



Proponent Testimony for SB 345 – Commercial Financing Disclosures

March 13, 2024

Chairman Hoheisel and Members of the Committee,

Thank you for the opportunity to testify in support of Senate Bill 345. The Revenue Based Finance Coalition (“RBFC”) is an organization of responsible providers of revenue-based financing to small-and-medium-sized businesses. Our mission is to promote industry best practices and legislation that provides meaningful cost of capital disclosures and access to capital.

Thousands of businesses across the state of Kansas have used the revenue-based financing product to grow their businesses and also deploy capital. After having discussions with our members, RBFC member companies have originated approximately \$36 million to nearly 2,000 businesses in Kansas to date. These numbers are representative of only RBFC member companies and of businesses who utilize the revenue-based financing product, not other types of non-bank commercial financing. However, SB 345 would require a variety of commercial financing products to give uniform disclosures to businesses including providers of term loans, lines of credit, revenue-based financing, and invoice factoring.

Data indicates that industries such as trucking, general contractors, restaurants, auto repair shops, real estate agencies and many other types of businesses in Kansas have utilized RBF successfully. This bill will allow these businesses in Kansas to understand the total cost of small business financing before entering into agreements as well as codifying best practices for the non-bank commercial financing industry.

Senate Bill 345 would standardize disclosures for non-bank financing provided to Kansas small businesses. Responsible providers *already* relay this information to help businesses easily compare providers to find the most advantageous commercial financing for their business:

- **Total Amount of Funds Provided:** The total amount of funds provided to the business under the terms of the financing.
- **Total Amount of Funds Disbursed:** The total amount of funds disbursed to the business if less than the Total Amount of Funds Provided.
- **Total of Payments:** The total amount the business will pay.
- **Total Dollar Cost of Financing:** The total dollar cost of the financing.
- **Payments:** The manner, frequency, and amount of each payment.
- **Prepayment:** A statement of whether there are any costs or discounts associated with prepayment.

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Requiring these disclosures simply codifies best practices and helps eliminate any bad actors.

Senate Bill 345 also would put basic guardrails on commercial financing brokers by:

- Prohibiting brokers from collecting an “advance fee” prior to closing a financing transaction; and
- Prohibiting brokers from engaging in practices that are false, deceptive, or misleading.

Senate Bill 345 would protect Kansas small businesses by giving the attorney general the ability and authority to receive and act on complaints, plus provide for reasonable penalties for violations.

Thank you for the opportunity to submit testimony in support of Senate Bill 345.

A handwritten signature in cursive script that reads "Mary Donohue".

Mary Donohue, Executive Director