

September 11, 2018

Honorable Edmund G. Brown, Jr.
Governor, State of California
State Capitol Building, First Floor
Sacramento, CA 95814

Re: Request for Veto – SB 1235

The Electronic Transactions Association (“ETA”) respectfully requests that you veto SB 1235. We support transparency in small business financing disclosures, and we are fully committed to providing small businesses with fair, transparent, and readily understandable financing options. Unfortunately, SB 1235 will NOT achieve those objectives and instead will create confusion and uncertainty for California’s small business customers trying to make informed decisions about the cost of financing products.

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. With offices in San Francisco and Washington, DC, ETA has members that are engaged in online lending for commercial enterprises, primarily small businesses, either directly or in partnership with banks.

- SB 1235 would apply a regulatory approach that would simply apply existing requirements for consumer lending to small business loans. Commercial and consumer credit are distinctly different types of credit. Small business borrowers have different needs and objectives in obtaining credit than consumers – often relying on financing to buy inventory, smooth cashflow, and expand their marketing. Small business lenders have developed credit products specifically designed to answer those needs and objectives. **SB 1235 would have detrimental effects for both online small business lenders and the small business community.**
- For a number of commercial finance products available to California’s small business customers today, such as the purchasing of future account receivables or lines of credit, there is no fixed draw amount or in some cases no fixed term and, therefore, are unable to accurately reflect the actual cost of capital under an Annualized Metric. **SB 1235’s mandated annualized metric would provide no added value for small business borrowers but, rather, will generate confusion and uncertainty and, in turn, economic harm for borrowers.**
- SB 1235 arbitrarily exempts broad categories of the commercial lending industry from the disclosure requirements to their customers, preventing small businesses from being able to compare apples to apples when comparing financing products. **Given the author’s stated intent of introducing SB 1235 to empower the business customer with clear, standardized pricing disclosures, it is unclear to us why the disclosure mandate does not apply equally to all commercial finance products and financial institutions.**

For the reasons listed above, ETA respectfully requests that you veto SB 1235. If you have any additional questions, you can contact me or ETA Senior Vice President, Scott Talbott at stalbott@electran.org.

Sincerely,



PJ Hoffman
Director of Regulatory Affairs
Electronic Transactions Association
PJHoffman@electran.org