



March 15, 2023

The Honorable Senator Steve Glazer  
State Capitol  
Sacramento, CA 95814  
By email: Sakshi.Walia@sen.ca.gov, Jesus.Nolasco@sen.ca.gov

**Re: SB 33 (Glazer) Commercial Financing Disclosures – STRONG SUPPORT**

Dear Senator Glazer:

On behalf of the California Association of Micro Enterprise Opportunity (CAMEO), the Responsible Business Lending Coalition (RBLC)<sup>1</sup>, and the undersigned organizations, we write to applaud your leadership as sponsor of the first state bill to expand Truth-in Lending Act (TiLA) protections to small businesses. We voice strong support for SB 33 as an effort to preserve the commonsense protections that California businesses enjoy, thanks to the passage of SB 1235. SB 33 will eliminate the 2024 sunset date for SB 1235 and guarantee transparency for businesses and certainty for providers that the required financing disclosure rules implemented in December 2022 will remain in place.

SB 1235 empowers small business owners into making informed decisions by guaranteeing commonsense disclosure of pricing and terms. Since this disclosure bill was signed into law and implemented, nearly a dozen states have filed similar small business lending disclosure bills. New York state recently released the final rule for their small business lending disclosure law, which will take effect on August 1, 2023.

Passed in 1968, the federal Truth in Lending Act (TiLA) requires lenders to disclose key pricing and term information to consumers, enabling them to compare options and make informed credit decisions. However, the 1968 law does not extend to small business financing. The Federal Reserve, the U.S. Treasury Department, the Office of Comptroller of the Currency, and others have highlighted that lack of protections for small businesses is a critical gap in the regulatory framework.<sup>2</sup> In this gap, troubling lending practices

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<sup>1</sup> California Micro Enterprise Network (CAMEO) is a statewide micro-business network made up of 400 organizations, agencies, and individuals dedicated to furthering Micro-Business development in California with small and micro-business financing, advocacy, public education, business management training, and technical assistance and the Responsible Business Lending Coalition (RBLC) is a national, cross-sector coalition that is organized around a shared commitment to innovation in small business lending and concerns about the rise of irresponsible small business lending. The mission of the RBLC is to promote a commercial financing landscape that is built on transparency, fairness, and that centers borrowers during the lending process.

<sup>2</sup> Treasury 2016: “*Small Business Borrowers Will Likely Require Enhanced Safeguards*”  
<https://www.treasury.gov/connect/blog/Pages/Opportunities-and-Challenges-in-Online-Marketplace-Lending.aspx>;

Federal Reserve Governor Brainard “*raised concerns about the risk that some small business borrowers may have difficulty fully understanding the terms of the various loan products or the risk of becoming trapped in layered debt that poses risks to the survival of their businesses.*” <https://www.federalreserve.gov/newsevents/speech/brainard20150930a.pdf>;

OCC: “*Should the OCC use its chartering authority as an opportunity to address the gaps in protections afforded individuals versus small business borrowers, and if so, how?*” <https://www.occ.gov/topics/responsible-innovation/comments/special-purpose-national-bank-charters-for-fintech.pdf>;

have emerged and providers are offering financing products with APRs as high as 94%, but these rates are not disclosed to the borrower. An Accion Opportunity Fund study found some California small businesses were paying, on average, nearly double what they could afford.<sup>3</sup>

In 2018, California became the first state in the nation to pass legislation that extended truth-in-lending disclosures to small business financing, allowing business borrowers to more easily comparison shop and evaluate the true cost of the money they are borrowing. Since the passage of SB 1235 in CA, New York passed a similar bill which takes effect on August 1, 2023. Bills largely modeled on California and New York have been introduced in other states including Connecticut, Maryland, and New Jersey. Additionally, a bicameral federal truth-in-lending bill was introduced in the 117<sup>th</sup> Congress and is expected to be reintroduced in the 118<sup>th</sup> Congress.

Unfortunately, SB 1235 authorization runs through January 1, 2024. By eliminating the 2024 sunset date for SB 1235, your bill, SB 33, would guarantee transparency for businesses and certainty for providers that the required financing disclosure rules implemented in December 2022 will remain in place. The bill protects California's economy by supporting responsible innovation and transparency in the commercial financing marketplace. The passage of SB 33 is yet another opportunity for California to set the standard for other states to follow.

We are pleased offer our strong support of SB 33 and we thank you for your leadership on this issue.

Continuing the disclosures are important because small business owners, especially first-time entrepreneurs, have little access to traditional bank loans. Many of these small business owners have a limited understanding of financial practices and do not have access to an attorney or accountant. They do not understand interest rates, prepayment penalties, or other complicated financing terms of the options that are available today. Moreover, many of the terms are not clearly written or proposed to the small business owner in a timely manner. An incomplete understanding of the product can lead small business owners to borrow more than they can afford to repay or trap them in cycles of high-cost debt. An inappropriate financing product can lead a small business to financial ruin, or even worse, closure of the business.

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Federal Reserve Bank of Philadelphia President Harker: <https://youtu.be/6q6RWVsAaCY?t=1h34m45s>;

Federal Reserve Bank of New York President Dudley: *"There are individuals who try to take advantage of owners of new businesses by providing them with poor advice or overcharging them for credit... it would be helpful to have consistent standards and transparency requirements for organizations that lend to small businesses. Such standards and requirements exist for lending to households, and I believe the same justification exists to extend these requirements to small businesses."*  
<https://www.newyorkfed.org/newsevents/speeches/2015/dud150508.html>;

New Federal Reserve Research: *"When presented with sample online products, participants generally found the descriptions difficult to understand or lacking detail about costs and features."* <https://www.federalreserve.gov/publications/files/2018-small-business-lending.pdf>

<sup>3</sup> A study of some California small businesses found they were paying average APRs of 94%, and as high as 350%. The average monthly loan payment was 178% the business' net incomes, pushing the small business from profitability into unprofitability. Opportunity Fund, "Unaffordable and Unsustainable: The New Business Lending," 2016. <https://aofund.org/app/uploads/2021/03/Unaffordable-and-Unsustainable-The-New-Business-Lending-on-Main-Street-Opportunity-Fund-Research-Report-May-2016.pdf>

Research by the Woodstock Institute also identifies APRs ranging up to 350%. Woodstock Institute, "Analysis of Business Loan Terms." <http://woodstockinst.org/research/fact-sheets/analysis-of-business-loan-terms/>

Federal Reserve Bank of Philadelphia President Harker spoke vividly of the need for transparency standards: “I hear these stories constantly about a small business in particular, getting into a situation where they didn’t quite know what they signed up for, and then they walk into their community bank and say, ‘I’ve got to get out of this deal, it’s killing me.’ And so, there are good actors and bad actors.” Small business owners agree. Polling by Small Business Majority found that 8 in 10 small business owners are in favor of regulating online lenders to ensure interest rates and fees are clearly disclosed to borrowers.<sup>4</sup>

SB 1235 as enacted in California, provided a sound solution for small business owners in the state seeking financing by requiring all providers to clearly communicate the cost and terms of the financing being offered. SB 33 secures the future of the commonsense and now-tested policy, ensuring transparency to small business borrowers in our state.

Please know we will work to support and advance SB 33 in the months to come and if you have any questions, please feel free to contact [hpickman@cameonetwork.org](mailto:hpickman@cameonetwork.org) and [info@borrowersbillofrights.org](mailto:info@borrowersbillofrights.org).

Sincerely,

1. The Responsible Business Lending Coalition<sup>5</sup>
2. Access Plus Capital
3. Accessity
4. Accion Opportunity Fund
5. Agriculture and Land-based Training Association (ALBA)
6. AmPac Tri-State CDC
7. Anew America Community Corporation
8. Asian Pacific Islander Small Business Program WBC LTSC Community Development Corp.
9. Bankers Small Business CDC of California
10. Bay Area Development Company
11. California Asset-Building Coalition (CABC)
12. California Association for Micro Enterprise Development (CAMEO)
13. California Black Chamber of Commerce
14. California Capital Financial Development Corporation
15. California Hispanic Chambers of Commerce (CAHCC)
16. California Low-Income Consumer Coalition
17. California Reinvestment Coalition
18. California Small Business Development Center (SBDC) - Valley Community
19. Consumer Advocates Against Reverse Mortgage Abuse (CAARMA)
20. Consumer Federation of California
21. Economic Development and Financing Corporation

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<sup>4</sup> Small Business Majority, “Small Business Owners Concerned with Predatory Lending, Support More Regulation of Alternative Lenders.” December 12<sup>th</sup>, 2017.

<sup>5</sup> Executive Committee members include Accion Opportunity Fund, Camino Financial, Community Investment Management, Funding Circle, LendingClub, National Association for Latino Community Asset Builders, Opportunity Finance Network, Small Business Majority, and the Aspen Institute

22. El Pajaro Community Development Corporation
23. Fondo Adelante, Mission Economic Development Agency (MEDA)
24. Fresno Area Hispanic Foundation
25. Fresno Metro Black Chamber of Commerce
26. Funding Circle
27. Go Local Sonoma County
28. Halo Business Finance Corp
29. ICA Fund Good Jobs (Inner City Advisors)
30. Inclusive Action for the City
31. International Rescue Committee's Center for Economic Opportunity
32. Invest in Women Entrepreneurs Initiative
33. Jefferson Economic Development Institute (JEDI)
34. Latino Economic Development Center (LEDC)
35. LendingClub
36. Lighter Capital
37. Main Street Launch
38. Marian Doub Consulting
39. Maximum Reach for Economic Equity (FKA Sac Black Biz)
40. Momentus Capital
41. Multifunding
42. Oakland African American Chamber of Commerce
43. Oakland Citizens Committee for Urban Renewal (OCCUR)
44. Pacific Community Ventures (PCV)
45. Prospera Community Development
46. Public Law Center (PLC)
47. Renaissance Entrepreneurship Center
48. Richmond Main Street Initiative
49. San Francisco African American Chamber of Commerce (SFAACC)
50. San Mateo Area Chamber of Commerce
51. Silver Lining
52. Small Business California
53. Small Business Majority
54. Start Small Think Big
55. The C.O.O.K Alliance
56. The CraneWorks
57. The Greenlining Institute
58. Wadeco Business Center
59. Women's Economic Ventures (WEV)
60. Woodstock Institute
61. Working Solutions

**RESPONSIBLE BUSINESS LENDING COALITION** **C·A·M·E·O·**

