

Small Business Borrower Bill of Rights – AB 2314 (Petrie-Norris)
Please submit your support letter on your organizational letterhead
through the on-line portal (<https://calegislation.lc.ca.gov/Advocates/>)
and email a copy to Byron.briones@asm.ca.gov

DATE

The Honorable Cottie Petrie-Norris
California State Assembly, AD 74
P.O. Box 942849
Sacramento, CA 94249-0074

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

Dear Assemblymember Petrie-Norris:

On behalf of [Organization], I write 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 borrowers.

The Responsible Business Lending Coalition (RBLC) is a network of lenders, investors, and small business advocates that created the first cross-sector consensus on the rights small business owners deserve and what lenders can do to uphold them. They include the following:

1. The Rights 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 and Lenders
5. The Right to Inclusive Credit Access
6. The Right to Fair Collection Practices

In 2018, Governor Brown signed SB 1235 (Glazer) into law which established the first right to transparent pricing and terms in the Small Business Borrowers Bill of Rights (SBBBR).

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 cashflow 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.

To address this, AB 2314 requires lenders that utilize SSBCI money through CalCAP and the SBLGP to implement policy versions of the SBBBR through the following:

1. Prohibits “Confessions of Judgment” which is a contractual clause that allows the creditor to obtain a judgement against the debtor if repayment fails.
2. Prohibits “double dipping,” a practice in which a lender issues new credit to refinance prior credit without forgiving a portion of the fee.
3. Prepayment charges and penalties should be disclosed during a loan offer and at payment
4. Repayment funds from a 3rd party must be considered as equivalent to the borrower.
5. Quick information regarding prepayment must be sent to the borrower.
6. Loan repayment information must be sent to credit bureaus and lenders must consult credit data when underwriting loans.
7. Loans should only be given to those who can reasonably pay it back.

To best promote transparency and fairness for small business lenders, [Organization] is proud to stand in strong support of AB 2314.

Sincerely,

[Signature]

[Title]