

Assembly Bill No. 2116

Passed the Assembly August 20, 2026

Chief Clerk of the Assembly

Passed the Senate August 19, 2026

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2026, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to amend Sections 22001, 22002, 22007, 22010, 22101, 22101.5, 22102, 22103, 22104, 22105, 22106, 22107, 22109, 22112, 22151, 22153, 22156, 22157, 22157.1, 22159, 22161, 22162, 22164, 22168, 22169, 22700, 22701, 22712, and 22714 of, to amend, renumber, and add Section 22807 of, to add Sections 22021, 22022, 22100.6, and 22167.1 to, and to add Chapter 3.1 (commencing with Section 22655) to Division 9 of, the Financial Code, relating to financial institutions.

LEGISLATIVE COUNSEL'S DIGEST

AB 2116, Schiavo. Commercial financing.

The California Financing Law (CFL) provides for the licensure and regulation of finance lenders and brokers by the Commissioner of Financial Protection and Innovation, including by regulating the provision of commercial loans, as defined. A willful violation of the CFL is a crime, except as specified.

This bill would, beginning January 1, 2028, generally provide for the regulation under the CFL of commercial financing, which the bill would define to mean an accounts receivable purchase transaction, including factoring, asset-based lending transaction, commercial loan, commercial open-end credit plan, or lease financing, intended by the recipient for use primarily for a purpose other than a personal, family, or household purpose, as specified. Beginning July 1, 2028, the bill would prohibit a person from engaging in the business of a commercial financing provider, as defined, or a commercial financing broker, as defined, without obtaining a license from the commissioner, except as specified. The bill would impose various duties on commercial financing providers and commercial financing brokers, including, among other things, prohibiting the taking of a confession of judgment or power of attorney at any time before a default, as specified. The bill would make various conforming changes to the CFL.

Existing law requires a provider of commercial financing to disclose certain information, as specified. Existing law deems certain violations of these provisions to be a violation of the CFL, as specified. The CFL authorizes the commissioner to require that

rates of charge, if stated by a licensee, be stated fully and clearly in the manner that the commissioner deems necessary to prevent misunderstanding by prospective borrowers or property owners.

This bill would authorize the commissioner to require that rates of charge be stated fully and clearly in the manner that the commissioner deems necessary to prevent misunderstanding by prospective borrowers or recipients.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

The people of the State of California do enact as follows:

SECTION 1. Section 22001 of the Financial Code is amended to read:

22001. (a) This division shall be liberally construed and applied to promote its underlying purposes and policies, which are:

(1) To ensure an adequate supply of credit to borrowers in this state.

(2) To simplify, clarify, and modernize the law governing loans made by finance lenders.

(3) To foster competition among finance lenders.

(4) To protect borrowers against unfair practices by some lenders, having due regard for the interests of legitimate and scrupulous lenders.

(5) To permit and encourage the development of fair and economically sound lending practices.

(6) To encourage and foster a sound economic climate in this state.

(7) To protect property owners from deceptive and misleading practices that threaten the efficacy and viability of property assessed clean energy financing programs.

(8) To protect small businesses against unfair practices by some commercial financing providers, having due regard for the interest of legitimate and scrupulous commercial financing providers.

(b) Consumer loans, as defined in Sections 22203 and 22204, are subject to this chapter, Chapter 2 (commencing with Section 22200), Article 1 (commencing with Section 22700) of Chapter 4, and Article 2 (commencing with Section 22750) of Chapter 4.

(c) Commercial loans, as defined in Section 22502, are subject to this chapter, Chapter 3 (commencing with Section 22500), Article 1 (commencing with Section 22700) of Chapter 4, and Article 3 (commencing with Section 22780) of Chapter 4.

(d) A program administrator, as defined in Section 22018, is subject to this chapter, Chapter 3.5 (commencing with Section 22680), and Article 1 (commencing with Section 22700) of Chapter 4.

(e) Commercial financing, as defined in Section 22655, is subject to this chapter, Chapter 3.1 (commencing with Section 22655), and Article 1 (commencing with Section 22700) and Article 3 (commencing with Section 22780) of Chapter 4.

(f) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 2. Section 22002 of the Financial Code is amended to read:

22002. (a) To accomplish its underlying purposes and policies, this division creates a class of exempt persons pursuant to Section 1 of Article XV of the California Constitution. The class of exempt persons includes any person licensed under this division.

(b) (1) It is the intent of the Legislature to preserve existing exemptions under Section 1 of Article XV of the California Constitution and statutory law for all of the following:

(A) Personal property brokers formerly regulated by the Personal Property Brokers Law.

(B) Lenders formerly regulated by the Consumer Finance Lenders Law.

(C) Lenders formerly regulated by the Commercial Finance Lenders Law.

(2) No finding that any provision of this division is invalid with respect to a particular lender or class of lenders shall affect the enforceability of this division with respect to any of the classifications of lenders described in paragraph (1), which shall in all events continue to be exempted by this division.

SEC. 3. Section 22007 of the Financial Code is amended to read:

22007. (a) “Licensee” means any finance lender, broker, commercial financing provider, commercial financing broker, or program administrator who receives a license in accordance with this division.

(b) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 4. Section 22010 of the Financial Code is amended to read:

22010. (a) “Finance lender,” “broker,” “commercial financing provider,” “commercial financing broker,” and “program administrator” do not include employees regularly employed at the location specified in the license of the finance lender, broker, commercial financing provider, commercial financing broker, or program administrator, except that an employee, when acting within the scope of the employee’s employment, shall be exempt from any other law from which the employee’s employer is exempt.

(b) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 5. Section 22021 is added to the Financial Code, to read:

22021. (a) Except in Sections 22064 and 22687, “recipient” has the same meaning as defined in Section 22655.

(b) This section shall become operative on January 1, 2028.

SEC. 6. Section 22022 is added to the Financial Code, to read:

22022. (a) “Commercial financing” and “commercial financing provider” have the same meanings as defined in Section 22655.

(b) This section shall become operative on January 1, 2028.

SEC. 7. Section 22100.6 is added to the Financial Code, to read:

22100.6. (a) A person shall not engage in the business of a commercial financing provider or a commercial financing broker without obtaining a license from the commissioner.

(b) Notwithstanding subdivision (a), a person may engage in the business of a commercial financing provider or a commercial financing broker if the person submits a complete application on or before July 1, 2028, and is awaiting approval or denial of the application.

(c) This section shall become operative on July 1, 2028.

SEC. 8. Section 22101 of the Financial Code is amended to read:

22101. (a) An application for a license as a finance lender, broker, commercial financing provider, commercial financing broker, or program administrator under this division shall be in the form and contain the information that the commissioner may by rule or order require and shall be filed upon payment of the fee specified in Section 22103.

(b) Notwithstanding any other law, an applicant who does not currently hold a license as a finance lender, broker, commercial financing provider, commercial financing broker, or program administrator under this division shall furnish, with their application, a full set of fingerprints and related information for purposes of the commissioner conducting a criminal history record check. The commissioner shall obtain and receive criminal history information from the Department of Justice and the Federal Bureau of Investigation pursuant to Section 22101.5.

(c) This section does not prevent a licensee from engaging in the business of a finance lender or program administrator through a subsidiary corporation if the subsidiary corporation is licensed pursuant to this division.

(d) For purposes of this section, “subsidiary corporation” means a corporation that is wholly owned by a licensee.

(e) A new application shall not be required for a change in the address of an existing location previously licensed under this division. However, the licensee shall comply with the requirements of Section 22153.

(f) Notwithstanding subdivisions (a) to (e), inclusive, the commissioner may by rule require an application to be made through the Nationwide Mortgage Licensing System and Registry, and may require fees, fingerprints, financial statements, supporting documents, changes of address, and any other information, and amendments or modifications thereto, to be submitted in the same manner.

(g) Notwithstanding any other law, the commissioner may by rule or order prescribe circumstances under which to accept electronic records or electronic signatures. This section does not require the commissioner to accept electronic records or electronic signatures.

(h) For purposes of this section, the following terms have the following meanings:

(1) “Electronic record” means an initial license application, or material modification of that license application, and any other record created, generated, sent, communicated, received, or stored by electronic means. “Electronic records” also includes, but is not limited to, all of the following:

(A) An application, amendment, supplement, and exhibit, filed for any license, consent, or other authority.

(B) A financial statement, a report, or advertising.

(C) An order, license, consent, or other authority.

(D) A notice of public hearing, accusation, and statement of issues in connection with any application, license, consent, or other authority.

(E) A proposed decision of a hearing officer and a decision of the commissioner.

(F) The transcripts of a hearing and correspondence between a party and the commissioner directly relating to the record.

(G) A release, newsletter, interpretive opinion, determination, or specific ruling.

(H) Correspondence between a party and the commissioner directly relating to any document listed in subparagraphs (A) to (G), inclusive.

(2) “Electronic signature” means an electronic sound, symbol, or process attached to or logically associated with an electronic record and executed or adopted by a person with the intent to sign the electronic record.

(i) The Legislature finds and declares that the Department of Financial Protection and Innovation has continuously implemented methods to accept records filed electronically, and is encouraged to continue to expand its use of electronic filings to the extent feasible, as budget, resources, and equipment are made available to accomplish that goal.

(j) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 9. Section 22101.5 of the Financial Code is amended to read:

22101.5. (a) The commissioner shall submit to the Department of Justice fingerprint images and related information required by the Department of Justice of all finance lender, broker, commercial financing provider, commercial financing broker, or program administrator license candidates, as defined by subdivision (a) of

Section 22101, for purposes of obtaining information as to the existence and content of a record of state or federal convictions, state or federal arrests, and information as to the existence and content of a record of state or federal arrests for which the Department of Justice establishes that the person is free on bail or on the person's own recognizance pending trial or appeal.

(b) When received, the Department of Justice shall forward to the Federal Bureau of Investigation requests for federal summary criminal history information received pursuant to this section. The Department of Justice shall review the information returned from the Federal Bureau of Investigation and compile and disseminate a response to the commissioner.

(c) The Department of Justice shall provide a response to the commissioner pursuant to paragraph (1) of subdivision (p) of Section 11105 of the Penal Code.

(d) The commissioner shall request from the Department of Justice subsequent arrest notification service, as provided pursuant to Section 11105.2 of the Penal Code, for license candidates described in subdivision (a).

(e) The Department of Justice shall charge a fee sufficient to cover the costs of processing the requests pursuant to this section.

(f) Notwithstanding subdivisions (a) to (e), inclusive, the commissioner may by rule require fingerprints submitted by an applicant to be submitted to the Nationwide Mortgage Licensing System and Registry in addition to the Department of Justice.

(g) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 10. Section 22102 of the Financial Code is amended to read:

22102. (a) A finance lender, broker, commercial financing provider, commercial financing broker, or program administrator licensee seeking to engage in business at a new location shall submit an application for a branch office license to the commissioner at least 10 days before engaging in business at a new location and pay the fee required by Section 22103. The commissioner may require an applicant seeking to engage in business at a new location to submit its application, or parts thereof, through the Nationwide Mortgage Licensing System and Registry.

(b) The licensee may engage in business at the new location 10 days after the date of submission of a branch office application.

(c) (1) The commissioner shall approve or deny the person responsible for the lending or financing activity at the new location in accordance with Section 22109, and shall notify the licensee of this decision within 90 days of the date of receipt of the application.

(2) If the commissioner denies the application, the licensee shall, within 10 days of the date of receipt of notification of the commissioner's denial, submit a new application to the commissioner designating a different person responsible for the lending or financing activity at the new location. The commissioner shall approve or deny the different person as provided in paragraph (1).

(d) A licensee shall not engage in business at a new location in a name other than a name approved by the commissioner.

(e) The commissioner may adopt regulations to implement the requirements of this section.

(f) A branch office license to engage in business at a new location shall be issued in accordance with this section. A change of street address of a place of business designated in a license shall be made in accordance with Section 22153 and shall not constitute a new location subject to the requirements of this section.

(g) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 11. Section 22103 of the Financial Code is amended to read:

22103. (a) At the time of filing the application for a finance lender, broker, commercial financing provider, commercial financing broker, program administrator, or branch office license, the applicant shall pay to the commissioner the sum of one hundred dollars (\$100) as a fee for investigating the application, plus the cost of fingerprint processing and the criminal history record check under Section 22101.5, and two hundred dollars (\$200) as an application fee. The investigation fee, including the amount for the criminal history record check, and the application fee are not refundable if an application is denied or withdrawn.

(b) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 12. Section 22104 of the Financial Code is amended to read:

22104. (a) The applicant shall file with the application for a finance lender, broker, commercial financing provider, commercial

financing broker, or program administrator license financial statements prepared in accordance with generally accepted accounting principles and acceptable to the commissioner that indicate a net worth of at least twenty-five thousand dollars (\$25,000). Except as provided in subdivisions (b) and (c), a licensee shall maintain a net worth of at least twenty-five thousand dollars (\$25,000) at all times.

(b) A licensed finance lender or broker, that employs one or more mortgage loan originators and that makes residential mortgage loans, shall continuously maintain a minimum net worth of at least two hundred fifty thousand dollars (\$250,000).

(c) A licensed finance broker, that employs one or more mortgage loan originators and that arranges, but does not make, residential mortgage loans, shall continuously maintain a minimum net worth of at least fifty thousand dollars (\$50,000).

(d) The commissioner may promulgate rules or regulations with respect to the requirements for minimum net worth, as are necessary to accomplish the purposes of this division and comply with the SAFE Act.

(e) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 13. Section 22105 of the Financial Code is amended to read:

22105. (a) Upon the filing of an application pursuant to Section 22101 and the payment of the fees, the commissioner shall investigate the applicant and its general partners and persons owning or controlling, directly or indirectly, 10 percent or more of the outstanding interests or any person responsible for the conduct of the applicant's lending, financing, or program administration activities in this state, if the applicant is a partnership. If the applicant is a corporation, trust, limited liability company, or association, including an unincorporated organization, the commissioner shall investigate the applicant, its principal officers, directors, managing members, and persons owning or controlling, directly or indirectly, 10 percent or more of the outstanding equity securities or any person responsible for the conduct of the applicant's lending or financing activities or for administering PACE programs for the applicant in this state. Upon the filing of an application pursuant to Section 22102 and the payment of the fees, the commissioner shall investigate the person

responsible for the lending or financing activity of the licensee, or for administering one or more PACE programs for the licensee, at the new location described in the application. The investigation may be limited to information that was not included in prior applications filed pursuant to this division. If the commissioner determines that the applicant has satisfied this division and does not find facts constituting reasons for denial under Section 22109, the commissioner shall issue and deliver a license to the applicant.

(b) For the purposes of this section, “principal officers” shall mean president, chief executive officer, treasurer, and chief financial officer, as may be applicable, and any other officer with direct responsibility for the conduct of the applicant’s lending or financing activities or for PACE program administration for the applicant within the state.

(c) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 14. Section 22106 of the Financial Code is amended to read:

22106. (a) The finance lender, broker, commercial financing provider, commercial financing broker, or program administrator license shall state the name of the licensee, and if the licensee is a partnership, the names of its general partners, and if a corporation or an association, the date and place of its incorporation or organization, and the address of the licensee’s principal business location. On the approval and licensing of a location pursuant to Section 22101 or 22102, the commissioner shall issue an original license endorsed to show the address of the authorized location and, if applicable, the name of the subsidiary corporation licensed to operate the location. The license shall state whether the licensee is licensed as a finance lender, broker, commercial financing provider, commercial financing broker, or program administrator.

(b) (1) An application for a license for a business location outside this state shall constitute an agreement by the applicant to do all of the following:

(A) Make the licensee’s books, accounts, papers, records, and files available to the commissioner or the commissioner’s representatives in this state.

(B) Pay the reasonable expenses for travel, meals, and lodging of the commissioner or the commissioner’s representatives incurred

during any investigation or examination made at the licensee's location outside this state.

(2) A licensee located outside this state is not required to maintain books and records regarding licensed loans or licensed commercial financing transactions separate from those for other loans or other commercial financing transactions if the licensed loans or licensed commercial financing transactions can be readily identified.

(c) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 15. Section 22107 of the Financial Code is amended to read:

22107. (a) Each finance lender, broker, commercial financing provider, commercial financing broker, or program administrator licensee shall pay to the commissioner its pro rata share of all costs and expenses, including the costs and expenses associated with the licensing of mortgage loan originators it employs, reasonably incurred in the administration of this division, as estimated by the commissioner, for the ensuing year and any deficit actually incurred or anticipated in the administration of the program in the year in which the assessment is made. The pro rata share shall be the proportion that a licensee's gross income bears to the aggregate gross income of all licensees as shown by the annual financial reports to the commissioner, for the costs and expenses remaining after the amount assessed pursuant to subdivision (c).

(b) On or before September 30 in each year, the commissioner shall notify each licensee of the amount assessed and levied against it and that amount shall be paid by October 31. If payment is not made by October 31, the commissioner shall assess and collect a penalty, in addition to the assessment, of 1 percent of the assessment for each month or part of a month that the payment is delayed or withheld.

(c) In the levying and collection of the assessment, a licensee shall neither be assessed for nor be permitted to pay less than two hundred fifty dollars (\$250) per licensed location per year.

(d) If a licensee fails to pay the assessment on or before October 31, the commissioner may by order summarily suspend or revoke the certificate issued to the licensee. If, after an order is made, a request for a hearing is filed in writing within 30 days, and a hearing is not held within 60 days thereafter, the order is deemed

rescinded as of its effective date. During any period when its certificate is revoked or suspended, a finance lender, broker, commercial financing provider, commercial financing broker, or program administrator licensee and any mortgage loan originator licensee employed by the finance lender or broker shall not conduct business pursuant to this division except as may be permitted by order of the commissioner. However, the revocation, suspension, or surrender of a certificate shall not affect the powers of the commissioner as provided in this division.

(e) The commissioner shall, by rule, establish the timelines, fees, and assessments applicable to applicants for original mortgage loan originator licenses, license renewals, and license changes under this division.

(f) Notwithstanding subdivisions (a) to (e), inclusive, the commissioner may by rule require licensees to pay assessments through the Nationwide Mortgage Licensing System and Registry.

(g) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 16. Section 22109 of the Financial Code is amended to read:

22109. (a) Upon reasonable notice and opportunity to be heard, the commissioner may deny the application for a finance lender, broker, commercial financing provider, commercial financing broker, or program administrator license for any of the following reasons:

(1) A false statement of a material fact has been made in the application.

(2) The applicant or an officer, director, general partner, person responsible for the applicant's lending or financing activities or administering PACE programs for the applicant in this state, or person owning or controlling, directly or indirectly, 10 percent or more of the outstanding interests or equity securities of the applicant has, within the last 10 years, been convicted of or pleaded nolo contendere to a crime, or committed an act involving dishonesty, fraud, or deceit, if the crime or act is substantially related to the qualifications, functions, or duties of a person engaged in business in accordance with this division.

(3) The applicant or an officer, director, general partner, person responsible for the applicant's lending or financing activities or administering PACE programs for the applicant in this state, or

person owning or controlling, directly or indirectly, 10 percent or more of the outstanding interests or equity securities of the applicant has violated any provision of this division or the rules thereunder or any similar regulatory scheme of the State of California or a foreign jurisdiction.

(4) The applicant employs a mortgage loan originator who is not licensed, or has not initiated an application to become licensed, pursuant to this division.

(b) The application shall be considered withdrawn within the meaning of this section if the applicant fails to respond to a written notification of a deficiency in the application within 90 days of the date of the notification.

(c) The commissioner shall, within 60 days from the filing of a full and complete application for a license with the fees, either issue a license or file a statement of issues prepared in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

(d) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 17. Section 22112 of the Financial Code is amended to read:

22112. (a) A licensee shall maintain a surety bond in accordance with this subdivision in a minimum amount of twenty-five thousand dollars (\$25,000). The bond shall be payable to the commissioner and issued by an insurer authorized to do business in this state. An original surety bond, including any and all riders and endorsements executed subsequent to the effective date of the bond, shall be filed with the commissioner within 10 days of execution. For licensees with multiple licensed locations, only one surety bond is required. The bond shall be used for the recovery of expenses, fines, and fees levied by the commissioner in accordance with this division or for losses or damages incurred by borrowers, recipients, or consumers as the result of a licensee's noncompliance with the requirements of this division.

(b) When an action is commenced on a licensee's bond, the commissioner may require the filing of a new bond. Immediately upon recovery of any action on the bond, the licensee shall file a new bond. Failure to file a new bond within 10 days of the recovery on a bond, or within 10 days after notification by the commissioner

that a new bond is required, constitutes sufficient grounds for the suspension or revocation of the license.

(c) The commissioner may by rule require a higher bond amount for a licensee who employs one or more mortgage loan originators and who makes or arranges residential mortgage loans, based on the dollar amount of residential mortgage loans originated by that licensee and any mortgage loan originators employed by that licensee. Every mortgage loan originator employed by the licensee shall be covered by the surety bond.

(d) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 18. Section 22151 of the Financial Code is amended to read:

22151. (a) A finance lender license, broker license, commercial financing provider license, commercial financing broker license, program administrator license, and the license of every mortgage loan originator employed by a lender or finance broker, along with any currently effective order of the commissioner approving a different name pursuant to Section 22155, shall be conspicuously posted in the place of business authorized by the license.

(b) A license is not transferable or assignable. A license issued to a partnership or a limited partnership is not transferred or assigned within the meaning of this section by the death, withdrawal, or admission of a partner, general partner, or limited partner, unless the death, withdrawal, or admission dissolves the partnership to which the license was issued.

(c) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 19. Section 22153 of the Financial Code is amended to read:

22153. (a) If a finance lender, broker, commercial financing provider, commercial financing broker, or program administrator licensee seeks to change its place of business to a street address other than that designated in its license, the licensee shall provide notice to the commissioner at least 10 days before the change. The commissioner shall notify the licensee within 10 days if the commissioner disapproves the change, and if the commissioner does not notify the licensee of disapproval within 10 days, the change in address shall be deemed approved. The commissioner may require an applicant to submit its application to change its

place of business through the Nationwide Mortgage Licensing System and Registry.

(b) If notice is not given at least 10 days before the change of a street address of a place of business, as required by subdivision (a), or notice is not given at least 10 days before engaging in business at a new location, as required by Section 22102, the commissioner may assess a civil or administrative penalty on the licensee not to exceed five hundred dollars (\$500).

(c) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 20. Section 22156 of the Financial Code is amended to read:

22156. (a) Finance lender, broker, commercial financing provider, commercial financing broker, program administrator, and mortgage loan originator licensees shall keep and use in their business, books, accounts, and records which will enable the commissioner to determine if the licensee is complying with the provisions of this division and with the rules and regulations made by the commissioner. On any loan secured by real property in which loan proceeds were disbursed to an independent escrowholder, the licensee shall retain records and documents as set forth by rules of the commissioner adopted pursuant to Section 22150. Upon request of the commissioner, licensees shall file an authorization for disclosure to the commissioner of financial records of the licensed business pursuant to Section 7473 of the Government Code.

(b) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 21. Section 22157 of the Financial Code is amended to read:

22157. (a) Finance lender, broker, commercial financing provider, commercial financing broker, and mortgage loan originator licensees shall preserve their books, accounts, and records, if any, for at least three years after making the final entry on any loan or commercial financing transaction recorded therein.

(b) Except as otherwise specified by applicable law, including paragraph (3) of subdivision (b) of Section 5913 of the Streets and Highways Code, program administrator licensees shall preserve their books, accounts, and records for at least three years after the extinguishment of a PACE assessment is recorded therein.

(c) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 22. Section 22157.1 of the Financial Code is amended to read:

22157.1. (a) For purposes of this section:

(1) “Encrypted” has the same meaning as provided in paragraph (4) of subdivision (i) of Section 1798.82 of the Civil Code.

(2) “Remote location” means a personal residence or a temporary, nonpublic location not owned or leased by the licensee or an affiliate of the licensee that is not simultaneously accessible by anyone other than a single employee and individuals who maintain a common household with the employee.

(b) A licensee may designate an employee, when acting within the scope of employment, to perform work on the licensee’s behalf at a remote location if the licensee does all of the following:

(1) Prohibits in-person consumer interactions, including the physical receipt of cash or other monetary value or the disbursement of loan or commercial financing transaction proceeds, at a remote location and does not designate a remote location to the public as a business location.

(2) Prohibits records required pursuant to Section 22156 from being physically mailed to, shipped to, or stored at a remote location except for storage on an encrypted device or encrypted media.

(3) Prohibits the physical receipt of mail related to the licensee’s licensed business at a remote location.

(4) Prohibits a consumer’s personal information from being physically stored at a remote location except for storage on an encrypted device or encrypted media.

(5) Provides an employee working at a remote location with appropriate equipment, which may include encrypted devices, virtual private networks, and similar technology, to perform work and safeguard licensee records and consumer personal information.

(6) Adopts and adheres to appropriate, as determined by the department, written policies and procedures to supervise and maintain appropriate control over the work of employees at remote locations and safeguard the licensee’s records and consumer personal information in connection with work at a remote location, including, but not limited to, all of the following elements:

(A) Employee data security training.

(B) Maintenance of security logs of remote logins.

(C) Procedures designed to detect suspicious logins or attempted logins and to suspend access by potentially compromised accounts or equipment.

(D) Data breach response procedures.

(7) (A) Records telephone calls with consumers conducted from a remote location to the same extent as telephone calls with consumers conducted from licensed locations.

(B) This paragraph does not require telephone call recording if the licensee does not do so in the normal course of business for the employee or business in question.

(8) All books, records, and persons that the commissioner is entitled to examine, inspect, or interview shall be made available to the commissioner at a licensed location.

(c) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 23. Section 22159 of the Financial Code is amended to read:

22159. (a) (1) Each finance lender, broker, commercial financing provider, commercial financing broker, and program administrator licensee shall file an annual report with the commissioner, on or before March 15, giving the relevant information that the commissioner reasonably requires concerning the business and operations conducted by the licensee or authorized by the program administrator licensee within the state during the preceding calendar year for each licensed place of business. The individual annual reports filed pursuant to this section shall be made available to the public for inspection except, upon request in the annual report to the commissioner, the balance sheet contained in the annual report of a sole proprietor or any other nonpublicly traded person. The report shall be made under oath and in the form prescribed by the commissioner.

(2) As used in this subdivision, “nonpublicly traded person” means a person with securities owned by 35 or fewer individuals.

(b) A licensee shall make other special reports required by the commissioner.

(c) The commissioner may require a licensee that employs one or more mortgage loan originators to submit to the Nationwide Mortgage Licensing System and Registry reports of condition,

which shall be in the form and shall contain the information as the Nationwide Mortgage Licensing System and Registry may require.

(d) The commissioner may by rule or order require a mortgage loan originator to submit reports of condition to the Nationwide Mortgage Licensing System and Registry, in lieu of the reports of condition required of the mortgage loan originator's employer pursuant to subdivision (c).

(e) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 24. Section 22161 of the Financial Code is amended to read:

22161. (a) A person subject to this division shall not do any of the following:

(1) Make a materially false or misleading statement or representation to a borrower or recipient about the terms or conditions of that borrower's loan or that recipient's commercial financing transaction when making or brokering the loan or commercial financing transaction.

(2) Make a materially false or misleading statement or representation to a property owner about the terms or conditions of an assessment contract.

(3) Advertise, print, display, publish, distribute, or broadcast, or cause or permit to be advertised, printed, displayed, published, distributed, or broadcast in any manner, any statement or representation with regard to the business subject to the provisions of this division, including the rates, terms, or conditions for making or negotiating loans, making or negotiating commercial financing transactions, or for making or negotiating assessment contracts, that is false, misleading, or deceptive, or that omits material information that is necessary to make the statements not false, misleading, or deceptive, or in the case of a licensee, that refers to the supervision of the business by the state or any department or official of the state.

(4) Commit an act in violation of Section 1695.13 of the Civil Code.

(5) Engage in any act in violation of Section 17200 of the Business and Professions Code.

(6) Knowingly misrepresent, circumvent, or conceal, through subterfuge or device, any material aspect or information regarding a transaction to which the person is a party.

(7) Commit an act that constitutes fraud or dishonest dealings.

(b) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 25. Section 22162 of the Financial Code is amended to read:

22162. (a) A finance lender, broker, commercial financing provider, commercial financing broker, or mortgage loan originator licensee shall not place an advertisement disseminated primarily in this state for a loan or commercial financing transaction unless the licensee discloses in the printed text of the advertisement, or in the oral text in the case of a radio or television advertisement, the license under which the loan or commercial financing transaction would be made or arranged.

(b) A program administrator licensee shall not place an advertisement disseminated primarily in this state for an assessment contract unless the licensee discloses in the printed text of the advertisement, or in the oral text in the case of a radio or television advertisement, the license under which the assessment contract would be administered.

(c) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 26. Section 22164 of the Financial Code is amended to read:

22164. (a) If any person engaged in the business regulated by this division refers in any advertising to rates of interest, charges, or cost of loans, commercial financing transactions, or assessment contracts, the commissioner shall require that the rates, charges, or costs are stated fully and clearly in the manner that the commissioner deems necessary to give adequate information to prospective borrowers or property owners. If the rates or costs advertised do not apply to loans or assessment contracts of all classes made or negotiated by the person, this fact shall be clearly indicated in the advertisement.

(b) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 27. Section 22167.1 is added to the Financial Code, to read:

22167.1. (a) A licensed commercial financing provider may act as a commercial financing broker at its licensed place of business without obtaining an additional license as a commercial

financing broker under this division only if the licensee has notified the commissioner of the action in writing.

(b) This section shall become operative on January 1, 2028.

SEC. 28. Section 22168 of the Financial Code is amended to read:

22168. (a) The commissioner may, after appropriate notice and opportunity for hearing, suspend for a period not to exceed 12 months or bar a person from any position of employment with a licensee if the commissioner finds that the person has willfully used or claimed without authority a designation or certification of special education, practice, or skill that the person has not attained, or willfully held out to the public a confusingly similar designation or certification for the purpose of misleading the public regarding the person's qualifications or experience.

(b) Within 15 days from the date of a notice of intention to issue an order pursuant to subdivision (a), the person may request a hearing under the Administrative Procedure Act (Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code). Upon receiving a request, the matter shall be set for hearing to commence within 30 days after receipt unless the person subject to this division consents to a later date. If no hearing is requested within 15 days after the mailing or service of the notice and none is ordered by the commissioner, the failure to request a hearing shall constitute a waiver of the right to a hearing.

(c) Upon receipt of a notice of intention to issue an order pursuant to subdivision (a), the person who is the subject of the proposed order is immediately prohibited from engaging in any activities subject to licensure under this division.

(d) Persons suspended or barred under this section are prohibited from participating in any business activity of a licensed finance lender, broker, commercial financing provider, commercial financing broker, program administrator, or mortgage loan originator, and from engaging in any business activity on the premises where a licensed finance lender, broker, commercial financing provider, commercial financing broker, program administrator, or mortgage loan originator is conducting its business. This subdivision does not prohibit suspended or barred persons from having their personal transactions processed by a licensed finance lender, broker, commercial financing provider,

commercial financing broker, mortgage loan originator, or program administrator.

(e) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 29. Section 22169 of the Financial Code is amended to read:

22169. (a) The commissioner may, after appropriate notice and opportunity for hearing, by order, censure or suspend for a period not exceeding 12 months, or bar a person, including a mortgage loan originator, from any position of employment with, or management or control of, any finance lender, broker, commercial financing provider, commercial financing broker, program administrator, or any other person, if the commissioner finds either of the following:

(1) That the censure, suspension, or bar is in the public interest and that the person has committed or caused a violation of this division or rule or order of the commissioner, which violation was either known or should have been known by the person committing or causing it or has caused material damage to the finance lender, broker, commercial financing provider, commercial financing broker, program administrator, or mortgage loan originator, or to the public.

(2) That the person has been convicted of or pleaded nolo contendere to any crime, or has been held liable in any civil action by final judgment, or any administrative judgment by any public agency, if that crime or civil or administrative judgment involved any offense involving dishonesty, fraud, or deceit, or any other offense reasonably related to the qualifications, functions, or duties of a person engaged in the business in accordance with the provisions of this division.

(b) Within 15 days from the date of a notice of intention to issue an order pursuant to subdivision (a), the person may request a hearing under the Administrative Procedure Act (Chapter 4.5 (commencing with Section 11400) of Part 1 of Division 3 of Title 2 of the Government Code). Upon receipt of a request, the matter shall be set for hearing to commence within 30 days after such receipt unless the person subject to this division consents to a later date. If no hearing is requested within 15 days after the mailing or service of such notice and none is ordered by the commissioner,

the failure to request a hearing shall constitute a waiver of the right to a hearing.

(c) Upon receipt of a notice of intention to issue an order pursuant to this section, the person who is the subject of the proposed order is immediately prohibited from engaging in any activities subject to licensure under the law.

(d) Persons suspended or barred under this section are prohibited from participating in any business activity of a finance lender, broker, commercial financing provider, commercial financing broker, program administrator, or mortgage loan originator, and from engaging in any business activity on the premises where a finance lender, broker, commercial financing provider, commercial financing broker, program administrator, or mortgage loan originator is conducting business.

(e) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 30. Chapter 3.1 (commencing with Section 22655) is added to Division 9 of the Financial Code, to read:

CHAPTER 3.1. COMMERCIAL FINANCING FOR SMALL BUSINESSES

Article 1. Definitions

22655. As used in this chapter:

(a) “Accounts receivable purchase transaction” has the same meaning as defined in Section 22800.

(b) “Annual percentage rate” or “APR” means an annualized rate calculated pursuant to Subchapter 3 (commencing with Section 900) of Chapter 3 of Title 10 of the California Code of Regulations.

(c) “Asset-based lending transaction” has the same meaning as defined in Section 22800.

(d) (1) “Charge” includes the aggregate interest, fees, bonuses, commissions, brokerage, discounts, expenses, and other forms of costs charged, contracted for, or received by a licensee or any other person in connection with the investigating, arranging, negotiating, procuring, guaranteeing, making, servicing, collecting, and enforcing of a commercial financing transaction or forbearance of money, credit, goods, or things in action, or any other service rendered.

(2) “Charge” includes a profit or advantage of any kind that a licensee may contract for, collect, receive, or obtain by a collateral sale, purchase, or agreement, in connection with negotiating, arranging, making, or otherwise in connection with any commercial financing transaction.

(e) (1) “Commercial financing” means an accounts receivable purchase transaction, including factoring, asset-based lending transaction, commercial loan, commercial open-end credit plan, or lease financing, intended by the recipient for use primarily for a purpose other than a personal, family, or household purpose.

(2) For purposes of determining the primary purpose of the financing within the meaning of this subdivision, the provider may rely on any written statement of intended purposes signed by the recipient. The statement may be a separate statement signed by the recipient or may be contained in a loan application or other document signed by the recipient. The provider is not required to ascertain that the proceeds of the financing are used in accordance with the statement of intended purposes.

(f) (1) “Commercial financing broker” means a person who is engaged in the business of performing any of the following acts in connection with commercial financing made by a commercial financing provider:

(A) Transmitting sensitive data about a prospective recipient to a commercial financing provider with the expectation of compensation in connection with making a referral.

(B) Making a referral to a commercial financing provider under an agreement with the commercial financing provider that a prospective recipient referred by the person to the commercial financing provider meets certain criteria involving sensitive data.

(C) Participating in a commercial financing negotiation between a commercial financing provider and prospective recipient.

(D) Counseling, advising, or making recommendations to a prospective recipient about a commercial financing transaction based on the prospective recipient’s sensitive data.

(E) (i) Subject to clause (ii), participating in the preparation of commercial financing documents, including, but not limited to, commercial financing applications, other than providing a prospective recipient blank copies of commercial financing documents.

(ii) Transmitting information that is not sensitive data to a commercial financing provider at the request of a prospective recipient shall not, by itself, constitute participation in the preparation of commercial financing documents.

(F) Communicating to a prospective recipient a commercial financing provider's commercial financing approval decisions.

(G) Charging a fee to a prospective recipient for services related to a prospective recipient's application for a commercial financing transaction from a commercial financing provider.

(2) Notwithstanding paragraph (1), a person is not a "commercial financing broker" solely because they take any of the following actions:

(A) Perform support tasks, including, but not limited to, typing, word processing, data entry, filing, billing, answering telephone calls, taking and receiving messages, and scheduling, in support of the performance by a broker of any of the activities described in subparagraphs (E) to (G), inclusive, of paragraph (1).

(B) Furnish a consumer report to a licensee by a consumer reporting agency in accordance with subsection (a) or (c) of Section 1681b of Title 15 of the United States Code.

(C) Furnish a consumer credit report, as defined in Section 1785.3 of the Civil Code, to a licensee by a consumer credit reporting agency in accordance with subdivision (a) or paragraph (1) of subdivision (b) of Section 1785.11 of the Civil Code.

(D) Furnish a prequalifying report, as defined in Section 1785.3 of the Civil Code, to a licensee by a consumer credit reporting agency in accordance with paragraph (2) of subdivision (b) of Section 1785.11 of the Civil Code.

(E) Distribute or disseminate to a prospective recipient of a provider's marketing materials or factual information about the provider, its lending activities, or its loan products, including, but not limited to, the provider's interest rates, the provider's minimum or maximum loan amounts or loan periods, or a general description of the provider's underwriting criteria.

(g) "Commercial financing provider" means a person who extends a specific offer of commercial financing to a recipient, including, but not limited to, a nondepository institution that enters into a written agreement with a depository institution to arrange for the extension of commercial financing by the depository

institution to a recipient via an online lending platform administered by the nondepository institution.

The fact that a commercial financing provider extended a specific offer of commercial financing on behalf of a depository institution shall not be construed to mean that the commercial financing provider engaged in, or originated, that financing.

(h) “Commercial loan” has the same meaning as defined in Section 22502.

(i) “Commercial open-end credit plan” has the same meaning as defined in Section 22800.

(j) “Factoring” has the same meaning as defined in Section 22800.

(k) “Lease financing” has the same meaning as defined in Section 22800.

(l) “Recipient” means a small business or small business owner who is presented a specific commercial financing offer by a commercial financing provider that is equal to or less than five hundred thousand dollars (\$500,000).

(m) “Referral” means the introduction of a prospective recipient to a commercial financing provider, or the delivery of a prospective recipient’s contact information to a commercial financing provider, for the purpose of making an introduction.

(n) “Sensitive data” means any of the following:

- (1) A bank account number.
- (2) A bank statement.
- (3) A credit or debit card account number.
- (4) A credit score, as defined in Section 1785.15.1 of the Civil Code.

(5) All of, or a portion of, a social security number.

(6) Personal or business income information, including information self-reported by the person.

(7) A taxpayer or employer identification number.

(o) (1) “Small business” means a business entity organized for profit with annual gross receipts of no more than sixteen million dollars (\$16,000,000) or the annual gross receipt level as biennially adjusted by the Department of General Services in accordance with Section 14837 of the Government Code, whichever is greater.

(2) For purposes of determining a business entity’s annual gross receipts, a licensee may rely on any relevant written representation

by the business entity, including information provided in any application or agreement for commercial financing.

Article 2. Exemptions

22656. This chapter does not apply to any of the following:

(a) A commercial financing provider that is a lender regulated under Chapter 23 (commencing with Section 2001) of Title 12 of the United States Code.

(b) A commercial financing transaction secured by real property.

(c) A commercial financing transaction in which the recipient is either of the following:

(1) A dealer, as defined in Section 285 of the Vehicle Code, or an affiliate of a dealer.

(2) A vehicle rental company, or an affiliate of a vehicle rental company, pursuant to a specific commercial financing offer or commercial open-end credit plan of at least fifty thousand dollars (\$50,000), including a commercial loan made pursuant to that commercial financing transaction.

(d) A person who makes one or fewer commercial financing transactions in the state in a 12-month period.

(e) A person who makes five or fewer commercial financing transactions in the state in a 12-month period that are incidental to the business of the person relying upon the exemption.

22657. Sections 22152, 22154, and 22155 do not apply to a commercial financing transaction or to a licensed commercial financing provider or licensed commercial financing broker in connection with any commercial financing transaction.

Article 3. Regulations

22658. A commercial financing agreement is not enforceable unless any of the following requirements is met:

(a) The person providing the commercial financing transaction is a licensed commercial financing provider.

(b) The person providing the commercial financing transaction has submitted a complete application and is awaiting approval or denial pursuant to subdivision (b) of Section 22100.6.

(c) The commercial financing transaction was entered into prior to January 1, 2028.

22659. (a) A commercial financing provider or a commercial financing broker shall not take a confession of judgment or any power of attorney at any time before a default by a recipient under the terms of a commercial financing transaction agreement or contract.

(b) A commercial financing transaction found to be unconscionable pursuant to Section 1670.5 of the Civil Code shall be deemed to be in violation of this division and subject to the remedies specified in this division.

(c) A commercial financing provider or a commercial financing broker shall not include a provision in a contract or agreement with a recipient that limits or restricts the recipient from disclosing information that the recipient gains from the recipient's business activities with the commercial financing provider, including, but not limited to, terms or conditions of a product or service offered by the commercial financing provider.

(d) A commercial financing broker shall clearly and conspicuously display on their internet website the average and maximum annual percentage rates for the commercial financing transactions facilitated by them in the most recent calendar year.

22660. (a) For purposes of this section:

(1) "Amount financed" has the same meaning as defined in Section 900 of Title 10 of the California Code of Regulations.

(2) "Type of commercial financing" means the types of commercial financing listed in subdivision (a) of Section 917 of Title 10 of the California Code of Regulations.

(b) Except as provided in subdivision (c) or (d), on or before March 15 of each year, beginning in 2029, a commercial financing provider shall file electronically through the department's internet website a report verified by an authorized officer containing all of the following information for activity during the preceding calendar year:

(1) The commercial financing provider's identifying and contact information, including name, any fictitious business names, entity type, mailing address, telephone number, email address, internet website address, and designated contact person.

(2) By type of commercial financing, the total number of commercial financing transactions and total dollar amount financed with recipients.

(3) By type of commercial financing, the number of commercial financing transactions with recipients for each of the following amounts financed:

(A) Ten thousand dollars (\$10,000) or less.

(B) Over ten thousand dollars (\$10,000) but not over twenty-five thousand dollars (\$25,000).

(C) Over twenty-five thousand dollars (\$25,000) but not over fifty thousand dollars (\$50,000).

(D) Over fifty thousand dollars (\$50,000) but not over one hundred thousand dollars (\$100,000).

(E) Over one hundred thousand dollars (\$100,000) but not over two hundred fifty thousand dollars (\$250,000).

(F) Over two hundred fifty thousand dollars (\$250,000) but not over five hundred thousand dollars (\$500,000).

(4) (A) Except as provided in subparagraph (B), by type of commercial financing and for each interval described in paragraph (3), the minimum, maximum, average, and median annual percentage rate disclosed in disclosures required to comply with subdivision (a) of Section 920 of Title 10 of the California Code of Regulations.

(B) For a given type of commercial financing and interval, if the commercial financing provider did not provide any disclosures required to comply with subdivision (a) of Section 920 of Title 10 of the California Code of Regulations, the commercial financing provider shall indicate that on the report and is not required to calculate or report that information.

(c) A commercial financing provider shall not include in the report required by subdivision (a) information for commercial loan activity conducted under the authority of Chapter 1 (commencing with Section 22000) or Chapter 3 (commencing with Section 22500).

(d) For purposes of this section, if a commercial financing does not meet any of the types of commercial financing, the commercial financing provider shall include the transaction as an “other” type.

22661. (a) It is unlawful for a commercial financing provider or commercial financing broker to engage or have engaged in any unlawful, unfair, deceptive, or abusive act or practice in connection with the offering or provision of commercial financing or commercial financing brokering services to a recipient.

(b) For purposes of subdivision (a), an act or practice is unfair if either of the following conditions is met:

(1) It meets all of the following conditions:

(A) The act or practice causes or is likely to cause substantial injury to recipients.

(B) The injury is not reasonably avoidable by recipients.

(C) The injury is not outweighed by countervailing benefits to recipients or to competition.

(2) It is unfair in accordance with Section 17200 of the Business and Professions Code and the case law thereunder.

(c) For purposes of subdivision (a), an act or practice, including, but not limited to, a representation or an omission, is deceptive if either of the following conditions is met:

(1) It meets all of the following conditions:

(A) The act or practice misleads or is likely to mislead the recipient.

(B) The recipient's interpretation of the act or practice is reasonable under the circumstances.

(C) The act or practice is material.

(2) It is deceptive in accordance with Section 17200 of the Business and Professions Code and the case law thereunder.

(d) For purposes of subdivision (a) an act or practice is abusive if either of the following conditions is met:

(1) It materially interferes with the ability of a recipient to understand a term or condition of commercial financing or commercial financing brokering services.

(2) It takes unreasonable advantage of any of the following:

(A) A lack of understanding on the part of the recipient of the material risks, costs, or conditions of the commercial financing or commercial financing brokering services.

(B) The inability of the recipient to protect its interests in selecting or using commercial financing.

(C) The reasonable reliance by the recipient on a commercial financing provider or commercial financing broker to act in the interests of the recipient.

Article 4. Operative Date

22662. This chapter shall become operative on January 1, 2028.

SEC. 31. Section 22700 of the Financial Code is amended to read:

22700. (a) Finance lender, broker, commercial financing provider, commercial financing broker, and program administrator licenses issued under this division shall remain in effect until they are surrendered, revoked, or suspended.

(b) Mortgage loan originator licenses issued under this division shall be renewed annually upon the payment of an annual assessment, and, if renewed by the licensee, shall remain in effect until they are surrendered, revoked, or suspended.

(c) Surrender of a license becomes effective 30 days after receipt of an application to surrender the license or within a shorter period of time that the commissioner may determine, unless a revocation or suspension proceeding is pending when the application is filed or a proceeding to revoke or suspend or to impose conditions upon the surrender is instituted within 30 days after the application is filed. If a proceeding is pending or instituted, surrender of a license becomes effective at the time and upon the conditions that the commissioner determines.

(d) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 32. Section 22701 of the Financial Code is amended to read:

22701. (a) For the purpose of discovering violations of this division or securing information required by the commissioner in the administration and enforcement of this division, the commissioner may at any time investigate the loans, commercial financing transactions, assessment contracts, and business, and examine the books, accounts, records, and files used in the business, of every person engaged in the business of a finance lender, broker, commercial financing provider, commercial financing broker, or program administrator, whether the person acts or claims to act as principal or agent, or under or without the authority of this division. For the purpose of examination, the commissioner and the commissioner's representatives shall have free access to the offices and places of business, books, accounts, papers, records, files, safes, and vaults of all these persons.

(b) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 33. Section 22712 of the Financial Code is amended to read:

22712. (a) (1) Whenever, in the opinion of the commissioner, any person is engaged or has engaged in business as a finance lender, broker, commercial financing provider, commercial financing broker, program administrator, or mortgage loan originator, as defined in this division, without a license from the commissioner, or any licensee is violating or has violated any provision of this division, any provision of an order, or any regulation adopted pursuant to this division, the commissioner may order that person or licensee to desist and to refrain from engaging in the business or further continuing that violation. In addition, the commissioner may include a claim for ancillary relief. The ancillary relief may include, but not be limited to, refunds, restitution or disgorgement, or damages on behalf of the persons injured by the act or practice constituting the subject matter of the action. If, within 30 days after the order is served, a written request for a hearing is filed and no hearing is held within 30 days thereafter, the order is rescinded.

(2) For purposes of this subdivision, “licensee” includes a mortgage loan originator.

(b) Notwithstanding subdivision (a), if, after an investigation, the commissioner has reasonable grounds to believe that a person is conducting or has conducted business in an unsafe or injurious manner, the commissioner shall, by written order addressed to that person, direct the discontinuance of the unsafe or injurious practices. The order shall be effective immediately but shall not become final except in accordance with the provisions of Section 22717.

(c) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 34. Section 22714 of the Financial Code is amended to read:

22714. (a) The commissioner shall suspend or revoke any license, upon notice and reasonable opportunity to be heard, if the commissioner finds any of the following:

(1) The licensee has failed to comply with any demand, ruling, or requirement of the commissioner made pursuant to and within the authority of this division.

(2) The licensee has violated any provision of this division or any rule or regulation made by the commissioner under and within the authority of this division.

(3) A fact or condition exists that, if it had existed at the time of the original application for the license, reasonably would have warranted the commissioner in refusing to issue the license originally.

(4) There has been repeated failure by the finance lender, when making or negotiating loans, to take into consideration in determining the size and duration of loans, the financial ability of the borrower to repay the loan in the time and manner provided in the loan contract, or to refinance the loan at maturity.

(5) There has been repeated failure by the program administrator, when administering assessment contracts, to take into consideration in determining the size and duration of the assessment contracts, the property owner's ability to meet the annual PACE obligations in the time and manner provided in the contract.

(6) There has been repeated failure by the commercial financing provider, when making or negotiating commercial financing transactions, to take into consideration in determining the size, duration, and repayment features, the financial ability of the recipient to repay the commercial financing transaction in the time and manner provided in the commercial financing agreement or contract or to refinance the commercial financing transaction at maturity.

(b) A master license shall not be suspended or revoked pursuant to this section as a result of any action or failure to act by a subsidiary licensee unless grounds exist for the suspension or revocation of the master license pursuant to this section. An order suspending or revoking a license or imposing sanctions against a licensee shall not affect other licensed locations unless expressly stated in the order.

(c) The amendments made to this section by the act adding this subdivision shall become operative on January 1, 2028.

SEC. 35. Section 22807 of the Financial Code is amended and renumbered to read:

22808. (a) A violation of this division by a person licensed under the California Financing Law (Division 9 (commencing with Section 22000)) shall be deemed a violation of the California

Financing Law if the violation relates to a commercial financing transaction that is subject to the California Financing Law.

(b) A violation of this provision shall be deemed an unfair, deceptive, or abusive act or practice under the California Consumer Financial Protection Law (Division 24 (commencing with Section 90000)) if the violation relates to a commercial financing transaction that is not subject to the California Financing Law (Division 9 (commencing with Section 22000)).

SEC. 36. Section 22807 is added to the Financial Code, to read:

22807. The commissioner may require that rates of charge be stated fully and clearly in the manner that the commissioner deems necessary to prevent misunderstanding by prospective borrowers or recipients.

SEC. 37. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Approved _____, 2026

Governor