



EQUIPMENT LEASING AND FINANCE ASSOCIATION
1625 Eye Street NW P 202.238.3400
Suite 850 F 202.238.3401
Washington, DC 20006 www.elfaonline.org

Opposition Testimony
Assembly Bill 3207
Definition of a Broker
California Assembly Committee on Privacy And Consumer Protection
Tuesday, April 17, 2018

Scott Riehl
Vice President, State Government Relations
Equipment Leasing & Finance Association

The [Equipment Leasing and Finance Association \(ELFA\)](http://www.elfaonline.org) represents financial services companies and manufacturers in the commercial equipment lease finance sector. We oppose the divergent provisions of Assembly Bill 3207 that allow little understanding of how it could be implemented.

Assembly Bill 3207 seeks to expand the definition of a broker under the California Financing Law with disclosures going beyond recent enactment of Senate Bill 197. AB 3207 requires that licensed brokers provide the prospective borrower a written disclosure that shows the method of compensation provided to the licensed broker but then counters this mandate by stating “*22100 (e) A licensee shall not, in connection with any loan subject to this division, directly or indirectly pass through to a borrower the licensee’s cost of compensating a broker.*”

As an initial matter, this provision generally contravenes basic principles of economics (i.e., to some degree, all costs are passed through to consumers, if not directly than indirectly). More importantly, why should a broker provide a disclosure to the borrower if the lender was not permitted to pass through the cost to the borrower? AB 3207 will entrap brokers and lenders engaged in sincere efforts to comply. This prohibition on passing through the broker fee appears designed to generate violations with almost every transaction. We respectfully ask that it not be enacted.