

**Testimony in favor of SB 362 (Grayson)
Senate Banking & Financial Institutions Committee**

April 2, 2025

**Bianca Blomquist
California Director, Small Business Majority**

Thank you, Chair Grayson and Members of the Committee:

My name is Bianca Blomquist, and I'm the California Director for Small Business Majority, a national small business organization that empowers America's entrepreneurs to build a thriving and equitable economy. My testimony today seeks to underscore the importance SB 362, a bill introduced by Chair Grayson that would strengthen California's truth in lending laws by creating a more coherent disclosure framework resulting in small businesses receiving better information as they shop for loans.

California made waves in 2018 by passing the nation's first-ever truth in lending law for small businesses (SB 1235). California has become a champion for small businesses; however, more is needed to ensure that our state's entrepreneurs are properly protected when shopping for financing. In particular, the current statute that allows providers to calculate the estimated annual percentage rate (APR) for certain forms of financing is too broad, and results in systemic underestimating of APRs, misleading small business owners entering into agreements they cannot afford. SB 362 creates a reporting mechanism that allows the California Department of Financial Protection and Innovation (DFPI) to evaluate the actual vs. estimated APRs disclosed by a provider, to prevent rigging of estimates that hurt small business owners. This bill would require providers to disclose the estimated APR throughout the offering process, wherever details of the financing offer are mentioned to business owners.

This legislation would make a significant difference to small business owners who are seeking capital to grow their business. I'd like to share a brief story about a business owner in our network who would have benefited from this proposal.

PJ Rosch is the owner of The Little Red Dog, a non-profit dog rescue in Lake Forest, California, and is a victim of this regulatory gap. Last year, PJ accepted a substantial loan from World Business Lenders (WBL) to keep her business afloat. What PJ didn't know is that WBL uses several tactics to exploit small business, including bait-and-switch APRs. In fact, two days before closing, WBL changed the terms of PJ's loan, introducing a predatory interest rate at 36% with a \$350,000 balloon payment and weekly payments of about \$4,600; they also held back \$140,000 of the loan proceeds for their interest payments. Ultimately, PJ fell behind on payments, allowing WBL to auction off her house, which she had used as collateral.

PJ's situation is still dire but stable for now. She declared bankruptcy to save her house and liquidated her retirement accounts to support the 92 dogs currently in her shelter. But she's far from out of the woods given that she now owes more than \$1 million to World Business Lenders.

What happened to PJ has happened to others and will happen again until California lawmakers recognize that entrepreneurs need more protection from bad loans.

Small business owners are experts in their business. They don't have the experience or resources to sort through complex lending products designed to fool them, nor do they always have the ability to say no to money that comes with devastating strings attached because they have been left behind by traditional banks.

Our state's small businesses are the life blood of our communities and essential to our economy. California must do everything it can to protect our state's small business owners from predatory lending practices. We thank you, Chair Grayson, for introducing this legislation and urge the committee to support SB 362. Thank you for your time.

Sincerely,

Bianca Blomquist
California Director
Small Business Majority