

Credit Card Reform

Small-business owners remain at risk to egregious credit card practices

Problem:

Small-business owners and entrepreneurs are continually looking to credit cards as a source of financing, with newer small firms relying heavily on credit card financing in their early years. Nearly one-third of small firms report they use credit cards as a source of financing, according to NSBA's 2014 Mid-Year Economic Report, however the cards small-business owners typically use still are not fully protected against the most unfair and deceptive credit card practices that were outlawed for consumer cards in 2010.

- Small-business reliance on credit cards has skyrocketed: today, 30 percent of small-businesses owners identified credit cards as a source of funding they had used in the preceding 12 month – in 1993 that number was just 16 percent.
- While at the height of the Great Recession, 64 percent of small firms say the terms of their primary business credit cards had worsened, today, more than one-in-four report worsening terms, this despite economic growth over the past year.
- The average small-business owner pays a 14 percent interest rate on his/her primary business card, and 16 percent pay 20 percent or higher.
- The *Credit CARD Act of 2009* provided many of the safeguards sought by NSBA, however it failed to guarantee explicitly that the safeguards would apply to the cards used by America's small-business owners. Credit card issuers are fully within their legal rights to impose such deceptive practices as double-cycle billing and universal defaults on small-business cards.

Solution:

NSBA supports efforts, led in the House by Rep. Nita Lowey (D – N.Y.), to pass legislation to extend the protections included under the Credit CARD Act to the cards used by small businesses.

- Because the *Credit CARD Act* amended the *Truth in Lending Act* (TILA), the protections technically only apply to consumer and not business cards. While a small-business owner who opens a personal credit-card account and uses it occasionally for business should be covered under TILA, a small-business owner who used her card exclusively or even primarily for business purposes may not be protected.
- NSBA urges Congress to extend the Credit CARD Act protections to employers with 50 or fewer employees, and increase TILA's exemption of cards with credit limits of \$25,000 or more to cards with limits of \$50,000 or more.

Learn More:

[Read NSBA's latest update on efforts to pass the Small Business Credit Card Act.](#)
[Read NSBA's Access to Capital Survey](#)