

Daily Herald

Small businesses need loan transparency

Letter to the Editor

By State Rep. Mary Beth Canty & State Senator Chris Belt

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As legislators in Springfield, one of the most heartbreaking parts of our job is to listen to constituents tell us about the ways the system has let them down. Some of the most harrowing stories have come from people who've been the victim of predatory financial practices. That's why in 2021, the legislature passed laws to address predatory practices by consumer lenders and to require financial institutions, including mortgage companies, to invest in the communities in which they do business.

This was a stunning victory for Illinois consumers — a victory made possible by a rare show of legislative unity following the murder of George Floyd and other tragedies that shined a light on racial inequities in our state and nation.

However, the package of laws passed that year were not as meaningful for small businesses. Lenders to small businesses today are not even required to disclose the Annual Percentage Rate (APR) of their loans and instead use confusing “factor rates” or “specified percentages” that obscure APR, which

can be over 350%.

We're not accountants or bankers, but, like the vast majority of consumers, we are familiar with APR. If you've ever seen a car commercial or obtained a mortgage, you've encountered APR. That's because APR is the gold standard and has been the legally required metric to enable consumers to make apples-to-apples comparisons between consumer loans since the 1960s. Now it's time that Illinois extends that same transparency to small businesses.

That's why we're fighting in Springfield to pass APRforAll—legislation that would close this loophole and require all lenders to disclose the true cost of their loans to small businesses.

If you're a small business owner who's had a bad experience taking out a loan over the internet, we want to hear from you. Your story can help us show the human cost of the games these lenders play to keep small businesses in the dark. It's time Illinois pass APR for All.