

May 7, 2018

Senator Elaine Phillips  
Legislative Office Building  
Room 848  
Albany, NY 12247

**RE: Opposition to Senate Bill 8340 -Internet Lending Charter**

Dear Senator Phillips:

**The Electronic Transactions Association (“ETA”) opposed Senate Bill 8340** because it imposes unnecessary restrictions on online small business lenders that will harm New York small businesses by cutting off access to capital used to create jobs. ETA respectfully requests that you consider retracting this bill.

ETA is the leading trade association for the payments industry, representing over 500 companies that offer electronic transaction processing products and services, including financial institutions, transaction processors, payments networks, and others. ETA also has members that are engaged in online lending for commercial enterprises, primarily small businesses, either directly or in partnership with other lenders.

**Specific Comments**

**SB 8340 imposes unnecessary restrictions on online small business lending that will dry up access to credit for New York small businesses.**

Small businesses are core to America’s economic competitiveness. Small businesses employ half of the nation’s private sector workforce – about 62 million people – and since 1995 they have created approximately 60 percent of the net new jobs in our country. The number one barrier to growth faced by small businesses is access to financing.

The online small business lending industry is responding to the demand for access to credit by small businesses and filling a need for technology-based credit solutions. Small businesses that take advantage of these technology platforms can focus more of their time and effort on growing their businesses, hiring workers, and positively affecting the economy.

Considering the tangible benefits of such technological advancements, ETA urges policymakers to remain thoughtful and forward-thinking in how to best support industry’s on-going efforts to provide opportunities for all consumers and small businesses to access and benefit from innovative financial products and services. Efforts by policymakers to regulate financial products and services should be done collaboratively with industry participants and with careful consideration of the many types of business models and products in the marketplace. ETA stands willing to work with your office to create a positive regulatory environment for small business lenders and their borrowers, but SB 8340 is not the answer.

ETA and its members support an inclusive financial system that provides high quality, secure, and affordable financial services for the broadest possible set of consumers and small businesses. ETA member companies touch, enrich, and improve the lives of underserved communities while making the global flow of commerce possible. A goal of ETA member companies is to continually enhance the electronic payments and financial ecosystem so that it is accessible for all customers and small businesses, while ensuring their transactions can be completed securely, efficiently, and ubiquitously. A key driver to achieving such an ecosystem is the development of new technologies that allow the underserved to access financial products and services. ETA encourages policymakers to support these goals through policies that support innovation and the use of technology in financial products and services. However, SB 8340 would harm innovation and disproportionately affect women and minority owned businesses who count on online small business lenders to provide access to capital.

Furthermore, the innovative underwriting processes employed by online lending platforms promote greater financial inclusion. By looking beyond the personal credit score of the business owner, and focusing on transactional data that tracks the health of the business, online lenders are able to serve businesses with “thin” credit files. Additionally, by moving lending online, anyone with an internet connection or mobile device is able to access capital – even those businesses located in underserved communities where bank branches have been disappearing.

**By imposing unnecessary restrictions on online small business lending, SB 8340 would be a step in the wrong direction, making it economically unviable to lend to small businesses in New York State.**

The bill would exacerbate the small business credit gap by drying up sources of capital that New York small businesses, particularly those underserved by traditional financial institutions, need to fund their growth. The bill arbitrarily caps loan sizes at \$50,000, which will deprive New York small businesses of the medium-size loans they need to purchase equipment or inventory, open a new location or seize a strategic business opportunity. This could create a new “donut-like” credit gap in New York—drying up loans in the range of \$50,000 to \$250,000, a range that many small businesses struggle to obtain from traditional banks. There is no reason for this arbitrary cap on online small business lending, particularly when their innovative underwriting systems were engineered to responsibly extend loans of all sizes based upon the business’s ability to repay.

Small businesses use capital for a wide variety of business needs, and they need a diverse menu of financing options to meet those needs. SB 8340 imposes a one-size fits all approach—funneling all lending activity toward loans of a certain size (under \$50,000), with certain terms (longer repayment periods), and other prescriptive provisions regarding the pricing, terms and structure of such loans. The one-size-fits-all approach of SB 8340 would harm small businesses by reducing their financing options and restricting their access to capital

The bill also seems to mandate that all internet lending service providers cease operations in New York State until they can secure a limited purpose charter. This requirement would completely choke off online lending in the period it takes capital providers to secure a charter—assuming that all providers are able to successfully comply with the capitalization requirements included in the bill.

**The Electronic Transactions Association (“ETA”) opposed Senate Bill 8340** because it imposes unnecessary restrictions on online small business lenders that will harm New York small businesses by cutting off access to capital used to create jobs. ETA respectfully requests that you consider retracting this bill.

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Thank you for the opportunity to participate in the discussion on this important issue. If you have any additional questions, you can contact me or ETA Senior Vice President, Scott Talbott at [stalbott@electran.org](mailto:stalbott@electran.org).

Sincerely,



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