



May 8, 2018

Senator Emil Jones, III
Chair, Licensed Activities and Pensions Committee
121D Capitol Building
Springfield, IL 62706

RE: Regulatory Sandbox Act - Oppose (HB 5139)

Dear Senator Jones,

As a representative of the 28 million small businesses in America and the more than 1.2 million in Illinois, Small Business Majority writes today in opposition to the Regulatory Sandbox Act (HB 5139), which would permit a range of financial institutions to test unlicensed financial products on consumers, including entrepreneurs. We believe this legislation would open up small business owners and entrepreneurs to predatory lending practices.

Small Business Majority is a national small business education and policy organization, with an office in Chicago representing Illinois entrepreneurs, 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 and inclusive economy. A key component of our work involves outreach and education to small business owners on a range of small business issues, including healthcare, retirement security, access to responsible capital 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. Our polling found almost [3 in 4 small business owners](#) (74%) feel that these lenders should be regulated to ensure small business borrowers are protected from predatory practices. What's more, 80% of small business owners are in favor of regulating online lenders to ensure disclosure of loan terms, which makes sense given that 78% of small business owners feel that high interest, high fee products offered to small businesses are a problem.

We support efforts that seek up to open up new avenues of responsible lending for small businesses. However, rather than addressing these concerns, we believe enacting HB 5139 would be a setback for small business borrowers by allowing financial products that would normally be subject to licensing requirements and regulations to operate freely. The bill language lacks strong disclosure requirements or provisions promoting transparency, and this lack of clarity opens the door to predatory lending. We are concerned small business borrowers will bear the costs of these "experiments" under the regulatory sandbox, with no ability to recover losses if the financial product turns out to be predatory.

Small business owners need clarity when making important financial decisions about their business. Rather than promoting more responsible lending options for our state's entrepreneurs, HB 5139 would cause confusion and risk. We encourage you not to open the door for predatory lending by passing this bill, and instead consider small business support for policies that promote access to safe, responsible lending.

Sincerely,
Geri Aglipay, Midwest Outreach Manager
Small Business Majority