Federal & State Policy Platform

Webinar
January 31, 2018
Goals for the Webinar

1. Overview of the Responsible Business Lending Coalition (RBLC) and *Small Business Borrowers’ Bill of Rights*
2. Federal Policy Agenda
3. State Policy Agenda
   - Examples of State & Local Advocacy
4. Opportunities for Collaboration & Access to Policy Resources
5. Questions & Discussion
Who We Are

• A coalition of for-profit and non-profit lenders, brokers, and small business advocates

• Coalition members share a commitment to innovation, accessible small business credit, and predatory lending prevention

• Creators of the Small Business Borrowers’ Bill of Rights (BBoR), a cross-sector consensus on the rights that small business owners deserve and what lenders and brokers can do to uphold those rights
1. The Right to Transparent Pricing and Terms

2. The Right to Non-Abusive Products

3. The Right to Responsible Underwriting

4. The Right to Fair Treatment from Brokers

5. The Right to Inclusive Credit Access

6. The Right to Fair Collections Practices
History & Three-Pronged Approach

History:
• 90 organizations signed on since 2015 as either signatories or endorsers
• **Signatories** are lenders, brokers, or credit marketplace
• **Endorsers** are supporters of the BBoR Principles, but are not lenders

Approach:
• Influence industry practices
• Educate and influence policy makers
• Help business owners identify responsible lenders
Signatories
These lenders, brokers, and marketplaces have taken a stand for small businesses by attesting that they abide by the BBoR.

Endorsers
These organizations do not lend but they care deeply about responsible business lending and actively support the BBoR as endorsers.
Access to Policy Resources & Advocacy Opportunities
Registration Poll

State/Local Advocacy Activity

Federal Advocacy Activity

High  Moderate  Low  Little to none

High  Moderate  Low  Little to none

Responsible Business Lending Coalition
Federal Policy Platform
1. Obfuscation of very high financing costs
2. Misaligned incentive between lenders and borrowers
3. Double-charging borrowers when loans are renewed by “double dipping”
4. Mismatch between financial product’s use as suggested to the borrower and actual use behavior encouraged by the lender
5. Hidden prepayment charges
6. Misaligned broker incentives steering small businesses into expensive products
7. “Stacking” of too much debt
8. Lack of legal protections in collections, and
9. Need for financial inclusion
1. Create a Truth in Lending Act for Small Businesses

- **Required Disclosures**: APR, all upfront and scheduled charges, loan amount, total amount provided to the borrower after deducting fees or charges, payment amount and frequency, total monthly payment amount (if payment frequency is other than monthly), collateral requirements, and any prepayment charges.

- **Manner of Disclosure**: Required in writing, at the “offer” stage (vs. at closing), in a form that is clear, complete, and easy to compare with other options

- **Prohibit Abusive Practices**: Including “double dipping” and hidden prepayment charges

- **Applicability**: “Small business financing” could be defined as commercial financing (including cash advances) below $1M, excepting financing to businesses with $10M annual revenue or more
2. Support implementation of Dodd-Frank Act Section 1071

RBLC’s recommendations focus on:

1. Encouraging implementation of 1071, to spur innovation in small business lending, especially for underserved small businesses.

2. Ways to prevent undue regulatory burden
   - Example: Data collected should include not only whether financing was offered, but also at what terms, potentially including APR, outstanding balance, collateral requirements. NAICS and census tract should be optional, not required.
   - More detailed recommendations in RBLC letter to CFPB.
3. Support Modernization of IRS Technology Used to Share Tax Returns with Lenders

• A simple technology upgrade to instantly process IRS form 4506-T can increase access to capital and make borrowing easier, lower cost, and safer.

• The “IRS Data Verification Modernization Act of 2017” has been introduced in both House (HR 3860) and Senate (S 1958) has been introduced with bipartisan co-sponsors.
State Policy Platform
1. Create a Truth in Lending Act for Small Businesses

- **Required Disclosures**: APR, all upfront and scheduled charges, loan amount, total amount provided to the borrower after deducting fees or charges, payment amount and frequency, total monthly payment amount (if payment frequency is other than monthly), collateral requirements, and any prepayment charges.

- **Manner of Disclosure**: Required in writing, at the “offer” stage (vs. at closing), in a form that is clear, complete, and easy to compare with other options.

- **Prohibit Abusive Practices**: Including “double dipping” and hidden prepayment charges.

- **Applicability**: “Small business financing” could be defined as commercial financing (including cash advances) below $1M, excepting financing to businesses with $10M annual revenue or more.
2. Reign in the Wild West of Small Business Brokers

- Require small business brokers to register with the State.
- Disclose to borrower all compensation they would receive from products they suggest.
- Establish a “duty of care” brokers will exhibit, as enacted in mortgage law to address the same problems.
3. Pass a State-Level Resolution Supporting the BBoR

Support from state legislatures and policymakers signals that they are paying attention to predatory lending in the small business space.
States Are Taking The Lead

Illinois and New York have taken steps to reign in abusive practices.

• In 2016, the Small Business Lending Act was introduced in the Illinois legislature. The bill intended to address predatory practices from online lenders offering small business loans.

• NY passed Bill A10259A in 2017 requiring, the Dept of Economic Development to educate small businesses about concerns of predatory lending. They created: https://esd.ny.gov/small-business-loan-resources, which leads with on content from Venturize, a Bill of Rights signatory.

Get your state involved!
Advocacy Opportunities and Resources

• Policy Recommendations and other resources available online
  • www.borrowersbillofrights.org/RBLC

• We want to hear from you!
  • Your current advocacy efforts
  • Opportunities to promote responsible business lending and the Rights

• Subscribe to our newsletter for future policy updates
  • Email info@borrowersbillofrights.org
Questions & Discussion