SMALL BUSINESS MAJORITY

STATEMENT FOR THE RECORD BEFORE THE CALIFORNIA STATE ASSEMBLY COMMITTEE ON BANKING AND FINANCE

April 23, 2026
Paloma Corona

Thank you, Chair Valencia, Vice Chair Chen and Members of the Committee:

My name is Paloma Corona, and I am the owner of Little Sprouts Language Immersion Preschool in Los Angeles. I appreciate the opportunity to share how California lawmakers can protect small businesses from abusive commercial financing practices through AB 2116.

I opened my language immersion preschool in Los Angeles at the beginning 2020, just before the pandemic hit. I had years of experience in the childcare industry and had everything planned to start my business. What I could not predict, however, was the onset of a pandemic that shut everything down, forced people to stay home, and limited the need for childcare. I was somehow able to make it through my first years of business, but I became desperate for funding just a few years later when I began having to use my personal savings to cover business expenses. I needed urgent relief but wasn't aware of all the predatory actors in the small business lending space.

After an online search, I found what I thought was a credible lender, and I took out a merchant cash advance to cover my rapidly growing costs. What I learned after signing the agreement was that the loan had an undisclosed daily interest rate of 13%, an annual percentage rate that I estimated to be 235%, and daily payments of $117.

I have since connected with resources and business support organizations that have taught me my story is not unique and that the lender I used was engaging in predatory practices.

AB 2116 proposes to expand the California Consumer Financial Protection Law (CCFPL) to protect small businesses from abusive commercial financing practices. It would require commercial financing providers to register with the state, prohibit "confessions of judgment," and enforce stricter disclosure rules.

While I am an expert in providing childcare and early childhood learning, I am not a lawyer or a CPA, and neither are most small business owners. Lenders and brokers like the one I mentioned previously take advantage of this fact. They target small businesses like mine in desperate times, using economic recessions and unexpected business expenses to their advantage.

This year, 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 applying for SBA loans, severing many legal, taxpaying residents from the safest and most affordable avenues to capital for small business owners. These cuts, combined with a burgeoning economic crisis brought on by war overseas and unpredictability in Washington, will leave more small business owners in need of cash infusions and create a gap in the lending market that will undoubtedly be filled by predatory actors.

It is essential that California lawmakers take action to protect our state's job creators and pass AB 2116.

Thank you,

Paloma Corona
Owner, Little Sprouts Language Immersion Preschool
Los Angeles