



Innovative Lending Platform Association

February 18, 2025

The Honorable Jesse Bjorkman
Chair
Senate Labor and Commerce
Alaska State Legislature

The Honorable Kelly Merrick
Vice Chair
Senate Labor and Commerce
Alaska State Legislature

Letter In Opposition to Senate Bill 39

The Innovative Lending Platform Association (ILPA) writes to share our concern and opposition to Alaska Senate Bill 39 - the "True Lender Act," legislation that will hurt access to capital for Alaska small businesses and create severe risks to broader financial markets.

ILPA is the leading trade organization for online finance providers and service companies serving small businesses. Our members¹ provide various innovative, digital commercial financing products. They proudly supply thousands of Alaska businesses with working capital to invest, purchase inventory, hire additional staff for the busy season, expand operations, or repair damaged or outdated equipment. Using innovative underwriting and advanced technology, our members assess credit risk and deliver financing in as little as 24 hours.

The U.S. lending market is a complex network of nationally chartered banks, state-chartered banks, non-bank lenders, third-party service providers, and financial technology companies. Millions of Americans' access to capital depends on a liquid credit market where financing providers can evaluate risk, provide small businesses with critically important capital, and sell loans on the secondary credit market to minimize risk to insured depository institutions.

One of the primary causes of the Great Recession was depository institutions carrying too many loans on their balance sheets with a high risk of default and a low chance of payback. In the post-Great Recession world, national and state bank regulators recognized the risks of these loans to bank balance sheets and the broader U.S. financial ecosystem. They tightened requirements on banks to prevent lenders from overextending credit and tightened access to capital for American consumers and small businesses, further hurting the U.S. economy. Small business owners, underserved and underbanked populations, rural residents, agricultural-based businesses, and minorities faced increasing difficulty meeting their credit needs from traditional banks.

¹ BackD Business Funding, Biz2Credit, Dedicated GBC, Fiserv, FundBox, iBusiness Funding, Lendio, Mulligan Funding, and OnDeck

In response, non-bank companies entered the market to help banks reduce the cost and risk of lending. They partnered with state and nationally chartered banks to provide much-needed capital quickly and meet customer expectations and new regulations.

We ask the Alaska legislature to reconsider how this bill will impact access to capital for small businesses. Transferring loans to non-bank entities is a fundamental aspect of banking that helps reduce risk and ensures that banks meet everyone's credit needs. Restricting this ability by requiring non-banks that acquire the predominant economic interest in loans to be licensed in the state and abide by the state's lending laws will lead to a less flexible and more fragile banking sector. Investors, debt collectors, and other entities that purchase loans on the secondary market are not lenders, and many may not get licensed in the state. This is detrimental to overall financial stability and could lead to higher borrowing costs and less capital available for Alaska consumers and small businesses.

We request the committee reject this bill because it will decrease access to capital and endanger the secondary credit market, a critically important part of our financial system.

Banks play a crucial role in loan origination and risk assessment. By upending this pillar of modern banking, the bill will weaken Alaskans' access to credit and restrict Alaskan banks' ability to offload even the most traditional loans to the secondary market for purchase and servicing.

Respectfully,

Scott Stewart

CEO

Innovative Lending Platform Association

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