



August 8th, 2024

The Honorable Member Buffy Wicks  
Chair, Appropriations Committee  
1021 O Street Sacramento, CA 95814

The Honorable Member Kate Sanchez  
Vice Chair, Appropriations Committee  
1021 O Street Sacramento, CA 95814

**RE: SUPPORT for SB 1286 (Min)**

Dear Chair Wicks, Vice Sanchez, and members of the Appropriations Committee,

The Responsible Business Lending Coalition (RBLC) is an organization of for-profit and nonprofit voices dedicated to responsible innovation in small business financing. We represent over one thousand small business groups, for-profit financing providers, nonprofit CDFIs, and nonprofit community advocates, as well as tens of thousands of small businesses themselves. Across our many differences, we all agree that small business owners deserve to be treated fairly, without harassment, unfounded threats, or lies during the financing collections process. And so, we urge you to pass SB 1286.

The risks that entrepreneurs take are the source of California's economic vitality. When a small business owner's best laid plans fail, they must repay financing through a collections process. California's economy depends on those small business owners repaying what they owe, then getting back up and starting a new business. If business owners are harassed, bullied, and humiliated in ways that are already illegal in consumer lending, and they do not continue as serial entrepreneurs, our economy suffers as well.

Unfortunately, abusive collection practices have become common in small business financing, as part of the rise of irresponsible practices in our sector since the 2008 crisis. Some of these collection practices have been described in the press with titles including: "The Predatory Lending Machine Crushing Small Businesses Across America."<sup>1</sup>

As responsible financing providers, we can attest that abusive collections practices harm not only business owners, but also fair competition. When some companies use these unethical means to extract a competitive advantage, responsible lenders can be at a competitive disadvantage unless they adopt the same unethical practices. SB 1286 sets a fair standard for competition by prohibiting things like lying, calling the borrower's relatives to humiliate them, calling the borrower repeatedly in the middle of the night, and so on.

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<sup>1</sup> Mider, Faux, Ingold, and Pogkas, "The Predatory Lending Machine Crushing Small Businesses Across America," Bloomberg Businessweek, 2016.



Our organization did not take a position on this bill when it was first introduced. Our members, which include for-profit financing companies, needed time to analyze SB 1286 to consider whether it would create a difficult compliance burden. They found that it does not. In fact, our members shared that they generally comply with SB 1286's requirements already. The exception to this was several specific, affirmative requirements to provide notices to borrowers, which some of our members found would be new, but not onerous.

The fact that responsible financing companies already largely comply with the requirements of SB 1286 is not a surprise. The essence of compliance with SB 1286 is already required under the *Small Business Borrowers' Bill of Rights*, an industry/nonprofit consensus set of responsible lending standards published by the Responsible Business Lending Coalition in 2015.<sup>2</sup> Over 90 lenders and other organizations have voluntarily attested that they abide by this set of standards.<sup>3</sup> It includes a provision that lenders "Abide by the spirit of the Fair Debt Collection Practices Act and provide borrowers similar protections as described in that Act." SB 1286 moves towards that standard law by applying California's version of the Fair Debt Collection Practices Act to small business owners who have taken out business debt in their own names, as consumers.

We urge your support of SB 1286. If we can be of any assistance in considering this important bill, please don't hesitate to me at [Louis@BorrowersBillOfRights.org](mailto:Louis@BorrowersBillOfRights.org).

Thank you for your consideration,

Louis Caditz-Peck

A handwritten signature in blue ink, appearing to read "Louis Caditz-Peck", is written over a light blue circular stamp.

Executive Director, The Responsible Business Lending Coalition

Members include:

- Opportunity Finance Network
- Camino Financial
- Bluevine
- Accion Opportunity Fund
- Community Investment Management
- National Community Reinvestment Coalition
- National Association of Latino Community Asset Builders (NALCAB)
- Small Business Majority
- Aspen Institute

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<sup>2</sup> <http://www.borrowersbillofrights.org/bill-of-rights.html>

<sup>3</sup> <http://www.borrowersbillofrights.org/signatories.html>