
**SENATE COMMITTEE ON
BUSINESS, PROFESSIONS AND ECONOMIC DEVELOPMENT**
Senator Richard Roth, Chair
2021 - 2022 Regular

Bill No:	AB 2314	Hearing Date:	June 27, 2022
Author:	Petrie-Norris		
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Consultant:	Dana Shaker		

Subject: State-guaranteed commercial financial products for small businesses: Small Business Expansion Fund and Capital Access Loan Program

SUMMARY: Requires a loan guarantee provided under the Small Business Loan Guarantee Program that is funded by the Federal State Small Business Credit Initiative Act of 2010, as specified, be issued only if the lender certifies that the guaranteed loan meets specified conditions. Revises the definition of “qualified loan” for purposes of the above-described program, as specified. Makes findings and declarations.

NOTE: Double-referral to Senate Committee on Banking and Finance, second.

Existing law:

- 1) Establishes the Governor’s Office of Business and Economic Development (GO-Biz) within the Governor’s Office for the purpose of serving as the lead state agency for economic strategy and marketing of California on issues relating to business development, private sector investment, and economic growth. (Government Code (GC) §§ 12096-12098.5)
- 2) Establishes the Bergeson-Peace Infrastructure and Economic Development Bank Act and creates the California Infrastructure and Economic Development Bank (IBank). (GC § 63000 et seq.)
- 3) Establishes IBank as under the direction of and executive director appointed by the Governor, confirmed by the Senate. (GC § 63021)
- 4) Authorizes IBank to make loans, issue bonds, and provide other economic development assistance, among other things. (GC § 63050 et seq.)
- 5) Establishes the Small Business Financial Assistance Act of 2013 which permits the IBank to administer, either directly or under contract with small business financial development corporations, specific programs relating to small businesses. (GC § 63088 et seq.)
- 6) Establishes the California Small Business Finance Center (“the Center”) within IBank, and authorizes the Center to administer programs to assist businesses seeking new capital resources, including a program referred to as the Small Business Loan Guarantee Program (“the Program”), which guarantees loans

offered by financial institutions and financial companies to small businesses, as provided, from the Small Business Expansion Fund (“the Fund”). (GC § 63088.3 et seq.)

- 7) Establishes the Capital Access Loan Program, Small Businesses, which is administered by the California Pollution Control Financing Authority (authority), to assist qualifying small businesses in the state to access capital. (Health and Safety Code (HSC) § 44559)
- 8) Authorizes the authority to enter into contracts with participating financial institutions and authorizes a participating financial institution that experiences a default on a qualified loan enrolled in the Capital Access Loan Program to obtain reimbursement from the authority, as specified. (HSC § 44559.2)
- 9) Establishes the Small Business Expansion Fund (“the Fund”), which, among other things, provide guarantees to loans offered by financial institutions and financial companies to small businesses. (GC § 63089.70)
- 10) Makes findings and declaration that small businesses are responsible for a significant amount of environmental emissions in the state, but are less able than larger businesses to afford the investment in new equipment or process modifications needed to comply with environmental regulations, with regard to controlling emissions, preventing the creation of pollutants, contaminants, or waste products, and remediating contamination of properties with a reasonable potential for economically beneficial reuse, among other things. (HSC § 44559)
- 11) Defines terms in the Capital Access Loan Program for Small Businesses, including qualified loan, as specified. (HSC § 44559.1)

This bill:

- 1) Requires a loan guarantee funded by the Federal State Small Business Credit Initiative Act of 2010 be issued only if the lender certifies that the guaranteed loan meets all of the following conditions:
 - a) The guaranteed loan considers repayment funds from a third party as equivalent to funds from the borrower, and the final payoff amount of the guaranteed loan stays the same regardless of the source the funds to make the payoff come from.
 - b) At the time of the loan offer, the guaranteed loan and guaranteed loan summary has provisions that disclose each separate and applicable financing fee and charge and each prepayment fee, charge, and penalty, in a clear and transparent manner. A “financing charge” does not include interest accrued since a prior payment.
 - c) The guaranteed loan will have provisions that disclose any actual prepayment penalties and prepayment charges or fees, in a clear and transparent manner.

- d) The guaranteed loan will be underwritten by the lender assessing the ability of the borrower's business to succeed and repay. The guaranteed loan, if repaid through gross receipts, will have a debt service coverage ratio of greater than 1.00 or shall be determined to have a credible path to a debt service coverage ratio of greater than 1.00 within the term of the financing. The guaranteed loan, if repaid through net receipts, will only be offered with high confidence that the borrower can repay its entire debt burden without defaulting or reborrowing.
 - e) The guaranteed loan will require that information on prepayment and refinancing be provided to the borrower within five business days upon request.
- 2) Requires a loan funded with moneys received pursuant to the Federal State Small Business Credit Initiative Act of 2010, as modified by the American Rescue Plan Act of 2021, is a "qualified loan" only if it meets the qualified loan definition, and if, in a financial institution's application to enroll a qualified loan, the financial institution also certifies all of the following:
- a) The loan is underwritten by the lender by reassessing the ability of the borrower's business to succeed and repay. The loan, if repaid through gross receipts, shall have a debt service coverage ratio of greater than 1.00 or that is determined to have a credible path to a debt service coverage ratio of greater than 1.00 within the term of the financing. The loan, if repaid through net receipts, shall only be offered with high confidence that the borrower can repay its entire debt burden without defaulting or reborrowing.
 - b) The loan has provisions requiring any relevant prepayment and refinance information be provided to the borrower within five business days upon request.
 - c) The loan has provisions requiring its repayment information be sent to a commercial credit reporting agency, as defined in subdivision (b) of Section 1785.42 of the Civil Code, and credit data is consulted when underwriting the loan.
 - d) The borrower of the loan and any guarantors are informed at the time of the loan offer if the lender intends to report the repayment performance on the borrower's loan to a commercial credit reporting agency if default occurs.
 - e) At the time of the loan offer, the loan, including the loan summary, has provisions that, in a clear and transparent manner, disclose each separate and applicable financing fee and charge and each prepayment fee, charge, and penalty. A "financing charge" does not include interest accrued since a prior payment.
 - f) The loan has provisions that, in a clear and transparent manner, disclose any actual prepayment penalties and prepayment charges or fees.
 - g) The loan does not treat repayment funds from a third party differently than funds from the borrower or vary the repayment amount based on the source of the funds used to make the final payoff.
- 3) Makes finding and declarations to the following:

- a) States the integrity of small business lending programs are of paramount importance to California's small business owners. Fostering a healthy small business lending marketplace will encourage the equitable recovery of established businesses and foster new small business creation.
 - b) States there are 4.1 million small businesses in California. Small business owners employ roughly one-half of the private sector workforce and, since the Great Recession, have been the largest drivers of new job growth in our country. Despite these facts, small business owners struggle to access capital from traditional lending institutions like banks and credit unions. The index of commercial and industrial lending dropped below zero percent late in 2020 and continued to be below 10% in September 2021. After the Great Recession, bank lending under \$250,000 declined significantly.
 - c) States new small business startups are rapidly growing. The United States Census Bureau's data on new firm formations shows that new business applications grew by almost 2 million between 2019 and 2021, a higher rate than ever before. This is especially true for non-White business owners. After experiencing the largest number of small business closures in April 2020, the number of Black and Latino-owned firms were significantly higher in September 2021 than in February 2020.
 - d) States as a result, many small business owners turn to online lending as they struggle to find the capital they need in order to grow and expand. Financial products that allow small businesses to access hard-to-obtain capital often lack transparency, and recent research by the Federal Reserve concluded Black and Hispanic entrepreneurs are twice as likely to be affected by "potentially higher-cost and less-transparent credit products." A study by Accion Opportunity Fund demonstrates that California small business owners take out online loans at an average annual percentage rate of 94 percent, and many terms or conditions are not made clear to business owners, like products that come with hidden fees and obscure rates. Most small business owners cannot afford to make these mistakes.
 - e) States small business organizations, for-profit financing providers, and nonprofit community development financial institutions have responded to the rise of these irresponsible financing practices by joining together in developing a cross-sector set of practice standards for responsible small business lending called the "Small Business Borrowers' Bill of Rights." The Small Business Borrowers' Bill of Rights has served as the basis for California small business financial protection law and practice requirements recommended by the United States Treasury for participation in the State Small Business Credit Initiative.
 - f) Concludes lenders participating in state lending programs funded by taxpayer dollars should use fully transparent and fair lending practices aligned with the Small Business Borrowers' Bill of Rights to ensure that small business borrowers can access the capital they need in order to grow and expand their businesses
- 4) Makes additional findings and declarations that:

- a) The federal State Small Business Credit Initiative Act of 2010 (SSBCI) (Public Law 111-240), as modified by the American Rescue Plan Act of 2021 (Public Law 117-2), will create additional funding for the Small Business Loan Guarantee Program.
- b) Corporations, the California Small Business Finance Center, and the bank are strongly encouraged to follow guidelines and regulations established by the United States Department of the Treasury to utilize funds from the SSBCI.
- c) These guidelines establish minimum national customer protection standards. These standards include, but are not limited to, prohibitions on confessions of judgment, as specified in subdivision (a) of Section 1132 of the Code of Civil Procedure, and a prohibition on “double-dipping” fees, a practice in which a lender issues new credit to refinance prior credit without forgiving a portion of the fee already paid and results in the borrower paying a fee on top of a fee.
- d) Corporations, the California Small Business Finance Center, and the bank are strongly encouraged to follow these guidelines to ensure that they are eligible for funds, to reinforce program integrity, and to ensure that the SSBCI will continue to primarily benefit small businesses.
- e) Corporations, the California Small Business Finance Center, and the bank are strongly encouraged to ensure that small businesses that utilize the Small Business Loan Guarantee Program are subject to responsible lending practices.
- f) A lender that conducts responsible lending practices may include, but is not limited to, a lender that ensures that guaranteed loan repayment information is sent to a commercial credit reporting agency, as defined in subdivision (b) of Section 1785.42 of the Civil Code, and that credit data is consulted when underwriting the guaranteed loan.
- g) A lender that conducts responsible lending practices may include, but is not limited to, a lender that ensures that, at the time of the loan offer, the borrower and any guarantors are informed if the lender intends to report the repayment performance on the borrower’s qualified loan to a commercial credit reporting agency if default occurs.

FISCAL EFFECT: This bill is keyed fiscal by Legislative Counsel. According to the Assembly Committee on Appropriations analysis dated May 2, 2022, the bill will result in costs of an unknown, but potentially significant amount, to IBank to implement and enforce new verification processes with lending partners and costs of an unknown, but potentially significant amount to CPCFA, similar to IBank.

COMMENTS:

1. **Purpose.** The California Association of Microenterprise Opportunity (CAMEO) is the Sponsor of this bill. According to the Author, “There is little statutory protection for small businesses from predatory lenders other than protections established by

SB 1235 (Glazer, 2018). The Small Business Loan Guarantee Program only has a prohibition that “the borrower has demonstrated a reasonable prospect of payment.”

[Regulations](#) by CalCAP also establish little protections for borrowers. The only protection listed is that a certification that “the applicant Financial Institution is not subject to a cease and desist order or another regulatory sanction,” and that the financial institution must provide a “rating from a nationally recognized credit rating agency which assesses the financial soundness and stability of financial institutions.” Indeed, the regulations have noted “the terms and conditions of Qualified Loans, including interest rates, fees and other conditions, shall be determined solely by agreement of the Participating Financial Institution and the Borrower.” Although the financial institution is subject to audits, there is no regulation that requires CalCAP to terminate enrolled loans for failing to follow the responsible lending practices as defined in the bill.

[Regulations](#) for the Small Business Loan Guarantee Program also establish little protections as established in the bill. Regulations only establish that the “lender has not engaged, and will not engage, in fraudulent or negligent practices in connection with the Borrower, Guarantee, the Loan or the related loan agreement.” Federal Development Corporations (FDCs) are also required to “maintain a default rate of less than 5% of all of its outstanding guarantees.”

2. **Background.**

GO-Biz. In February 2010, the Little Hoover Commission undertook a review of the state's economic and workforce development programs. In its final report, *Making up for Lost Ground: Creating a Governor's Office of Economic Development*, it analyzed the status and effectiveness of current programs since the 2003 demise of the Technology, Trade and Commerce Agency (TTCA) and recommended the creation of a new governmental entity to fill the void left by the dismantled agency.

The report called for a single entity that would promote greater economic development, foster job creation, serve as a policy advisor and deliver specific services (i.e., permitting, tax, regulatory, and other information) directly to the California business community. In April 2010, Governor Schwarzenegger issued Executive Order S-05-10 as a means to operationalize the report recommendations including the creation of the Governor's Office of Economic Development (GOED).

In October 2011, the Governor signed [AB 29](#) (John A. Pérez, Chapter 475, Statutes of 2011), which effectively codified GOED and changed its name to GO-Biz. Since its inception, the office has served thousands of businesses, 95 percent of which are small businesses. The most frequent types of assistance include help with permit streamlining, starting a business, relocation and expansion of businesses, and regulatory challenges.

In March 2012, Governor Brown initiated a reorganization process to realign the state's administrative structure. Key changes include dismantling of the Business, Transportation and Housing Agency (BTH) and the shifting of a number of key programs to GO-Biz including the Small Business Loan Guarantee Program, the

California Travel and Tourism Commission, the California Film Commission, the Film California First Program, and the IBank. Currently, GO-Biz administers the following programs and units:

- “Made In California” program for the purpose of encouraging consumer product awareness and to foster the purchases of products manufactured in California.
- The California Inclusive Innovation Hub Program (iHub2) to incubate and/or accelerate technology and science-based firms, with a focus on underserved regions and communities.
- The California Competes Tax Credit Program under which “businesses who want to come to California or stay and grow in California” can receive an income tax credit.
- The California Business Investment Services Unit, which provides no-fee, tailored site selection services to employers and others who may be considering California for relocation or expansion.
- The California Business Portal, which provides information to California businesses about common questions, permitting, financial options, and more.
- The California Community Reinvestment Grants Program, which was included in Proposition 64, authorized GO-Biz to award grants to local health departments and certain nonprofit organizations to support communities disproportionately affected by the War on Drugs.
- Office of the Small Business Advocate, which provides information and assistance to small businesses.
- The Zero Emission Vehicles (ZEV) Infrastructure Unit, which works to accelerate the deployment of ZEV infrastructure.
- The International Affairs and Business Development Unit, which serves as California’s primary point of contact for expanding international trade and investment relations. This unit focuses on foreign direct investment (services for foreign investors, foreign investment technical assistance, and the EB-5 Investor Visa Program), international trade promotion (STEP program, trade missions, export assistance, and the California-China Trade Office), and international agreements.

IBank, the Center, and the Program. According to its website, IBank exists within GO-Biz and “was created in 1994 to finance public infrastructure and private development that promote a healthy climate for jobs, contribute to a strong economy and improve the quality of life in California communities. IBank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage State and Federal funds. IBank’s current programs include the

Infrastructure State Revolving Fund (ISRF) Loan Program, California Lending for Energy and Environmental Needs (CLEEN) Center, the Climate Catalyst Revolving Loan fund, Small Business Finance Center and the Bond Financing Program.”

IBank’s Small Business Finance Center features a loan guarantee program that assists small businesses that experience capital access barriers. The Small Business Loan Guarantee program permits lenders to provide funds to small businesses to help them thrive.

According to IBank’s website, “Originally known as the Small Business Loan Guarantee Program (SBLGP), the SBFC received seed money in 1968 in an effort to reduce unemployment by supporting entrepreneurship and small businesses. The Finance Center promotes statewide economic development by increasing opportunities for entrepreneurs, the self-employed, microbusiness and small business owners to have better access to capital and other technical resources.

The Small Business Loan Guarantee program helps businesses create and retain jobs, and encourages investment in low- to moderate-income communities. The Small Business Loan Guarantee program is available to small businesses throughout the state of California and serves hundreds of small businesses each year.”

After the Governor issued a stay-at-home order on March 19, 2020, on April 2, 2020 he announced the establishment of a \$50 million loan guarantee program designed to help small businesses that were struggling to qualify for the Small Business Administration (SBA) relief. The loan guarantee program expanded the existing Small Business Loan Guarantee Program available through IBank. Eligible small businesses included those with 750 employees and have been negatively impacted or experienced disruption as a result of the COVID-19 pandemic. The Governor then allocated an additional \$50 million to the program and added flexibility to the funds to cover those businesses that might have already qualified for SBA relief.

Currently, the Legislature’s Budget proposal passed on June 13, 2022 provides \$7,484,000 from the IBank Fund to GO-Biz and \$184,000 from the Small Business Expansion Fund to GO-Biz. IBank is also receiving \$50 million for community development financial institutions. The Governor’s May Revise Budget Proposal states it will provide another \$150 million in one-time funding for the California Small Business COVID-19 Relief Grant Program at GO-Biz as well, bringing the total investment in the program to \$4.2 billion (\$2.7 billion from the General Fund, and \$1.5 billion from federal funds).

Actions Taken in Response to the COVID-19 Pandemic. In response to the COVID-19 pandemic, the state began taking action to support small businesses in several ways, including small business grants and programs. As stated above, the IBank provided \$100 million in loan guarantees for small businesses that may not be eligible for federal relief. Then, in November Governor Newsom announced the California Rebuilding Fund, a public-private partnership that drives capital from private, philanthropic and public sector resources – including a \$25 million anchor commitment and \$50 million guarantee allocation from the IBank – to Community

Development Financial Institutions (CDFIs). Second, the Governor added \$12.5 million to the Fund in late November so that it could be fully capitalized, saying this money will “help the 3rd party administrator of the fund raise \$125 million to make more low-interest loans to small businesses with less access to loans from traditional banking institutions.” Third, the state secured \$30 Billion in Federal Small Business Relief. California secured an SBA disaster declaration early on March 17, 2020 to open up the Economic Injury Disaster Loans (EIDL) program for California small businesses and private non-profit organizations. Fourth, the state provided micro-grants to immigrant social entrepreneurs, allocating \$10 million in the 2020-21 budget for Social Entrepreneurs for Economic Development (SEED) to provide micro-grants to immigrant social entrepreneurs. Fifth, the state provided \$500 million via the OSBA in late November 2020 for small businesses impacted by the pandemic and the health and safety restrictions. Funds were awarded in early 2021 via Community Development Financial Institutions to distribute relief through grants of up to \$25,000 to underserved micro and small businesses throughout the state. An additional almost \$2.1 billion was added for small business grants of up to \$25,000 with the passage of SB 87 (Caballero, Chapter 7, Statutes of 2021) in February 2021, with provisions that specified the recent OSBA grants would not be included in overall gross income tax calculations. In the 2021-2022 budget, Governor Newsom added \$1.5 billion to the fund, for a total state contribution of \$4 billion toward small business economic recovery. As of the close of the final application period, \$3.6 billion of the funds were awarded. Sixth, the passage of AB 80 (Burke, Chapter 17, Statutes of 2021) provided a \$6.2 billion tax cut over the next six years to small businesses in April 2021.

Federal SSBCI Funding. At the federal level, the Small Business Jobs Act of 2010 originally created the State Small Business Credit Initiative (SSBCI). SSBCI is designed to support small businesses in securing financing. According to IBank’s website, California has been allocated \$1.181 billion in funding, and lenders are currently being enrolled to participate in the Small Business Loan Guarantee Program. Funding has already been allocated in May 2022 to five other states: Hawaii, Kansas, Maryland, West Virginia, and Michigan.

3. **Related Legislation.** AB 2400 (Cervantes, 2022) would modify the California Capital Access Program in preparation for the state’s receipt of nearly \$1.2 billion in federal State Small Business Credit Initiative funds. Proposed changes reflect issues that arose during the first round of SSBCI funding. (*Status: Hearing cancelled at request of Author in Assembly Appropriations Committee.*)

SB 1235 (Glazer, Chapter 1011, 2018) required providers of commercial financing, as defined, to provide disclosures about the cost of that financing to the recipients of the financing, as specified.

4. **Arguments in Support.** Supporters generally write that this bill will address bad actors who purposely hide critical information that small businesses rely on to raise capital.

5. Policy Considerations.

Changing “Qualified Loan” Definition and SSBCI Funds. California has already completed an application to receive SSBCI funding. In May 2022, the Biden Administration announced the first grant awards were given to Hawaii, Kansas, Maryland, Michigan, and West Virginia. California has not yet received its funding.

Because this bill changes the definition of a qualified loan, there is a question as to how this change might impact existing qualified loans and loan partners after January 1, 2023, when this bill is scheduled to take effect. How will this affect California small businesses? Will funds be deployed to businesses on schedule should federal dollars come before the end of the year? Will that funding be held to ensure compliance with this measure?

Could The Efforts of This Bill Be Incorporated Into Existing Structures? This bill would require additional certifications for lenders who want to participate in the Small Business Loan Guarantee Program, revises the definition of a “qualified loan” to include additional specifications, and makes findings and declarations. While the bill seeks to provide increased protections, there is some question as to whether it is necessary. Therefore, can the goal of this bill be accomplished by working with IBank and GO-Biz, given that it seeks to amend an existing program that already has a system for vetting lender applicants? Working with IBank and GO-Biz might avoid concerns around changing implementation structures at inopportune times depending on when federal funding is received, staffing required in order to implement or make appropriate changes required by the measure, or other issues.

Is Funding a Barrier to Effective Implementation? Implementation and program maintenance are jeopardized by a lack of dedicated, reliable funding, leading to questions about necessity of establishing a program that may not materialize and assist those the effort intends to support. The Author should continue working to identify and secure proper funding to achieve the goals set out by this measure.

6. **Proposed Amendments and Additional Questions.** In response to concerns from stakeholders and interested parties, the Author has proposed amendments that would maintain the findings and declarations in the measure and strike the remaining bill language. In its place, new language will create a “floating task force,” where both the California Pollution Control Financing Authority and IBank will have responsibility for implementing the task force, but which entity has more or less control over the task force will be chosen at a later time. Additionally, the directives of the task force include examining whether regulations, statutes, directives, and requirements relating to the Small Business Expansion Fund and California Capital Access Fund meet certain criteria, as specified; inquiring whether these rules should be changed; aiming to specify those rules that have successfully prevented a qualified or guaranteed loan meeting specified conditions; and consulting with relevant financial institutions. Finally, the task force is required to provide a report of its findings to the Legislature and the Governor. The measure would require a 2/3 vote by the Legislature.

The amendments outlined below raise a number of additional questions.

First, while the amendments do state that the California Pollution Control Financing Authority and IBank will have responsibility for implementing the task force, there is no direction on how this responsibility will be divided. Additionally, what does this partnership of responsibility mean in terms of staffing, implementation, and funding that would need to be provided for this task force to do its job?

Second, the task force is designed to review existing regulations, statutes, directives, and requirements relating to the Small Business Expansion Fund and California Capital Access Fund to determine a certain outcome. However, this work could also be done by other parties. Is this something that needs to be required in a bill? Could this review be requested of California Pollution Control Financing Authority, IBank, or the California Research Bureau at the request of the Author?

Third, implementation and program maintenance are jeopardized by a lack of dedicated, reliable funding, leading to questions about necessity of establishing a program that may not materialize and assist those the effort intends to support. This concern is complicated by the shared authority of the task force. The Author should continue working to identify and secure proper funding to achieve the goals set out by this measure.

63049.90. For purposes of this article, the following definitions apply:

(a) "Authority" means the California Pollution Control Financing Authority, as established in Chapter 1 (commencing with Section 44500) of Division 27 of the Health and Safety Code.

(b) "California Capital Access Fund" has the same meaning as defined in Section 44559.1 of the Health and Safety Code.

(c) "Financial institution" has the same meaning as in Section 63088.3 of this code and Section 44559.1 of the Health and Safety Code.

(d) "Financial products" includes "financial products" defined in Section 63088.3 and financial assistance provided pursuant to Article 8 (commencing with Section 44559) of Chapter 1 of Division 27 of the Health and Safety Code.

(e) "Guaranteed loan" means a loan that is guaranteed under Chapter 6 (commencing with Section 63088).

(f) "Qualified loan" has the same meaning as in Section 44559.1 of the Health and Safety Code.

(g) "Small Business Expansion Fund" means the fund described in Section 63089.70. 63049.91. (a) The bank shall work in collaboration with the authority to establish a task force that examines the regulations, statutes, directives, and other requirements related to the Small Business Expansion Fund and California Capital Access Fund for purposes of determining whether the administration of those funds allows for the full participation of financial

institutions and financial products that support small businesses, while preventing financial institutions and financial products from utilizing these funds if their practices or features do not support the long-term health of small businesses.

(b) The task force shall consist of the following six members:

- (1) Two members appointed by the Speaker of the Assembly.*
- (2) Two members appointed by the President pro tempore of the Senate.*
- (3) Two members appointed by the Governor.*

63049.92. (a) The task force shall do all of the following:

(1) Determine whether the regulations, statutes, directives, and requirements relating to the funds accomplish both of the following:

(A) Prevents a qualified or guaranteed loan from being enrolled and that may otherwise meet the following conditions:

- (i) Is affordable by the recipient.*
- (ii) Has a high chance of repayment.*
- (iii) Utilizes responsible and transparent practices.*
- (iv) Does not involve lenders that engage in unfair, deceptive, and abusive practices.*

(B) Prevents a qualified or guaranteed loan that meets the following conditions:

- (i) Is unaffordable by the recipient.*
- (ii) Has a low chance of repayment.*
- (iii) Utilizes practices that are irresponsible and are not transparent.*
- (iv) Involves lenders that engage in unfair, deceptive, and abusive practices.*

(2) Determine if the regulations, statutes, directives, and requirements should be changed to allow or prevent more lenders from participating so that more small businesses can receive qualified or guaranteed loans or so that small businesses do not engage in loans that do not support their long-term health.

(3) Specify the regulations, statutes, directives, and requirements that have successfully prevented a qualified or guaranteed loan meeting the conditions in subparagraph (B) of paragraph (1) or that have prevented the enrollment of a qualified or guaranteed loan meeting the conditions in subparagraph (A) of paragraph (1).

(4) Consult with financial institutions that have given a qualified or guaranteed loan, and with small businesses that have received a qualified or guaranteed loan, to determine favorable and unfavorable regulations, statutes, directives, and requirements.

(5) Consult with financial institutions familiar with programs funded by the funds and determine the financial institution's decision to not enroll in associated programs.

(b) The task force shall submit, by June 15, 2024, a report with findings made pursuant to subdivision (a) to the Legislature and Governor. The report shall be submitted in accordance with Section 9795.

63049.93. This article shall be repealed on January 1, 2025.

SUPPORT AND OPPOSITION:

Support:

California Association for Micro Enterprise Opportunity (Sponsor)
Accion Opportunity Fund
California Asian Pacific Chamber of Commerce
Consumer Federation of California
Microenterprise Collaborative of Inland Southern California
Pacific Community Ventures
Small Business Majority

Opposition:

None received.

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