[SB 197 LETTER OF SUPPORT TEMPLATE – del this line]

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[DATE]

The Honorable Edmund G. Brown, Jr.

Governor of California

State Capitol, First Floor

Sacramento, CA 95814

RE: **Request for signature** **of** **SB 197 to increase capital access to underserved communities**

Dear Governor Brown:

On behalf of [YOUR ORG NAME HERE], I am writing to inform you of our strong support of SB 197, relating to finance lenders and request that you sign the bill into law.

**This bill is crucial to California small and microbusinesses, especially underbanked ones, as they may not be learning about and receiving the most appropriate financing available.**

Senate Bill 197 would remove a competitive disadvantage that currently affects licensed commercial lenders in California. The bill would allow them to pay referral fees to those from whom they receive business, subject to certain restrictions intended to promote responsible lending.

Word-of-mouth is a key marketing strategy for reaching underbanked immigrant and minority communities; referral fees for successful loans encourage word-of-mouth. However, the California State Lender’s Law prohibits licensed lenders from paying referral fees to individuals or small businesses that do not have a broker’s license from the State. Most brokers and referrers are not licensed because of high licensing costs (e.g. local tax preparers/bookkeepers, nonprofits, or other business owners who have received a loan).

Microlenders and other nonprofit lenders who structure their products to ensure business owners build credit (and comply with state law) can therefore not pay referral fees for a majority of leads. Whereas alternative lenders structure their products to avoid being classified as loans, so they are not governed by the same restrictions as nonprofit lenders and can pay referral fees to anyone.

Because of this uneven playing field, California businesses may not receive the best financing available. This bill will help responsible lending products be more competitive with other financing such as merchant cash advances.

[SHORT PARAGRAPH ABOUT YOUR ORG]

Please sign SB 197 into law. If there are any questions, please contact [NAME/CONTACT INFO].

Sincerely,

[Signature

Name Printed

Title]

cc:  Graciela Castillo-Krings

 Eileen Newhall, Senate Banking and Financial Institutions Committee