

# The Small Business Truth in Lending Act

April 11, 2023

On February 10, 2023, Illinois State Senator Laura Ellman introduced [SB2234](#), also referred to as the “Small Business Truth in Lending Act” (Act), in the Illinois House of Representatives. The purpose of the Act is to protect business owners from predatory business loans. If passed, the Act creates new compliance requirements for nonbank commercial lenders in Illinois. These requirements include heightened disclosure obligations for lenders in sales-based financing, closed-end commercial financing, open-end commercial financing, factoring transactions, and renewal financing, all of which are further defined in the Act. Additionally, the Act broadens the disclosure obligations to include lenders engaged in “other forms of financing,” meaning a provider extending a specific offer of commercial financing that is not an open-end financing, closed-end financing, sales-based financing, or factoring transaction, but otherwise meets the definition of commercial financing. Notably, the Act also provides the Illinois Department of Financial and Professional Regulation rulemaking authority in the consumer-lending context, which may add to the regulatory burden that consumer lenders in Illinois currently face. If passed, the Act will apply to transactions occurring on or after January 1, 2024.

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