



February 22, 2023

To: Members of the Banking Committee

From: Deveron Gibbons, Executive Director, Revenue Based Finance Coalition

Re: Proposed Senate Bill S.B. No. 1032, An Act Requiring Certain Financing Disclosures

The Revenue Based Finance Coalition (“RBFC”) appreciates the opportunity to testify on Proposed Senate Bill 1032. RBFC members are responsible finance companies that provide needed capital to small- and medium-sized businesses nationwide. Our member companies offer fair and innovative financing and have filled the void created by the decline in small business lending by larger, traditional banks. Our members also include select vendors that provide technology services to the small business finance industry.

The RBFC respectfully submits the attached documents for the Banking Committee’s consideration:

1. The Clear Cost of Capital: An Analysis of Revenue Based Financing Transactions. Senate Bill 1032 requires providers of commercial financing to provide disclosures including an “APR” disclosure. “The Clear Cost of Capital” explains why revenue based financing is an important option for small- and medium-sized businesses and that “APR” is not a useful disclosure for revenue based financing transactions.
2. Virginia HB 1027 (Approved April 11, 2022). In 2022, the Virginia Legislature considered, and rejected, requiring an “APR” disclosure for revenue based financing. Virginia instead enacted a law that requires the following disclosures:
 - The total amount of the financing, and the disbursement amount, if different from the financing amount, after any fees deducted or withheld at disbursement.
 - The finance charge.
 - The total repayment amount, which is the disbursement amount plus the finance charge.
 - The estimated number of payments, which is the number of payments expected, based on the projected sales volume, to equal the total repayment amount.
 - The payment amounts, based on the projected sales volume (i) for payment amounts that are fixed, the payment amounts, frequency, and method or (ii) for payment amounts that

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are variable, a payment schedule or a description of the method used to calculate the amounts and frequency of payments and payment method.

- A description of all other potential fees and charges not included in the finance charge, including draw fees, late payment fees, returned payment fees, and prepayment fees or penalties.
- A description of prepayment policies including whether the recipient will be required to pay any additional fees, penalties, or other amounts not already included in the finance charge, or if the recipient will receive any discount to the finance charge.
- A description of collateral requirements or security interests, if any.
- A statement of whether the provider will pay compensation directly to a broker in connection with the specific offer of sales-based financing and the amount of compensation.

The RBFC respectfully offers Virginia HB 1027 as an example of detailed disclosures that are helpful to business owners without relying on a flawed “APR” disclosure.

Sincerely,



Deveron Gibbons, Executive Director
Revenue Based Finance Coalition