



March 15, 2018

Senator Steven M. Glazer
State Capitol, Room 5108
Sacramento, CA 95814

RE: SB 1235 - SUPPORT

Dear Senator Glazer,

As a representative of the 28 million small businesses in America and the more than 3.5 million in California, Small Business Majority writes today in support of SB 1235, which would standardize disclosure of financing terms offered to small businesses to better inform borrowers about the financial implications of their loan offers. We believe this bill is an important step towards helping small business borrowers more safely access responsible sources of capital.

Small Business Majority is a national small business organization with offices throughout California, founded and run by small business owners to focus on solving the biggest problems facing small businesses today. We actively engage small business owners and policymakers in support of solutions that promote small business growth and drive a strong economy. A key component of our work involves outreach and education to small business owners on a range of small business issues, including access to capital, healthcare, retirement security and more.

We are also founding members of the Responsible Business Lending Coalition (RBLC), a network of for-profit and non-profit lenders, brokers and small business advocates committed to making credit more accessible and protecting small business borrowers from predatory and irresponsible lending practices. Through the RBLC, Small Business Majority has worked to develop the Small Business Borrowers' Bill of Rights, which identifies six fundamental rights we believe all small business borrowers seeking financing deserve along with specific practices lenders should abide by in order to uphold those rights.

Through our work, we know that access to capital is a top concern for small business owners. Indeed, Small Business Majority's polling has found that 90% of small business owners agree that the availability of small business loans is a problem. While online lending and other newer types of financing are moving to fill this gap, many of these new types of financing are unregulated and can often have predatory terms. Another recent poll by Small Business Majority found that predatory lending is a particular concern for California small business owners. An overwhelming majority of 71% feel that while online small business lending has opened up new sources of capital for small business owners, these lenders should be regulated to ensure small business borrowers are protected from predatory practices. What's more, an overwhelming majority of 8 in 10 California small business owners reported that they are in favor of regulating online lenders to ensure interest rates and fees are clearly disclosed to borrowers.

SB 1235 would do just that. Specifically, the proposed legislation defines "commercial financing" transactions as a commercial loan, line of credit, merchant cash advance or receivables/factoring financing, and creates disclosure requirements for these types of transactions. Loan characteristics such as total amount of financing, APR or estimated APR, total monthly payments, total cost of financing, pre-payment policies, term length and annualized interest rate are among the terms that would have to be disclosed at the time that a loan offer is made. The borrower would have to sign a document certifying these terms had been disclosed at the time financing is closed. These

requirements would give small businesses the ability to make informed borrowing decisions and protect them from unsafe or predatory lenders.

Alternative lending has the potential to spur growth and innovation in the small business community, but regulations are needed to ensure small business borrowers are protected from predatory lenders and that they have the information they need to make the best decision for their business. SB 1235 will extend important protections to small businesses by requiring financiers provide transparent lending terms before a loan is disbursed.

We support any legislation that will help entrepreneurs thrive, and SB 1235 will do just that.

Sincerely,

Mark Herbert, Small Business Majority
California Director