



August 8, 2024

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

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

RE: Broad SUPPORT for SB 1482 (Glazer/Limon) - Commercial Financing

Dear Chairwoman Wicks and Vice Chair Sanchez,

On behalf of an industry/nonprofit coalition representing over 1,000 for-profit financing companies and nonprofit advocates for economic opportunity, as well as thousands of small business owners, we offer our strong support for SB 1482.

Over the last fifteen years, practices from payday lending the pre-crisis subprime mortgage lending have become common in small business financing. SB 1482 plugs holes in California’s legal framework that are enabling some irresponsible brokers and financing companies to take advantage of small businesses. The scale of the problems this bill addresses are significant: hundreds of thousands of California small

businesses use the types of financing covered by SB 1482, which the Federal Reserve describes specifically as “potentially higher-cost and less transparent credit products.”¹ The practices that SB 1482 would help stop have been described by Businessweek as, “the predatory lending machine crushing small businesses across America.”²

SB 1482 will generate revenue for California by helping small businesses become more profitable, generating corporate and personal income taxes as well as sales taxes. California’s initial investment in SB 1482’s programs will be fully recouped if they help preserve only 0.34% of the revenue of small businesses who obtain this non-loan financing. Additionally, the fiscal cost will be recouped over time by the registration fee revenue that SB 1482 will generate.

SB 1482 will help address two problems:

- 1) **The “wild west” of small business brokering** – Small businesses today are routinely “steered” by brokers into financing that pays the broker the highest fee while charging the small business an unnecessarily high rate. This broker “steering” of borrowers into more expensive financing echoes one of the causes of the subprime mortgage crisis. In fact, investigative reports have shown that many subprime mortgage brokers who lost their mortgage licenses simply moved over to the unregulated “wild west” of small business financing.³

SB 1482 provides a basic level of oversight over small business brokers by establishing a registration framework. Once DFPI is given information about what brokers are operating in California, it will be able to provide some protection to small businesses who are mistreated.

- 2) **Unfair financing practices in the shadows** - While small business loans are subject to licensing and oversight by DFPI, similar financing products that purport not to be loans evade these requirements and operate in the shadows. Additionally, CA’s 2022 ban on “confessions of judgment” (SB 688) is being circumvented by functionally equivalent legal devices used to take money straight from small businesses bank accounts without legal recourse. And “confidentially clauses” are being used to bully small businesses into keeping silent after they are victimized.

SB 1482 will catalyze good lending to small businesses by preventing bad-actor financing companies from taking unfair advantage of their competition, and of small business customers.

Some high-priced financing trades have opposed this bill. Their concerns may boil down to this warning about SB 1482, written in a trade publication of the high-priced small business financing industry: “*That’s right, no more flying under the radar!*”⁴

As for-profit financing companies ourselves, as well as nonprofit advocates and small business owners, we encourage you to create a fair financial marketplace where good actors compete fairly, and small businesses thrive.

¹ See e.g. Federal Reserve, “Small Business Credit Survey Report on Minority-Owned Firms,” December 2019. <https://perma.cc/XA9B-WRAG>;

² Faux, Zeke, “Sign Here to Lose Everything: The Predatory Lending Machine Crushing Small Businesses Across America,” Bloomberg Businessweek. <https://www.bloomberg.com/graphics/2018-confessions-of-judgment/>

³ See e.g. “Brokers Get Big Commissions for Selling Entrepreneurs Costly Loans,” Bloomberg Businessweek, (2014). <https://www.bloomberg.com/news/articles/2014-03-31/brokers-get-big-commissions-for-selling-entrepreneurs-costly-loans>

⁴ “California SB 1482: What Commercial Financing Providers Need to Know,” Funder Intel, (2024). <https://www.funderintel.com/post/california-sb-1482-what-commercial-finance-providers-need-to-know>

Sincerely,

Heidi Pickman, CAMEO Network

Bianca Blomquist, Small Business Majority

Louis Caditz-Peck, Responsible Business Lending Coalition

Members include:

Accion Opportunity Fund

Opportunity Finance Network

Camino Financial

Bluevine

Community Investment Management

National Community Reinvestment Coalition

National Association of Latino Community Asset Builders (NALCAB)

Small Business Majority, and

Aspen Institute

Bulbul Gupta, Pacific Community Ventures

Carmen Herrera Mansir, El Pajaro Community Development Corporation

Cassandra D. Little, Fresno Metro Black Chamber of Commerce

Cathy Rodriguez Aguirre, Sacramento Hispanic Chamber of Commerce

Doug Smith, Inclusive Action for the City

Everett Sands, Lendistry

Gerry Palon, Coalition of Filipino American Chambers of Commerce

Kevin Stein, RISE Economy

Lamar Heystek, ASIAN, Inc.

Livermore Chamber of Commerce

Louis Caditz-Peck, National Community Reinvestment Coalition

Melanie Morelos, The Greenlining Institute

Pamela Deans, Micro Enterprise Collaborative of Inland Southern California

Rani Langer-Croager, Uptima Entrepreneur Cooperative

Ritu Mahajan, Public Counsel

Robert Herrell, Consumer Federation of California

Sharon Miller, Renaissance Entrepreneurship Center

Sherry Souza, Livermore Chamber of Commerce

Tate Hill, Access Plus Capital

Ted Mermin, California Low-Income Consumer Coalition

William Kell, UC Berkeley Law New Business Community Law Clinic

CC:

The Honorable Senator Steve Glazer

The Honorable Senator Monique Limon