



## FOURTH ROUND OF MODIFICATIONS TO CALIFORNIA COMMERCIAL FINANCING DISCLOSURE REGULATIONS RELEASED

The California Department of Financial Protection and Innovation (“DFPI”) released its fourth set of modifications to the proposed Commercial Financing Disclosure Regulations in an ongoing comment process. See our prior ALERTS dated Apr. 8, 2021 and October 14, 2021.

The proposed modifications make a number of revisions, including the following:

- Disclosures no longer must state the disclosure is required by “California law” but can state the disclosure is required by “applicable law”
- The definition for “average monthly cost” now specifies the formula for averaging the total amounts paid by a recipient over the term of the contract.
- The definition for “estimated monthly cost” has a more precise formula for averaging the total amounts paid by a recipient over the estimated term of the contract.
- Providers may use 30.4 days as the standard length of a month in averaging total payments.

This set of proposed modifications makes few changes, none of which materially simplify the disclosure requirements that business lenders must provide to recipients. Because this round of proposed modifications fewer changes than earlier rounds, it may mean the DFPI is getting close to finalizing the regulations. The DFPI stated in the Initial Statement of Reasons that the finalized regulations will become effective six months after the date of adoption.

The last day to submit written comments regarding these modifications is November 22, 2021. If you would like assistance in analyzing the regulations or submitting a comment, please let us know. We will continue to monitor the status of state commercial financing disclosure statutes and regulations in California, New York and elsewhere. ☐

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