
UNFINISHED BUSINESS

Bill No: SB 362
Author: Grayson (D)
Amended: 8/28/25 in Assembly
Vote: 21

SENATE BANKING & F.I. COMMITTEE: 7-0, 4/2/25
AYES: Grayson, Niello, Cervantes, Hurtado, Limón, Richardson, Strickland

SENATE JUDICIARY COMMITTEE: 13-0, 4/22/25
AYES: Umberg, Niello, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern, Valladares, Wahab, Weber Pierson, Wiener

SENATE APPROPRIATIONS COMMITTEE: 6-0, 5/23/25
AYES: Caballero, Seyarto, Cabaldon, Grayson, Richardson, Wahab
NO VOTE RECORDED: Dahle

SENATE FLOOR: 38-0, 6/2/25
AYES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
NO VOTE RECORDED: Hurtado, Reyes

ASSEMBLY FLOOR: 79-0, 9/3/25 - See last page for vote

SUBJECT: Commercial financing: disclosures

SOURCE: CAMEO Network, Responsible Business Lending Coalition, Small Business Majority

DIGEST: This bill regulates the use of “interest” and “rate” as terms to describe charges related to a commercial financing transaction and clarifies the enforcement

authority provided to the Department of Financial Protection and Innovation (DFPI) for violations of commercial financing disclosure requirements.

Assembly Amendments are clarifying in nature.

ANALYSIS:

Existing Law

- 1) Establishes disclosure requirements related to commercial financing. (Division 9.5 of the Financial Code, commencing with Section 22800)
- 2) Defines “commercial financing” as an accounts receivable purchase transaction, including factoring, asset-based lending transaction, commercial loan, commercial open-end credit plan, or lease financing transaction intended by the recipient for use primarily for other than personal, family, or household purposes. (Financial Code Section 22800 (d))
- 3) Subjects providers licensed under the California Financing Law to examination and enforcement by DFPI for any violation of the disclosure requirements. (Financial Code Section 22805)
- 4) Authorizes, pursuant to the California Consumer Financial Protection Law (CCFPL) and its implementing regulations:
 - a) DFPI to promulgate regulations that define unfair, deceptive, and abusive acts and practices in connection with the offering or provision of commercial financing to small business recipients, nonprofits, and family farms. The rulemaking may also include data collection and reporting on the provision of commercial financing or other financial products and services. (Financial Code Section 90009 (e))
 - b) Provides, pursuant to (a), rules governing commercial financing products and services, including the following:
 - i) Defines “covered entity” to mean a small business, nonprofit, or family farm whose activities are principally directed or managed from California. (Title 10 California Code of Regulations, Section 1060(d))
 - ii) Defines “covered provider” to mean any person engaged in the business of offering or providing commercial financing or another financial product or service to a covered entity, unless that person is exempted

- from the CCFPL pursuant to Financial Code Section 90002. (Title 10 California Code of Regulations, Section 1060(e))
- iii) Defines “small business” to mean a business entity organized for profit with annual gross receipts of no more than \$16,000,000 or the annual gross receipt level as biennially adjusted by the Department of General Services in accordance with Government Code section 14837, subdivision (d)(3), whichever is greater. (Title 10 California Code of Regulations, Section 1060 (i))
 - iv) Provides that it is unlawful for a covered provider to engage or have engaged in any unfair, deceptive, or abusive act or practice in connection with the offering or provision of commercial financing or another financial product or service to a covered entity. (Title 10 California Code of Regulations, Section 1061(a))
 - v) Provides that an act or practice is unfair if either:
 - (1) The act or practice causes or is likely to cause substantial injury to the covered entity, the injury is not reasonably avoidable by the covered entity, and the injury is not outweighed by countervailing benefits, or
 - (2) The act or practice is unfair under the California Unfair Competition Law and related case law. (Title 10 California Code of Regulations, Section 1061(b))
 - vi) Provides that an act or practice, including a representation or omission, is deceptive if either:
 - (1) The act or practice misleads or is likely to mislead the covered entity, the covered entity’s interpretation of the act or practice is reasonable under the circumstances, and the act or practice is material.
 - (2) The act or practice is deceptive under the California Unfair Competition Law and related case law. (Title 10 California Code of Regulations, Section 1061(c))
 - vii) Provides that an act or practice is abusive if either:
 - (1) The act or practice materially interferes with the ability of a covered entity to understand a term or condition of commercial financing or another financial product or service.

(2) The act or practice takes unreasonable advantage of:

- (a) A lack of understanding on the part of the covered entity of the material risks, costs, or conditions of the commercial financing or other financial product or service;
- (b) The inability of the covered entity to protect its interests in selecting or using commercial financing or another financial product or service; or
- (c) The reasonable reliance by the covered entity on a covered provider to act in the interests of the covered entity. (Title 10 California Code of Regulations, Section 1061(d))

This bill:

- 1) Prohibits a commercial financing provider from term “interest” or “rate” in a deceptive way that could reasonably result in the recipient being misled.
- 2) Requires a commercial financing provider, after extending a specific offer to a potential recipient and whenever stating a charge, pricing metric, or financing amount to the potential recipient during an application process, to state the “annual percentage rate” by using that term or the acronym “APR.”
- 3) Provides that a violation of the commercial financing disclosure requirements is an unfair, deceptive, or abusive act or practice under the CCFPL if the violation relates to a commercial financing transaction that is not subject to the California Financing Law.

Background

This bill seeks to expand and strengthen California’s first-in-the-nation commercial financing disclosure law. Existing law requires a commercial financing provider to disclose key terms when offering financing to a small business, including the total amount of financing, the dollar cost of financing, the method, frequency, and amount of payments, and the annualized rate. This last factor – the annualized rate – has been the primary source of disagreement between small business advocates and some parts of the commercial financing industry. The legislature has sided overwhelmingly with the small business advocates, most recently supporting a bill in 2023 to remove a sunset, making the annualized rate disclosure apply indefinitely. Every member of the Senate and Assembly voted “aye” on the measure.

Current law requires certain terms of financing to be disclosed by commercial financing providers to potential recipients. But once that information is disclosed a single time, a provider can revert to using opaque or confusing pricing terms as the provider discusses the offer with the prospective recipient. This can result in the potential recipient misunderstanding the terms of the offer and making inaccurate comparisons between different offers from different providers. This bill adopts concepts from the federal Truth in Lending Act that require consistency in using terms like “rate” or “interest” to be used in reference to an annual percentage rate (APR) and requiring that an estimated APR be disclosed whenever a provider is discussing specified financing terms with a potential recipient.¹ The intent of this provision is to reduce confusion and improve a potential recipient’s understanding of the terms of an offer. This provision is included in New York’s disclosure law, which was enacted in 2020.

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

According to the Assembly Appropriations Committee,

- 1) Absorbable ongoing costs to the Department of Financial Protection and Innovation (DFPI) to answer legal inquiries from commercial financing providers regarding the usage of specified terms and for related enforcement workload (Financial Protection Fund).
- 2) Possible costs to the Department of Justice (DOJ) of an unknown, but likely minor amount, as a violation of the prohibition is an unlawful business practice enforceable by DOJ under the UCL (Unfair Competition Law Fund). DOJ reports no fiscal impact from this bill, indicating DOJ does not anticipate pursuing related enforcement actions, as this bill enhances DFPI’s ability to pursue enforcement.
- 3) Cost pressures (General Fund (GF) or Trial Court Trust Fund) of an unknown, but likely minor amount, to the courts in additional workload by creating a new prohibition enforceable under the UCL. A claim under the UCL may be brought by either a public prosecutor or a person who lost money or property as the result of the unlawful conduct. It is unlikely many actions will be filed statewide, as this bill enhances DFPI’s ability to pursue administrative enforcement outside the court system.

¹ <https://www.consumerfinance.gov/rules-policy/regulations/1026/24/#24-c-Interp-1>

SUPPORT: (Verified 9/3/25)

Accessity

Ampac Tri-state CDC

Asociacion De Emprendedor@s

California Southern SBDC

California Capital Financial Development Corporation

California Coalition for Community Investment

California Low-income Consumer Coalition

Cameo - California Association for Micro Enterprise Opportunity

Cameo Network

Consumer Federation of California

El Pajaro Community Development Corporation

Hias Economic Advancement Fund

Housing and Economic Rights Advocates

Housing Trust Silicon Valley

Ica Fund

Jedi

Microcare Community Development Solutions

Microenterprise Collaborative of Inland Southern California

Pacific Community Ventures

Public Counsel

Responsible Business Lending Coalition

San Joaquin Community Foundation

Small Business Majority

The Responsible Business Lending Coalition

Toss It Up

Uptima Entrepreneur Cooperative

OPPOSITION: (Verified 9/3/25)

None received

ARGUMENTS IN SUPPORT: CAMEO Network, Responsible Business Lending Coalition, and Small Business Majority, as co-sponsors, write in support:

SB 362 addresses current gaps in California's small business financing disclosure framework. The bill provides a reporting mechanism that allows DFPI to evaluate the actual vs. estimated APRs disclosed by a provider, to prevent rigging of estimates. The bill requires that providers disclose the estimated APR throughout the offering process, wherever details of the financing offer are mentioned. The bill also makes clear DFPI's enforcement authority

related to licensed activity and financing activities that are permitted to take place outside of the licensing framework. These solutions will create a more coherent disclosure framework and result in small businesses receiving better information as they shop around for the best financing offers for their business.

ASSEMBLY FLOOR: 79-0, 9/3/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

Prepared by: Michael Burdick / B. & F.I. /
9/3/25 18:38:10

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