



April 13, 2022

The Honorable Cottie Petrie-Norris
California State Assembly, AD 74
P.O. Box 942849
Sacramento, CA 94249

Re: AB 2314 (Petrie-Norris) Small Business Borrower Bill of Rights - SUPPORT

Dear Assemblymember Petrie-Norris,

Small Business Majority writes in strong support of AB 2314, which would require any commercial financing products that leverage state funding—such as loan guarantee programs—to include several financing rights and protections for small business borrowers.

Small Business Majority is a national small business organization that empowers America's diverse entrepreneurs to build a thriving and equitable economy. We engage our network of more than 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth. Our work is bolstered by extensive research and deep connections with the small business community that enable us to educate stakeholders about key issues impacting America's entrepreneurs, with a special focus on the smallest businesses and those facing systemic inequities. Additionally, Small Business Majority is a founding member of the Responsible Business Lending Coalition (RBLC), the leading cross-sector voice on small business financial protection.

The California Capital Access Program for Small Business (CalCAP) and the California Infrastructure and Economic Development Bank's (iBank) Small Business Loan Guarantee Program (SBLGP) are programs funded by the State Small Business Credit Initiative (SSBCI). They are both loan reserve programs that encourage lenders to loan money to small businesses that have difficulty obtaining financing.

Thanks to new and innovative online financial products, many small businesses in California have a new lifeline that provides smaller, yet vital cash flow that banks often cannot provide. However, due to a lack of regulation, many bad actors purposely hide critical information that small businesses rely on to raise capital, unexpectedly leaving them mired in debt. Borrowers deserve transparent information to make educated decisions that are important to their cashflow and lifeline. According to [our polling](#), nearly 8 in 10 (79%) small business owners support a law to require certain disclosures for small business loan products, including APR, total cost of capital and all fees and prepayment penalties, in a uniform standard.

To address this, AB 2314 requires lenders that utilize SSBCI money through CalCAP and the SBLGP to implement the following critical protections for small business borrowers:

- Prohibits “confessions of judgment,” which is a contractual clause that allows the creditor to obtain a judgement against the debtor if repayment fails.
- Prohibits “double dipping,” a practice in which a lender issues new credit to refinance prior credit without forgiving a portion of the fee.
- Prepayment charges and penalties should be disclosed during a loan offer and at payment

- Repayment funds from a 3rd party must be considered as equivalent to the borrower.
- Quick information regarding prepayment must be sent to the borrower.
- Loan repayment information must be sent to credit bureaus and lenders must consult credit data when underwriting loans.
- Loans should only be given to those who can reasonably pay it back.

To best promote transparency and fairness for small business lenders, Small Business Majority is proud to stand in strong support of AB 2314.

Sincerely,

A handwritten signature in black ink, appearing to read "Bianca Blomquist". The signature is fluid and cursive, with a long horizontal stroke at the end.

Bianca Blomquist
California Policy Director
Small Business Majority