



September 17, 2025

The Honorable Governor Gavin Newsom
1021 O Street, Suite 9000
Sacramento, CA 95814

RE: Request for signature of SB 362 (Grayson) - Commercial Financing

Dear Governor Newsom,

On behalf of a broad coalition representing over 500 for-profit financing companies and nonprofit advocates for economic opportunity, as well as thousands of small business owners, we offer our strong SUPPORT for SB 362 and request that you sign it into law. This bill will create a fair financial marketplace where good actors compete fairly and small businesses thrive.

Over the last fifteen years, practices from the pre-crisis subprime mortgage market have become common in small business financing. California has been leading responsible small business lending since 2018. SB 362 continues this leadership by tightening up several holes in California's legal framework that are allowing some brokers and financing companies to take advantage of small businesses.

In 2023, SB 33 passed the Legislature unanimously. It made permanent California's transparent price disclosure framework for small business financing. However, that disclosure framework remains hobbled, including:

- The current statute that allows providers to calculate the estimated APR for certain forms of financing is too broad, and results in systemic underestimating of APRs;
- One-time disclosure requirements result in unscrupulous providers distracting or deceiving potential borrowers by misrepresenting the cost of financing; and
- Current statute lacks clarity on how its provisions are enforced relative to providers that are not required licensure.

SB 362 addresses current gaps in California's small business financing disclosure framework. 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. The current statute that allows providers to calculate the estimated APR for

certain forms of financing is too broad, and results in systemic underestimating of APRs – which will still need to be fixed.

DFPI acknowledges the need to correct these problems, and shared their concerns five times in its Statement of Reasons during the disclosure rulemaking.¹ SB 362 fixes this. By closing these loopholes, California’s small business lending framework will be closer to New York State’s framework, which was passed soon after California’s and fixes the loopholes.

High-priced financing companies opposed to this bill object to its complexity. Instead, they propose to keep open loopholes in California law that allow them to push high-cost capital onto California small businesses when better options are available. Opponents of this bill are the same high-price financing companies that in 2023 unsuccessfully sued the State of California to overturn our state’s transparent price disclosure rules—during the same year that the California legislature voted unanimously in SB 33 to strengthen those same transparency rules.

As for-profit financing companies ourselves, as well as nonprofit advocates and small business owners, we urge you to sign this bill into law so that our entrepreneurs and communities thrive.

Sincerely,


Bianca Blomquist (Sep 17, 2025 08:19:03 PDT)

Bianca Blomquist
California Director
Small Business Majority


Carolina Martinez (Sep 17, 2025 10:21:02 CDT)
Carolina Martinez
CEO
CAMEO Network


Louis Caditz-Peck (Sep 17, 2025 08:22:42 PDT)
Louis Caditz-Peck
Executive Director
Responsible Business Lending Coalition

¹ e.g. “The Department does not disagree that periodic reporting to the Department from providers who use the underwriting method may be appropriate to ensure providers are not misleading their customers...” DFPI, “Final Statement of Reasons PRO 01/18 Commercial Financing Disclosures,” Pgs 63, 88, 101, 101-2, 136.