 2019. <https://www.federalreserve.gov/publications/files/what-small-business-borrowers-find-when-browsing-online-lender-websites.pdf>

Federal Reserve Bank of Cleveland, “Alternative Lending through the eyes of ‘Mom & Pop’ Small-Business Owners,” August 2015. <https://www.clevelandfed.org/newsroom-and-events/publications/special-reports/sr-20150825-alternative-lending-through-the-eyes-of-mom-and-pop-small-business-owners.aspx>

Federal Reserve Board of Governors, “Browsing to Borrow: ‘Mom & Pop’ Small Business Perspectives on Online Lenders,” June 2018. <https://www.federalreserve.gov/publications/files/2018-small-business-lending.pdf>

Federal Reserve Bank of Atlanta, “Small Business Credit Survey: Report on Minority-Owned Firms,” Dec 2019. <https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2019/20191211-ced-minority-owned-firms-report.pdf> This study notes that “Minority-owned firms more frequently applied for potentially higher-cost and less-transparent credit products.”

ⁱⁱ See letter in Appendix B:

http://www.borrowersbillofrights.org/uploads/1/0/0/4/100447618/sb_1235_support_coalition_and_rbhc_comment_-_small_business_disclosures_file_no_pro_01-18.pdf

ⁱⁱⁱ <https://www.bloomberg.com/amp/opinion/articles/2018-11-28/confessions-of-judgment-small-business-and-predatory-lending>

^{iv} Board of Governors of the Federal Reserve System, “Remarks by Lael Brainard: Community Banks, Small Business Credit, and Online Lending,” 2015. <https://www.federalreserve.gov/newsevents/speech/brainard20150930a.pdf>

^v See page 7, <https://www.federalreserve.gov/aboutthefed/files/cac-20181005.pdf>

^{vi} <http://www.borrowersbillofrights.org/signatories.html>

^{vii} <https://innovativelending.org/>

^{viii} <https://bipartisanpolicy.org/wp-content/uploads/2018/07/Main-Street-Matters-Ideas-for-Improving-Small-Business-Financing.pdf>

^{ix} http://www.hbs.edu/faculty/Publication%20Files/17-042_30393d52-3c61-41cb-a78a-ebbe3e040e55.pdf

^x <https://www.treasury.gov/connect/blog/Pages/Opportunities-and-Challenges-in-Online-Marketplace-Lending.aspx>, https://www.progressivepolicy.org/wp-content/uploads/2017/11/PPI_SmallBizCredit_2017.pdf,

^{xi} <https://www.mcclatchydc.com/news/nation-world/national/article212491199.html>

^{xii} www.consumerfinance.gov/consumer-tools/credit-cards/answers/key-terms/

^{xiii} www.consumerfinance.gov/ask-cfpb/my-payday-lender-said-my-loan-would-cost-15-percent-but-my-loan-documents-say-the-annual-percentage-rate-apr-is-almost-400-percent-what-is-an-apr-on-a-payday-loan-and-how-should-i-use-it-en-1625/

^{xiv} See note i

^{xv} Senator Proxmire, William, “Congressional Record - Senate,” Jan 1967.

<https://web.archive.org/web/20120415005111/http://www.ilsdc.org/attachments/wysiwyg/544/TILA-LH-CR-1967-01-31.pdf>

^{xvi} See, e.g. <https://next-financing.com/double-dipping/>, and, <https://www.breakoutfinance.com/double-dipping-explained/>

Appendix C

Small Business Truth in Lending

Commonsense transparency standards for small business financing



RESPONSIBLE BUSINESS
LENDING COALITION

November 2021

There is broad agreement

between small business groups, nonprofit CDFIs, for-profit fintech lenders, and civil rights groups on the need for Truth in Lending to be applied to small business financing.



National Urban League



RESPONSIBLE BUSINESS LENDING COALITION



USHCC
UNITED STATES HISPANIC CHAMBER OF COMMERCE





Federal Reserve Bank of Philadelphia President Patrick Harker

September 29, 2017

“
I hear these stories constantly, about a small business in particular getting into a situation where they **didn't quite know what they signed up for**, and then they walk into their community bank and say, 'I've gotta get out of this deal, **it's killing me.**' And so, there are good actors and bad actors...”



Small Business Truth in Lending is More Crucial Than Ever

- The Truth in Lending Act (1968) requires transparent APR disclosure for consumer financing. Unfortunately, it does not apply to most small business financing.
- Over the last decade, some financing companies have begun describing their prices in confusing or misleading ways. Some take advantage of small businesses with offers of fast cash—without disclosing APRs that can be 350%+.¹
- Transparency in the financing market will enable price competition and drive down the cost of capital for small businesses as they rebuild from the impacts of COVID.



¹Opportunity Fund, "Unaffordable and Unsustainable: The New Business Lending on Main Street," May 2016.



Consumer Financial
Protection Bureau

What is APR?

“ The APR, or annual percentage rate, is the standard way to compare how much loans cost. It lets you compare the cost of loan products on an ‘apples-to-apples’ basis. ”

CFPB says

Tip: Focus on APRs. If you want to compare the cost of a payday loan to the cost of an installment loan or a credit card, focus on the APRs.

www.consumerfinance.gov/consumer-tools/credit-cards/answers/key-terms/; www.consumerfinance.gov/ask-cfpb/my-payday-lender-said-my-loan-would-cost-15-percent-but-my-loan-documents-say-the-annual-percentage-rate-apr-is-almost-400-percent-what-is-an-apr-on-a-payday-loan-and-how-should-i-use-it-en-1625/

This is a common small business financing disclosure today.

Should a business owner take this offer, or a 20% APR loan?

1. PURCHASE AND SALE OF FUTURE RECEIPTS

| | |
|---|-----------------|
| Purchase Price: | \$21,500 |
| Purchased Percentage: | 15% |
| Purchased Amount: | \$31,175 |
| Specified Daily Amount (Estimated Average Monthly Sales x Purchased Percentage / Average Business Days in a Calendar Month): | \$174 |

Source: A merchant cash advance contract

This is a common small business financing disclosure today.

Should a business owner take this offer, or a 20% APR loan?

1. PURCHASE AND SALE OF FUTURE RECEIPTS

| | |
|---|-----------------|
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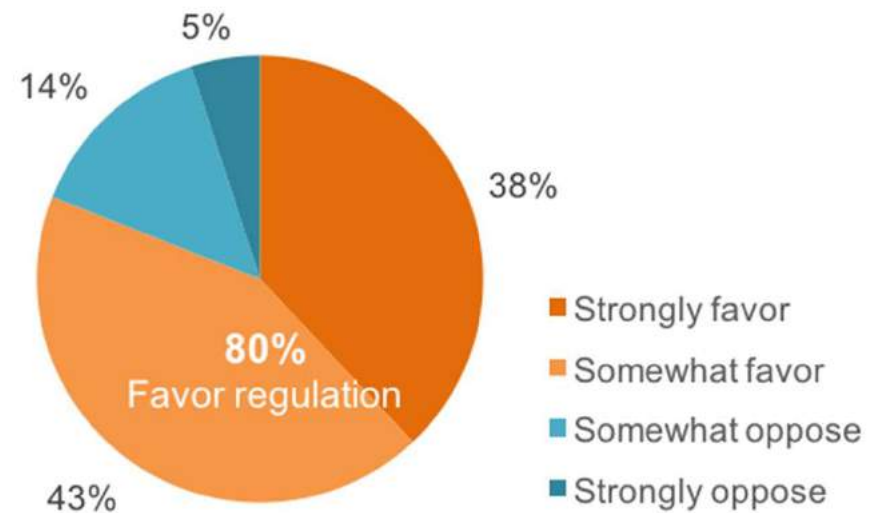
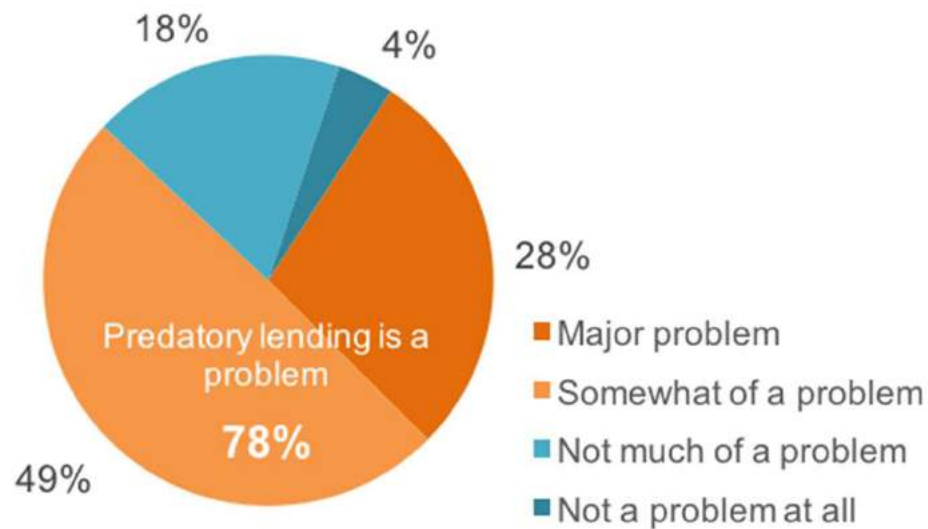
Not disclosed: 127% APR

Source: A merchant cash advance contract



Small Business Owners Want Transparency

Poll: “An overwhelming majority of **8 in 10** small business owners reported that they are in favor of regulating online lenders to ensure interest rates and fees are clearly disclosed to borrowers.”



Poll of 500 small business owners, conducted between Sept 29 and Oct 4, 2017 by Greenberg Quinlan Rosner Research

<https://smallbusinessmajority.org/our-research/access-capital/small-business-owners-concerned-predatory-lending-support-more-regulation-alternative-lenders>



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Research study: “Uncertain Terms: What Small Business Borrowers Find When Browsing Online Lender Websites,” Dec. 2019

What some financing providers (e.g. MCAs) disclose today

What they don't disclose

| Rate advertised on website | Product details | Estimated APR equivalent |
|----------------------------|--|--------------------------|
| 1.15 factor rate | <ul style="list-style-type: none">• Total repayment amount \$59,000• Fees: 2.5% set-up fee; \$50/month administrative fee• Term: none (assume repaid in six months)• Daily payments (assume steady payments five days/week) | Approximately 70% APR |



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Research study: “Uncertain Terms: What Small Business Borrowers Find When Browsing Online Lender Websites,” Dec. 2019

The Fed found that disclosure of “9% simple interest” (another term for “factor rate”) misled small business owners to believe a 46% APR option was less expensive than a 21.9% APR option:

“The non-standard terminology also proved challenging for focus group participants trying to compare online offerings with traditional credit products. For example, when asked to compare a sample short-term loan product with a 9 percent “simple interest” rate to a credit card with a 21.9 percent interest rate, most participants incorrectly guessed the short-term loan to be less expensive.”

| Rate advertised on website | Product details | Estimated APR equivalent |
|-----------------------------------|---|--|
| 9% simple interest (disclosed) | <ul style="list-style-type: none">• Total repayment amount \$54,500• Fees: 3% origination fee• Weekly payments• Term: six-month term | Approximately 46% APR (not disclosed) |

<https://www.federalreserve.gov/publications/files/what-small-business-borrowers-find-when-browsing-online-lender-websites.pdf>



BIPARTISAN POLICY CENTER

Main Street Matters

Ideas for Improving Small
Business Financing

AUGUST 2018



Republican Senator Olympia Snowe



Democratic SBA chief Karen Mills

There is bipartisan agreement:

“ There can also be confusion around some forms of small business credit, called **merchant cash advances**. These products are not classified as loans and, as such, **are not expressed in terms of an APR, making it challenging to compare with other types of credit products.** ”

<https://bipartisanpolicy.org/report/main-street-matters-ideas-for-improving-small-business-financing/>

Bloomberg **Opinion**

Protect Small Businesses From Predatory Lending

By Editorial Board

November 28, 2018, 6:30 AM EST

“ The **best solution** would be for Congress to pass a **truth-in-lending** law for small business, along the lines of the rules that already exist for consumer loans. ”

▶ [Links to Responsible Business Lending Coalition proposal that informed this bill](#)





FEDERAL
RESERVE
BANK
of ATLANTA

**Federal Reserve Small Business Credit Survey:
Report on Minority-Owned Firms**

DECEMBER
2019

“ Minority-owned firms more frequently applied for potentially higher-cost and less-transparent credit products: ”

- Hispanic-owned businesses are about 2x as likely to apply for MCAs, and
- Black-owned businesses are about 2x as likely to apply for factoring financing, compared to White-owned businesses.
- For Black and Hispanic business owners, online lenders are the second most popular source of financing, after banks.

Source: <https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2019/20191211-ced-minority-owned-firms-report.pdf>



Fed Governor Lael Brainard Speech Sept 30th, 2015

“ Some have raised concerns about the high **APRs** associated with some online alternative lending products. Others have raised concerns about the risk that some small business borrowers may have difficulty fully understanding the terms of the various loan products or the risk of becoming trapped in layered debt that poses risks to the survival of their businesses. ”





New York Fed President William Dudley Speech May 8th, 2015



“ There are individuals who try to **take advantage of owners of new businesses** by providing them with poor advice or overcharging them for credit... It would be helpful to have **consistent standards and transparency requirements** for organizations that lend to small businesses. Such standards and requirements exist for lending to households, and I believe the same justification exists to extend these requirements to small businesses. ”

Can merchant cash advances (MCAs) disclose APR?

1. Yes. Some already do disclose APR.



SMARTBOX™
Capital Comparison Tool


This tool is provided to help you understand and assess the cost of your small business finance product.

The Merchant Cash Advance ("MCA") is a purchase of future receivables ("Receivables"), not a loan. If you take the MCA, you will deliver Receivables to us as they are generated by your business (and only if they are generated by your business) and not on any set schedule. There are no fixed or minimum payment amounts and no term or maturity date. In order to compare the cost of the MCA to a loan, SMART Box provides the calculations below based on several assumptions, including that you will deliver the same amount of Receivables each period and that you will deliver all of the Receivables you sold within a predicted period of time. In practice, these amounts will vary. Unlike a loan, this MCA has no payment schedule and no interest rate; your obligation is to deliver Receivables as your business generates them.

| Purchase Price Amount | Disbursement Amount (minus fees withheld) * | Future Receivables Sold | Predicted Delivery Time † |
|---|---|--|---------------------------|
| \$[0] | \$[0] | \$[0] | [] Months |
| METRIC | METRIC CALCULATION | METRIC EXPLANATION | |
| Total Cost of Capital \$[0.00] | Future Receivables Sold minus Purchase Price: \$[0.00] Origination Fee: \$[0.00] Other Fees: \$[0.00] Total Cost of Capital: \$[0.00] | This is the total amount that you will pay, including up-front fees, for capital. The amount does not include fees and other charges you can avoid, such as fees for reversed payments. † It also assumes your business will generate all of the Receivables we are purchasing. | |
| Annual Percentage Rate (APR) ‡ [00.00]% | Assumed [daily/weekly/monthly] delivery of Receivables † : APR: [00.00]% | This is the cost of capital – including fees – expressed as a yearly rate. APR takes into account the amount and timing of capital you receive, fees you pay, and Receivables you deliver. It assumes that your business will generate and deliver the same amount of Receivables each period, and that all of the Receivables will be delivered in the Predicted Delivery Time. While APR can be used for comparison purposes, it is not an interest rate. | |

Can merchant cash advances (MCAs) disclose APR?

1. Yes. Some already do disclose APR.
2. Other MCAs advertise their high annualized yields to their investors, but don't disclose these annualized percentage rates to their small business customers.

- The credit quality of the collateral, the performance of s small business loan and MCA portfolio, and proposed pool.
 - The pool comprises short-term loans and MCAs with a weighted-average remaining term or estimated underwritten turn of approximately [9.55] months.
 - The pool has an expected weighted-average annual return on the collateral pool of approximately 48%, which provides a significant level of first loss protection in the form of excess spread.

Can merchant cash advances (MCAs) disclose APR?

1. Yes. Some already do disclose APR.
2. Other MCAs advertise their high annualized yields to their investors, but don't disclose these annualized percentage rates to their small business customers.
3. Numerous online calculators show that it can be simple to compute APRs for MCAs:

<https://www.nav.com/business-loan-calculators/merchant-cash-advance-apr-calculator/>
<https://www.merchantmaverick.com/merchant-cash-advance-calculator/>
<https://www.fundera.com/business-loans/business-loan-calculators/merchant-cash-advance-calculator>
<https://www.nerdwallet.com/blog/small-business/merchant-cash-advance-small-business/>
<https://www.lendio.com/calculators/embed-mca?affiliate=4247260739>
<https://www.americanmerchantbrokers.com/merchant-cash-advance-calculator.html>

The image shows a screenshot of a web-based calculator titled "MERCHANT CASH ADVANCE APR Calculator". It features four input fields: "Advanced Amount" set to \$20,000, "Payback Amount" set to \$24,000, "% of Future Card Sales" set to 15%, and "Projected Monthly Card Sales" set to \$20,000. A blue "CALCULATE" button is positioned below these inputs. The results section displays: "Daily Payment" of \$100.00, "Daily Interest Rate" of 0.1563%, "APR" of 57.06%, "Repaid in about" 240 days, and "Total Financing Cost" of \$4,000.00. The footer of the calculator interface reads "Powered by nav".

| Input | Value |
|------------------------------|-----------|
| Advanced Amount | \$ 20,000 |
| Payback Amount | \$ 24,000 |
| % of Future Card Sales | 15 % |
| Projected Monthly Card Sales | \$ 20,000 |

| | |
|----------------------|------------|
| Daily Payment | \$100.00 |
| Daily Interest Rate | 0.1563% |
| APR | 57.06% |
| Repaid in about | 240 days |
| Total Financing Cost | \$4,000.00 |

If MCAs don't want to disclose their APRs, why isn't "factor rate" sufficient?

1. "Factor rates" are already being disclosed today. The confusion it is causing small businesses is one reason Truth in Lending is needed.
2. Federal Reserve research has demonstrated that "factor rates" too often misguide small businesses towards higher-rate financing.
3. Unlike APR, "Factor rate" does not enable comparison shopping between products of different term lengths, and it does not include fees.

If MCAs don't want to disclose their APRs, why isn't the total cost, in dollars, sufficient?

Disclosure of total cost in dollars is required in the bill, "finance charge."
But without APR, it's not sufficient because:

1. Dollar cost is already being disclosed today. It has not prevented the borrower confusion described in preceding slides.
2. Dollar cost alone does not enable comparison of the cost of financing options with different term lengths, or of different amounts. As a result, it can mislead applicants towards shorter-term, higher-rate financing.

Dollar cost is insufficient without considering time.
Question: Is a \$15,000 lease cheaper than a \$25,000 lease?



\$15,000 total
6-month lease, 2,000 square feet



\$25,000 total
5-year lease, 1,000 square feet

Dollar cost is insufficient without considering time.
Question: Is a \$15,000 lease cheaper than a \$25,000 lease?



\$15,000 total

6-month lease, 2,000 square feet

\$15 per square foot per year



\$25,000 total

5-year lease, 1,000 square feet

\$5 per square foot per year

To compare the price, you need to know the amount of time you get to use the house for.

Similarly, APR helps you compare the cost of financing over the amount of time you get to use the financing for.

If MCAs don't want to disclose their APRs, why isn't the total cost, in dollars, sufficient?

3. The dollar cost of a single transaction alone does not enable accurate comparison, because MCA customers often renew their short-term financing over and over again, in payday-like cycles of reborrowing.

According to the website of a leading MCA provider:

Approximately 90% of our Merchant Cash Advance clients participate in the program more than once. In fact, the average customer renews about ten times!

The actual decision small business owners are often making is between borrowing a 6-month MCA on an ongoing basis, or using a 3-year loan on an ongoing basis. APR enables small business owners to compare these costs on an apples-to-apples basis.