



MISSOURI HOUSE OF REPRESENTATIVES  
**WITNESS APPEARANCE FORM**

BILL NUMBER: <b>HB 584</b>		DATE: <b>2/21/2023</b>	
COMMITTEE: <b>Financial Institutions</b>			
<b>TESTIFYING:</b> <input checked="" type="checkbox"/> IN SUPPORT OF <input type="checkbox"/> IN OPPOSITION TO <input type="checkbox"/> FOR INFORMATIONAL PURPOSES			
<b>WITNESS NAME</b>			
<b>REGISTERED LOBBYIST:</b>			
WITNESS NAME: <b>ALEX EATON</b>		PHONE NUMBER: <b>573-616-9860</b>	
REPRESENTING: <b>REVENUE BASED FINANCE COALITION</b>		TITLE:	
ADDRESS: <b>330 MARYLAND AVENUE</b>			
CITY: <b>WASHINGTON</b>		STATE: <b>DC</b>	ZIP: <b>20002</b>
EMAIL:	ATTENDANCE:	SUBMIT DATE: <b>2/21/2023 12:00 AM</b>	
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<b>WITNESS NAME</b>		
<b>INDIVIDUAL:</b>		
WITNESS NAME: <b>ARNIE C. "HONEST-ABE" DIENOFF-STATE PUBLIC ADVOCATE</b>		PHONE NUMBER:
BUSINESS/ORGANIZATION NAME:		TITLE:
ADDRESS:		
CITY:		STATE:                  ZIP:
EMAIL: <b>arniedienoff@yahoo.com</b>	ATTENDANCE: <b>Written</b>	SUBMIT DATE: <b>2/21/2023 11:53 PM</b>
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**I am Opposed to this Current Bill at this Time.**



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<b>WITNESS NAME</b>			
<b>REGISTERED LOBBYIST:</b>			
WITNESS NAME: <b>MARY J CHILDS-MAYER</b>		PHONE NUMBER: <b>202-506-7788</b>	
REPRESENTING: <b>THE RESPONSIBLE BUSINESS LENDING COALITION TO PROTECT SMALL BUSINESSES WITH CLEAR FINANCIAL DISCLOSURES INCLUDING APR</b>		TITLE: <b>POLICY AND ADVOCACY FOR SMALL BUSINESSES</b>	
ADDRESS: <b>619 PENNSYLVANIA AVE. SE UNIT 2</b>			
CITY: <b>WASHINGTON</b>		STATE: <b>DC</b>	ZIP: <b>20003</b>
EMAIL: <b>mary@feighan.org</b>	ATTENDANCE: <b>Written</b>	SUBMIT DATE: <b>2/21/2023 10:37 AM</b>	

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\*Emails also sent to all Members of the Financial Institutions Committee\*February 20, 2023Members of the Missouri House Financial Institutions Committee201 West Capitol Avenue-Room 106-BJefferson City, MO 65101RE: Opposition to HB 584 Commercial Financing Disclosure LawDear Chairman O'Donnell, Vice Chairman Thompson, Ranking Minority Member Clemens and Members of the Missouri House Financial Institutions Committee:The Responsible Business Lending Coalition (RBLC) writes today in opposition to the Commercial Financing Disclosure Law (HB 584) as introduced by Representative Bill Owen because the bill in its current form does not require a provider to disclose annual percentage rate (APR) or estimated APR. As are Chairman of the Missouri House Financial Institutions Committee we urge you to oppose the bill in its current form and ask that you support amending the bill to ensure that small business owners seeking financing are protected and have access to the information they need to compare products and make informed decisions.The undersigned organizations are members of the RBLC, a coalition that includes nonprofit and for-profit lenders, FinTechs, CDFIs, investors, and small business advocates who share a commitment to innovations in small business lending that increase access to responsible small business financing and work to combat the rise of non-transparent lending practices. The Small Business Borrowers' Bill of Rights (BBoR) [<http://www.borrowersbillofrights.org/bill-of-rights.html>], developed by the RBLC, represents the first cross-sector consensus on standards of responsible lending to small businesses. Over 100 small business lenders, brokers, and lead generators, and advocacy organizations endorsed these standards. 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 charges2. Annual percentage rate (APR) or estimated APR3. Payment amount and frequency, including the actual or estimated total payment amount per month if payment frequency is other than monthly4. Term or estimated term5. All upfront and scheduled charges6. Collateral requirements7. Any prepayment chargesDisclosure 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. While HB 584 as introduced calls for the disclosure of some key terms, the bill does not require a provider to clearly disclose the term length or estimated term length. The bill also does not require a provider to disclose the APR or estimated APR, which is essential.Currently, the 1968 federal Truth in Lending Act (TILA) 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. APR is key because it is the only established metric that enables informed comparisons between products of different dollar amounts and term lengths over a single, standard unit of time: the year. APR is designed to capture the true cost of capital, taking into account both the interest rate and flat fees. Research indicates that too many small businesses are paying APRs as high as 94%, and or even 350%, without these high rates being properly disclosed. No such standard currently exists to protect millions of entrepreneurs. APR disclosure also allows small business borrowers to make apples-to-apples comparisons across all financing providers and products. Without standardized disclosures from all financing providers, small business owners 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. When small business owners unknowingly take out expensive financing, they can become trapped in cycles of debt that can lead to financial ruin or even closure of their business. Transparency in lending to protect small businesses is essential, but this legislation does not achieve that without APR disclosure. Furthermore, calculating APR is not burdensome for providers or the marketplace. The consumer financing marketplace remains a vibrant, healthy, and competitive marketplace over fifty years after implementation of the consumer Truth-in-Lending Act and APR disclosure. Unlike a loan that accrues interest over time, a small business must pay a factor rate and repayment amount are determined upfront by revenue-based financing providers. Providers can easily calculate APR using common spreadsheet software. Many commercial financing providers across the country already disclose APR without disclosure impeding their operations. Other providers, including revenue-based financing companies, need to disclose annualized yields to their investors without disclosing the true cost of funds, with all fees, for their borrowers. These companies will soon be required to calculate and disclose APR in California and New York. Without the ability to make comparisons across products and providers with terms that small business owners have understood from a a consumer perspective, fair competition would be stifled, and misleading providers gain an advantage. Once comprehensive disclosures are implemented, the only reason that a provider would stop operating is as a natural consequence of market competition. As currently written, the bill does not empower small business borrowers with clear information about the rates and terms of their financing. The bill would reinforce the status quo of inadequate disclosures and small business protections, as well as suppress healthy competition in the commercial financing marketplace. In the attached appendix, we included a document that dispels additional, common claims regarding transparent disclosure requirements. We urge you to amend the bill to include APR disclosure and the estimated term length for the benefit of small business owners in Missouri. Sincerely, The Responsible Business Lending Coalition Aspen Institute | Accion Opportunity Fund | Community Investment Management | Camino Financial | Funding Circle | LendingClub | National Association for Latino Community Asset Builders | Small Business Majority | Opportunity Finance Network



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<b>WITNESS NAME</b>		
<b>INDIVIDUAL:</b>		
WITNESS NAME: <b>MILES ZELLER</b>		PHONE NUMBER:
BUSINESS/ORGANIZATION NAME:		TITLE:
ADDRESS:		
CITY:		STATE:      ZIP:
EMAIL: <b>zellermiles30@gmail.com</b>	ATTENDANCE: <b>Written</b>	SUBMIT DATE: <b>2/21/2023 11:26 AM</b>
<b>THE INFORMATION ON THIS FORM IS PUBLIC RECORD UNDER CHAPTER 610, RSMo.</b>		

I commend you 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 delivering the transparency that businesses need when seeking credit. I urge you to amend the bill immediately so that small businesses in Missouri can get the protections they deserve.



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<b>WITNESS NAME</b>			
<b>INDIVIDUAL:</b>			
WITNESS NAME: <b>SUZANNE IOVALDI</b>		PHONE NUMBER:	
BUSINESS/ORGANIZATION NAME:		TITLE:	
ADDRESS:			
CITY:		STATE:	ZIP:
EMAIL: <b>siovaldi@justinepetersen.org</b>		ATTENDANCE: <b>Written</b>	SUBMIT DATE: <b>2/20/2023 10:23 AM</b>
<b>THE INFORMATION ON THIS FORM IS PUBLIC RECORD UNDER CHAPTER 610, RSMo.</b>			

Justine PETERSEN1023 N. Grand Blvd.St. Louis, MO 63106Monday, February 20, 2023Representative Steve Butz201 W. Capitol Ave, Room 106-BJefferson City, MO 65101RE: Opposition to HB 584Dear Representative Butz:The Name of Organization Justine PETERSEN, in alliance with the Missouri CDFI Network, writes today in opposition to HB 584 in its current form. We commend you 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 delivering the transparency that businesses need when seeking credit. We urge you to amend the bill immediately so that small businesses in Missouri can get the protections they deserve. Clear and easy-to-compare disclosures are paramount as entrepreneurs and small businesses evaluate financing. Missouri has an opportunity to amend this bill to improve fairness and transparency in the financing process, so that entrepreneurs and Missouri businesses can effectively evaluate and choose the best offer(s) available to them. We have worked with the Responsible Business Lending Coalition (RBLC), a network of 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 and work to combat the rise of non-transparent lending practices.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 charges2. Annual percentage rate (APR) or estimated APR3. Payment amount and frequency, including the actual or estimated total payment amount per month if payment frequency is other than monthly4. Term or estimated term5. All upfront and scheduled charges6. Collateral requirements7. Any prepayment chargesDisclosure 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. HB 584 does not include the most critical disclosure term: the annual percentage rate (APR) or estimated APR. Currently, the 1968 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 from finance providers. 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. 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 urge you to amend the bill to include APR disclosure and the estimated term length for the benefit of small business owners in Missouri. Sincerely, Suzanne Iovaldi



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<b>WITNESS NAME</b>			
<b>BUSINESS/ORGANIZATION:</b>			
WITNESS NAME: <b>SUZANNE IOVALDI</b>		PHONE NUMBER: <b>314-710-1879</b>	
BUSINESS/ORGANIZATION NAME: <b>JUSTINE PETERSEN</b>		TITLE: <b>DIRECTOR - QUALITY, POLICY, &amp; ADVOCACY</b>	
ADDRESS: <b>1023 NORTH GRAND BOULEVARD</b>			
CITY: <b>ST. LOUIS</b>		STATE: <b>MO</b>	ZIP: <b>63106</b>
EMAIL: <b>siovaldi@justinepetersen.org</b>	ATTENDANCE: <b>Written</b>	SUBMIT DATE: <b>2/21/2023 12:55 PM</b>	
<b>THE INFORMATION ON THIS FORM IS PUBLIC RECORD UNDER CHAPTER 610, RSMo.</b>			

Dear Representative O'Donnell, The Name of Organization Justine PETERSEN writes today in opposition to HB 584 in its current form. We commend you 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 delivering the transparency that businesses need when seeking credit. We urge you to amend the bill immediately so that small businesses in Missouri can get the protections they deserve. Clear and easy-to-compare disclosures are paramount as entrepreneurs and small businesses evaluate financing. Missouri has an opportunity to amend this bill to improve fairness and transparency in the financing process, so that entrepreneurs and (Name of State) businesses can effectively evaluate and choose the best offer (s) available to them. We have worked with the Responsible Business Lending Coalition (RBLC), a network of 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 and work to combat the rise of non-transparent lending practices. 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. HB 584 does not include the most critical disclosure term: the annual percentage rate (APR) or estimated APR. Currently, the 1968 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 from finance providers. 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. 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 urge you to amend the bill to include APR disclosure and the estimated term length for the benefit of small business owners in Missouri. Sincerely, Suzanne Iovaldi



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<b>WITNESS NAME</b>			
<b>BUSINESS/ORGANIZATION:</b>			
WITNESS NAME: <b>COLLEEN HAFNER</b>		PHONE NUMBER: <b>314-333-7003</b>	
BUSINESS/ORGANIZATION NAME: <b>RISE COMMUNITY DEVELOPMENT; MISSOURI CDFI COALITION</b>		TITLE: <b>CDFI DIRECTOR</b>	
ADDRESS: <b>1627 WASHINGTON AVENUE</b>			
CITY: <b>ST. LOUIS</b>		STATE: <b>MO</b>	ZIP: <b>63103</b>
EMAIL: <b>colleen@risestl.org</b>	ATTENDANCE: <b>In-Person</b>	SUBMIT DATE: <b>2/20/2023 9:54 PM</b>	

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Hello, my name is Colleen Hafner and I work as the CDFI Director for Rise Community Development in St. Louis. We focus our work on ensuring that low and moderate income communities have access to the tools and opportunities needed to strengthen their neighborhoods, build wealth, and transform their futures. We work with CDFIs across the state of Missouri to offer financial products and services tailored to the needs of communities that have traditionally been disinvested, and we ensure that all of our financial tools are paired with services that help build our borrower and customer's financial capacity so they can accelerate their path to financial well-being. With this in mind, the Missouri CDFI Coalition has carefully reviewed the language of HB 584. We believe that clear and easy-to-compare disclosures are paramount as entrepreneurs and small businesses evaluate financing options, including those offered by our own institutions. The Small Business Borrowers' Bill of Rights (BBoR), developed by the Responsible Business Lending Coalition, 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

HB Does not include a requirement for the disclosure of APR. 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 from finance providers. 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. When a small business owner has a transparent set of terms on which to base their borrowing decision, they are poised for stronger growth and more wealth creation for themselves and their families. We urge you to amend the bill to include APR disclosure and the estimated term length for the benefit of small business owners in Missouri.



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<b>BUSINESS/ORGANIZATION:</b>			
WITNESS NAME: <b>COLLEEN HAFNER</b>		PHONE NUMBER: <b>314-333-7003</b>	
BUSINESS/ORGANIZATION NAME: <b>RISE COMMUNITY DEVELOPMENT; MISSOURI CDFI COALITION</b>		TITLE: <b>CDFI DIRECTOR</b>	
ADDRESS: <b>1627 WASHINGTON AVENUE</b>			
CITY: <b>ST. LOUIS</b>		STATE: <b>MO</b>	ZIP: <b>63103</b>
EMAIL: <b>colleen@risestl.org</b>	ATTENDANCE: <b>Written</b>	SUBMIT DATE: <b>2/21/2023 9:42 PM</b>	

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Hello, my name is Colleen Hafner and I work as the CDFI Director for Rise Community Development in St. Louis, which is a member of the Missouri CDFI Coalition. I wish to submit additional testimony on HB 584 to address the methodology for calculating an estimated APR for providers of lending instruments that repay in irregular amounts due to sales fluctuations. This calculation can be made in any computer spreadsheet program. For financing products with payments of differing amounts paid at equal intervals: This may be appropriate for loans with scheduled payments of different amounts, or for merchant cash advances considering sales projections that rise or fall over the payment period and with payments made daily, weekly, bi-weekly, monthly. It can also be used to include periods when charges are compounded but no payment is made. The formula would be entered into the spreadsheet as follows:  $APR = IRR$  (select a series of cells indicating the flow of money, with the disbursed amount in the first cell, followed by cells representing the total payments in each subsequent payment period as negative numbers) \* Number of payment periods in one year to annualize. The lender would need to use its historical sales data collected on the borrower during underwriting to develop these projections. Collecting historical sales data is a standard underwriting practice. Historical data can be modified in underwriting by adjusting assumptions for future growth in conversation with the borrower. These projected revenue figures would drive the projected payment figures needed for the above calculation. New York state's Truth In Lending Bill (S898) and its final rule detail other methodologies that are accepted in the financial services sector for calculating APR on irregular payments and other non-fixed terms. These APR calculation methodologies could be implemented in Missouri to offer borrowers a necessary decision-making tool.