



June 11, 2026

The Honorable Tim Grayson
Chair, California State Senate Committee on Banking and Financial Institutions
1021 O Street, Suite 7250
Sacramento, CA 95814-4900

The Honorable Roger Niello
Vice Chair, California State Senate Committee on Banking and Financial Institutions
Capitol Office, 1021 O Street, Suite 7110
Sacramento, CA 95814-4900

RE: Broad SUPPORT for AB 2116 (Schiavo) as amended on 6/4/2026

Dear Chair Grayson, Vice Chair Niello, and members of the Senate Committee on Banking and Financial Institutions,

[1] 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>

On behalf of a broad coalition representing over 500 for-profit financing companies and nonprofit advocates for economic opportunity, as well as thousands of small business owners, we offer our strong SUPPORT for AB 2116.

Over the last fifteen years, practices from the subprime mortgage market pre-financial collapse have become common in small business financing. Small business owners need access to capital – be it a loan or other ‘non-loan’ product. Currently, non-loan products are not subject to the same oversight as regulated loans. This bill requires companies that offer non-loan products and their brokers to be licensed by the Department of Financial Protection and Innovation to receive the same oversight as traditional small business products.

AB 2116 solves two problems:

1) **The “wild west” of small business financing and brokering** – Today, brokers routinely “steer” small business owners into financing that pays the broker the highest fee while charging the small business owner an unnecessarily high rate, echoing 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.[1]

AB 2116 empowers that State to ensure that small business owners can make informed decisions and report bad actors, by establishing an oversight framework and transparency about the products and costs associated with the product that a commercial broker offers the small business owner on behalf of a high-cost commercial lender.

2) **Unfair practices in the financing shadows** - While small business lenders are subject to oversight by DFPI, similar products that purport not to be loans evade these requirements and operate in the shadows. Additionally, California’s 2022 ban on “confessions of judgment” (SB 688) is easily circumvented by legal devices used to take money straight from a small business owner’s bank account without legal recourse. And “confidentiality clauses” are used to bully a small business owner into keeping silent about their experience and unexpected costs.

AB 2116 will catalyze fair lending to small businesses by preventing bad-actor financing companies from taking unfair advantage of their competition and of small business customers.

As for-profit financing companies ourselves, as well as nonprofit advocates and small business owners, we commend your efforts to incorporate the feedback of all stakeholders, and urge you to pass this bill to create a fair financial marketplace where good actors compete fairly and small businesses thrive.

Sincerely,

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Responsible Business Lending Coalition
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Opportunity Finance Network
Camino Financial
Bluevine
Community Investment Management
National Community Reinvestment
Coalition
National Association of Latino
Community Asset Builders
(NALCAB)
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