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Testimony of Eda Henries, Founder & Managing Principal of Henries and Co.

RE: How to protect New York City small business owners from unfair and abusive lending practices

Thank you, Chair Epstein and members of the committee. My name is Eda Henries, Founder & Managing Principal of Henries and Co. I'm also one of 85,000 small business owners who is proud to be a member of Small Business Majority, a national nonprofit organization empowering America's diverse entrepreneurs to build a thriving and equitable economy. Today, I am pleased to submit testimony for the Committee on Consumer and Worker Protection emphasizing the need to protect small businesses from unfair and abusive lending practices.

I am a proud entrepreneur and operate a financial advisory firm focused on small, high-growth companies. Most of my clients generate between \$10 million and \$50 million in revenue. I work essentially as a broker and an advisor who evaluates a business as it stands today, gathers information about the business's goals, and then develops a strategy to help that business raise the growth capital it needs to align with its business plan.

Although I work with highly successful small businesses, nearly every one of my clients has had some experience with predatory lenders. This happens because traditional banks have, by and large, exited the small business lending area, leading to a riskier capital landscape, and leaving the market to be saturated with non-traditional lenders that use unfair and abusive loan terms.

In the last year, unpredictable tariff policies and rising commercial rental rates have made the cost of small business ownership in New York City unbearable for many. Meanwhile, we are seeing unprecedented federal cuts to small business funding and new regulations from the U.S. Small Business Administration that bar non-U.S. citizens from apply for SBA loans, severing many legal, tax-paying residents from the safest and most affordable avenues to capital for small business owners. It is important to note that nearly half of all small business owners in this city are immigrant owned, so the effects of this ruling have vast implications for our economy and community.

The impact of this policy is not abstract—it is immediate and real. I am currently working on an SBA loan application for a client who owns several restaurants here in New York City and employs more than 100 people. My client is a lawful permanent resident, and their spouse is a U.S.-born Army veteran. Their loan was scheduled to close at the end of March. However, because of the arbitrary March 1 cutoff, their lender is now scrambling to salvage the transaction. If this deal falls through, the consequences will not be limited to one business owner. They will ripple outward to more than 100 employees, their families, and the vendors and suppliers who depend on these restaurants.

These issues compounded leave small business owners desperate for cash and more vulnerable than ever to abusive schemes. For example, a small medical practice and client of mine faced severe consequences when it was strapped for cash and accepted a loan from a predatory lender that eventually seized insurance reimbursement payments from the practice to service loan debt, leaving them in a worse financial spot than when they started and struggling to pay for basic necessities like vaccines and payroll.

This story is not unusual. And what my client experienced wasn't illegal here in New York. These often confusing lending arrangements skirt around traditional regulations to trap entrepreneurs into a debt cycle, with little ability to break free. The lack of disclosures, enormous payment requirements and unclear contracts can result in instances where a loan of less than \$200,000 leads to daily payments of \$1,000.

These predatory loans can lead to disruptions in business operations, closures and even personal bankruptcy because for many small business owners, business credit is tied to the owner's personal credit and finances. Personal bankruptcy resulting from a predatory loan is not the American Dream.

New York has been the leading state when it comes to protecting small businesses from predatory loans, but the work is not complete. We must go further. We must not allow bad actors in the lending space to act without guardrails or in abusive, unfair ways. To continue to help ensure that our small business community can grow and thrive, we must provide it with meaningful protections from abusive practices by these lenders, vendors and other predatory businesses.