



1) **Purpose.** According to the author:

Small businesses are the backbone of our economy, and they deserve a fair and transparent marketplace when seeking capital. Right now, traditional lenders operate under clear rules, but certain high-cost non-loan products – like merchant cash advances – function outside that framework. AB 2116 simply ensures consistent oversight so that all financing providers play by the same rules.

2) **Background. *Commercial Financing Providers and Brokers.*** Because state oversight of the financial industry generally relies on licensing programs built around strict definitions of products or services, new or emerging financial products may not fit into one of DFPI’s many existing programs. For example, the California Financing Law (CFL) requires licensure of companies offering consumer or commercial loans, but does not generally apply to commercial financing providers offering non-loan products, such as sales-based financing or factoring, many of which are utilized by small businesses unable to obtain traditional loans. Brokers, which help connect businesses in need of funds to financiers in exchange for a commission, also operate outside the CFL.

**CCFPL.** AB 1864 (Limon), Chapter 157, Statutes of 2020, established the CCFPL to fill these consumer gaps and empower DFPI to oversee unlicensed providers of consumer financial products or services. For example, the CCFPL allows DFPI to promulgate regulations to establish a registration requirement for the providers of identified consumer financial products or services. The registration requirement may last four years, after which the Legislature may extend the requirement, let the requirement lapse, or use registration data collected by DFPI to modify the requirement. DFPI’s first proposals under the CCFPL, which took effect February 15, 2025, require the registration of earned wage access, private postsecondary education financing, debt settlement, and student debt relief providers. This bill requires DFPI to create a registration program for commercial financing product providers under the CCFPL. This bill also enacts standalone obligations on providers and brokers outside the regulation program.

3) **Support and Opposition.** This bill is sponsored by Small Business Majority, CAMEO Network, and the Responsible Business Lending Coalition, which argue this bill “will catalyze fair lending to small businesses by preventing bad-actor financing companies from taking unfair advantage of their competition and of small business customers.” This bill is also supported by other economic development and consumer groups.

This bill is opposed by finance provider associations, with the Revenue Based Finance Coalition urging amendments for “the registration requirements for providers of commercial financing be similar in scope to the CFL’s requirements for commercial lenders” as “DFPI does not have the bandwidth to implement a broad new registration requirement.”

4) **Prior Legislation.** SB 869 (Glazer), of the 2023-24 Legislative Session, would have required, under the CFL, entities offering certain commercial financing services to obtain licensure from DFPI. SB 869 was held on the Senate Appropriations Committee’s suspense file.

SB 1482 (Glazer), of the 2023-24 Legislative Session, when heard by this committee, was similar to this bill, except SB 1482 would have prescribed registration program rules in

statute. SB 1482 was amended by this committee to remove the registration provisions and the bill was subsequently ordered to the Assembly Inactive File.

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