
CONSENT

Bill No: AB 2795
Author: Committee on Banking and Finance
Amended: 6/9/26 in Senate
Vote: 21

SENATE BANKING & F.I. COMMITTEE: 7-0, 6/17/26

AYES: Grayson, Niello, Cervantes, Hurtado, Reyes, Richardson, Strickland

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 68-0, 5/21/26 (Consent) - See last page for vote

SUBJECT: Financial regulation

SOURCE: Author

DIGEST: This bill provides various technical and clarifying changes related to the Franchise Investment Law, notice requirements under licensing or registration laws administered by the Department of Financial Protection and Innovation, and instruments eligible for investment by the State Treasurer, among other technical and clarifying changes.

ANALYSIS:

Existing law:

- 1) Provides the Franchise Investment Law (FIL) that generally requires franchisors to register with the commissioner of the Department of Financial Protection and Innovation (DFPI) before offering and selling franchises in this state. (Division 5 of Title 4 of the Corporations Code, commencing with Section 31000 et seq.)
- 2) Pursuant to the FIL, prohibits a person from effecting or attempting to effect a sale of a franchise in this state, unless that person satisfies a specified condition, with one being that the person is identified in Item 2 of a franchise disclosure document, as specified. (Corporations Code Section 31210)

- 3) Requires licensees or registrants across multiple programs administered by DFPI to submit applications and other licensing forms through the Nationwide Multistate Licensing System. (See, e.g., Financial Code Sections 2039, 28111, 90009, 100006.3)
- 4) Requires a licensee subject to DFPI's jurisdiction to maintain an electronic service address designated for receiving communications and documents sent by the department, as specified. (Financial Code Section 331.5)
- 5) Authorizes DFPI, upon notice by mail, to levy various assessments related to the recovery of costs generated by programs administered by the department, including programs that cover broker-dealers; money transmitters; check sellers, bill payers, and proraters; savings associations; escrow agents; industrial loan companies; deferred deposit transaction providers; residential mortgage lenders, servicers, and mortgage loan originators; and administration of the Local Agency Deposit Security Program.
- 6) Authorizes the creation of a nonprofit corporation called the State Assistance Fund for Enterprise, Business and Industrial Development Corporation for the general purpose of enhancing access to financial assistance for small businesses. (Division 15.5 of the Financial Code, commencing with Section 32000)
- 7) Provides categories of securities eligible for the investment of surplus moneys by the State Treasurer. For certain securities, restricts such investments to securities of specified ratings. (Government Code Section 16430)

This bill:

- 1) Makes technical and clarifying changes to the provision regulating the groups of persons who may effect or attempt to effect a sale of a franchise.
- 2) Provides that DFPI shall require the use of the Nationwide Multistate Licensing System and Registry forms and instructions whenever a statute or regulation requires licensure or registration through that system.
- 3) Requires registrants overseen by DFPI to maintain an electronic service address.
- 4) Authorizes DFPI to fulfill any notice requirement under any law or regulation related to the levy of a fee or assessment against any licensee or registrant by sending the notice to an electronic service address or by sending such notice

through NMLS for persons licensed or registered through that system. Removes requirements in various statutes that such notices be provided by mail.

- 5) Repeals the division in the Financial Code that authorizes the creation of the State Assistance Fund for Enterprise, Business and Industrial Development Corporation.
- 6) Clarifies that specified categories of municipal bonds and corporate bonds that are eligible securities for the investment of surplus funds must have a rating of “A” or its equivalent, or better, by a nationally recognized statistical rating organization.
- 7) Clarifies the rating requirement for commercial paper that are eligible securities for the investment of surplus funds to include only commercial paper with the highest ranking or the highest letter and number rating and extends the maximum maturity of commercial paper from 270 days to 397 days. Deletes the authority of the Pooled Money Investment Board to request that an issuer of commercial paper post collateral of at least 10% more than the amount of the state’s investment in the issuer’s commercial paper.

Comments

Purpose. This bill is a code clean-up bill authored by the Assembly Banking and Finance Committee. The bill contains corrections in code sections affecting the Department of Financial Protection and Innovation, the State Treasurer’s Office, and obsolete portions of the Financial Code.

Background. This bill proposes a variety of technical and clarifying changes that are intended to be noncontroversial. All but one category of proposed changes affect laws administered by the Department of Financial Protection and Innovation (DFPI), with the one outlier being a provision of law that governs the types of securities in which the State Treasurer can invest surplus funds of the state.

Franchises. This bill clarifies the intended scope of a recently enacted law regulating franchise brokers. In 2024 SB 919 (Umberg, Chapter 518, Statutes of 2024) enacted protections for franchisors and franchisees who use third-party franchise brokers when entering into franchise agreements. The law requires franchise brokers to register with DFPI and to provide specified disclosures to prospective franchisees. This bill clarifies that a franchise broker must be registered before effecting or attempting to affect a sale of a franchise, without regard to exemptions that may apply to the franchisor or the underlying franchise sale.

The only opposition to this bill is from California Association of Realtors (CAR) which argues that their members should not be required to register for franchise brokering activities – a requirement to which all other categories of persons would be subject under this bill. CAR claims that its members are already subject to oversight by the Department of Real Estate (DRE), but this argument does not apply to the franchise broker activities that existing law seeks to regulate. If, for example, a licensed lender subject to DFPI oversight engages in franchise brokering activities, that lender would still need to register as a franchise broker because franchise brokering is not covered by the lender's lending license. The same truth applies to licensed activities covered by DRE. The requirement to register as a franchise broker is not duplicative as the law seeks to regulate different activities, and franchise brokering is not an activity overseen by DRE.

Nationwide Multistate Licensing System (NMLS) and "by mail" notices. This bill proposes efficiencies related to communications between DFPI and its licensees. NMLS serves as a repository of information used by many licensees within the oversight of DFPI for the submittal and review of applications, application renewal, background checks, education, and testing. Existing law poses two barriers to DFPI using NMLS for efficient ways to administer licensing laws. First, a variety of licensing and registration laws require DFPI to send specified notices "by mail" and does not clarify that electronic forms of communication, like email or messaging through NMLS, are compliant with this requirement. Secondly, existing law requires that DFPI update regulations each time a new NMLS form is adopted as part of a licensing program. This bill removes those barriers by (1) removing "by mail" across a variety of statutes related to notifications and requiring that each licensee or registrant provide an electronic service address and (2) proposing a plenary directive that DFPI shall require the use of NMLS forms and instructions whenever a statute requires licensure or registration through NMLS.

SAFE-BIDCO. This bill removes a division of law from the Financial Code that authorizes the creation of the State Assistance Fund for Enterprise, Business and Industrial Development Corporation, known as SAFE-BIDCO. SAFE-BIDCO was established as a nonprofit lender to aid small businesses, funded by an appropriation and loan from the state in 1981. After spending more than it earned for a decade, the company fell into a weak financial position and failed to convince the Legislature to appropriate additional funding. The predecessor agency to the DFPI, the Department of Business Oversight, seized SAFE-BIDCO in 2017 after it became insolvent. There is no apparent reason to maintain statutory authority for the creation of this entity, and this bill proposes to delete such provisions from the code.

Securities eligible for investment by the State Treasurer. Existing law specifies categories of securities that are eligible for investment by the State Treasurer, using surplus funds owned by the State that are not yet required to be available to pay for authorized expenditures. The list of eligible securities contains relatively low-risk investments, reflecting the general policy of prudent management of public funds that prioritizes safety and liquidity over yield (i.e., expected rate of return). This bill clarifies certain areas of ambiguity related to bond ratings thresholds and modernizes provisions related to commercial paper that is eligible for investment.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT: (Verified 8/3/26)

International Franchise Association
State Treasurer Fiona Ma

OPPOSITION: (Verified 8/3/26)

California Association of Realtors

ARGUMENTS IN OPPOSITION: California Association of Realtors writes in opposition:

Current law expressly authorizes licensed real estate brokers and salespersons to affect or attempt to affect the sale of a franchise. However, as drafted, subdivision (b) of proposed Section 31210 would require any person acting as a franchise broker to register under the bill's new registration requirements, notwithstanding the existing exemption for DRE licensees. As a result, licensed real estate professionals who are already subject to comprehensive education, licensure, supervision, and enforcement by the Department of Real Estate would be required to obtain an additional registration to perform activities they are already authorized to conduct under existing law.

DRE licensees are already subject to extensive oversight under the Real Estate Law, including licensing standards, disciplinary authority, and continuing education requirements. Requiring these licensees to obtain a separate franchise broker registration would create redundant regulation without a corresponding public benefit.

ASSEMBLY FLOOR: 68-0, 5/21/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo,

Castillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gallagher, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Irwin, Jackson, Johnson, Kalra, Krell, Lee, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Zbur, Rivas
NO VOTE RECORDED: Arambula, Chen, Gabriel, Garcia, Hoover, Lackey, Lowenthal, Ramos, Celeste Rodriguez, Schultz, Wicks, Wilson

Prepared by: Michael Burdick / B. & F.I. / 916-651-4102
8/5/26 15:13:02

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