

SMALL BUSINESS FINANCING TRANSPARENCY ACT

Small businesses play a crucial role in Illinois's economy. Their ability to thrive depends on accessing capital, especially with the challenges posed by the recent economic downturn. Traditional bank financing has become harder to secure, leading many to opt for non-bank commercial lenders. These lenders offer vital financial products like term loans, lines of credit, factoring, and merchant cash advances.

However, the lack of consistent disclosure requirements for these commercial financing products in Illinois makes it difficult for small business owners to navigate and compare offers effectively.



The Truth in Financing Act (TIFA) addresses this issue by mandating clear and understandable disclosures from non-bank commercial lenders. The required disclosures include the total financing amount, disbursement amount, finance charge, APR, total repayment amount, financing term, payment amounts, payment frequency, description of avoidable fees, prepayment fees, and collateral/security requirements.



TIFA standardizes the use of terms like "rate" and "interest" to describe APR and annualized percentage rates, respectively. This ensures consistent language and protects consumers from confusion. The act fosters a fair market by:

- Providing clear disclosures, including APR, for each financing option, enables borrowers to understand the true cost.
- Facilitating apples-to-apples comparisons between financing offers through standardized language for terms, fees, and conditions.

TIFA aims to create a transparent and competitive financial environment, safeguarding small businesses from hidden costs and unsustainable debt cycles.