STATE OF CALIFORNIA
DEPARTMENT OF BUSINESS OVERSIGHT
CALIFORNIA CODE OF REGULATIONS
TITLE 10, CHAPTER 3

**§ 2057. Definitions.**

(a) The following terms used in these rules shall have the following meanings:

1. "Approved advance limit" means the maximum advance a recipient can receive on outstanding, unpaid legally enforceable claims under a factoring agreement.
2. "Approved credit limit" means the maximum advance a recipient can receive under a commercial open-ended credit plan or asset-based lending transaction.
3. "Asset-based lending transaction" means the definition set forth in section 22800, subdivision (c) of the Code, with the following clarifications:
    i. "Forwarding payments" includes arrangements in which a recipient and the finance company create an account in which third party obligors make payments, and arrangements in which the recipient directs third party obligors to make payments to the finance company.
    ii. The amount advanced to the recipient may be equal to a percentage of the value of some or all of certain assets of the recipient, including accounts receivable, payment intangibles, cash receipts, inventory, or equipment.
4. "At the time of extending a specific offer of commercial financing" under section 22802 of the Code means:
    i. The time when the terms of a final loan offer are made to a recipient; and
    ii. Any subsequent time when the terms of an existing commercial financing contract are amended or supplemented, prior to the recipient agreeing to the changes, if the resulting changes to the contract would result in a change to the finance charge or annual percentage rate previously disclosed to the recipient.
5. "Benchmark rate" means a publicly available rate index, such as the London Interbank Offered Rate (LIBOR), commonly used to calculate the interest rate in adjustable-rate transactions in the credit industry.
6. "Bona fide true-up amount" means both:
    i. A true-up amount to be paid to the recipient where all of the following are true:
        A. The recipient has a contractual right to the true-up amount;
        B. The contract requires that the finance company pay true-up amounts to the recipient without requiring a request from the recipient; and
        C. As a matter of standard business practice for contracts of the kind offered to the recipient, the finance company regularly pays true-up amounts to recipients.
    ii. A true-up amount to be owed by the recipient where both of the following are true:
        A. The finance company has a contractual right to the true-up amount;

B. As a matter of standard business practice for contracts of the kind offered by the recipient, the finance company regularly charges true-up amounts to recipients.

7. "Code" means the California Financial Code.
8. "Closed-end transaction" means a transaction in which credit is extended only once over a specific period and is repaid in regular predetermined payments of a specified amount over a fixed period of time.
9. "Depository institution" means any of the entities defined under section 22800, subdivision (h) of the Code and does not include any non-depository subsidiaries or affiliates of such entities.
10. "Finance charge" means the amount of any and all costs of credit, represented as a dollar amount, as more specifically described in section 3010 of these rules.
11. "Finance company" means the individual or institution providing the commercial financing to the recipient.
12. "Initial interest rate" means, in a credit transaction with an interest rate that changes over time, the rate that would be in effect at the time a disclosure is made, assuming the recipient accepted the financing offer.
13. "Interest Rate" means the periodic rate at which interest accrues on the outstanding principal balance for a closed-end transaction, commercial open-end credit plan, or asset-based lending transaction.
14. "Margin" means, in a credit transaction with an adjustable interest rate, the standard adjustment to the benchmark rate designated in the contract used to calculate the periodic interest rate.
15. "Maximum non-interest finance charge" means:
    i. For all commercial financing except factoring, the maximum amount of the finance charge other than interest accrued since the last payment that a recipient may be required to pay if the recipient chooses to prepay the outstanding balance due under a commercial financing agreement.
    ii. For factoring, the maximum amount of the finance charge other than interest accrued since the time of the financing company purchased the legally enforceable claim, that the recipient may be required to pay if the recipient repurchases the account receivable before the account receivable is due for payment by the account debtor.
16. "Particular payment channel or mechanism" means, with respect to sale-based financing, the payment channel(s) or mechanism(s) designated in the contract between a recipient and the finance company that will be used to determine the amount of a recipient's payment or a true-up amount.
17. "Person" means any of the entities defined under section 22800, subsection (l) of the Code, except that this chapter shall only apply to the entities defined if they are domiciled, headquartered, or otherwise identify their principal place of business in California and are the entity seeking the commercial financing (i.e., not a third-party broker).
18. "Provider" means the definition set forth in section 22800, subsection (m) of the Code. Within that definition, the phrase "administered by" excludes an arrangement whereby

a non-depository institution provides technology or support services for a depository institution's branded commercial financing program so long as the non-depository institution has no interest, or arrangement or agreement to purchase any interest in the commercial financing extended by the depository institution in connection with such program.

19. "Retrospective annualized rate" is the actual annualized rate, determined after the specific financing contract has been fully repaid to the finance company, when the dates and amounts of payments and fees are known.
20. "Sales-based financing" means a transaction that is repaid by a recipient to the finance company as a percentage of sales or income, in which the payment amount increases and decreases according to the volume of sales made or income received by the recipient. Sales-based financing also includes transactions with a "true-up mechanism."
21. "Specified payment amount" means the periodic pre-set amount stated in the contract described in subdivision (a)(24)(i) of this section.
22. "Split rate" means, with respect to sales-based financing, the percentage number used by the finance company to calculate the payment amounts paid to the finance company or the true-up amount.
23. "Term" means, with respect to all commercial financing except factoring, the length of time that it is anticipated will be necessary for the recipient to fulfill its obligations under a financing agreement.
24. "True-up mechanism" means, with respect to sales-based financing, a contractual arrangement with all of the following elements:
    i. The finance company receives periodic payments based upon a pre-set amount stated in the contract;
    ii. The contract specifies that, over the term of the contract, the finance company will receive amounts based upon a percentage of the recipient's sales or income.
    iii. The finance company periodically reviews the sales or income received by the recipient to determine whether the amounts received by the finance company during the previous period are greater than or less than the percentage described in subdivision (a)(19) of this section.
    iv. The finance company pays or charges the recipient an amount necessary to make average amounts collected by the finance company during the previous period equal to the percentage described in subdivision (a)(24)(ii) of this section.
25. "True-up period" means a period reviewed by the finance company to determine whether the amount collected is greater than or less then the percentage described in subdivision (a)(24)(ii) of this section.
26. With respect to factoring transactions:
    i. "Account debtor" means the debtor with the primary obligation to pay the legally enforceable claim assigned by the recipient.
    ii. "Factoring fee" means the face value of a legally enforceable claim minus the original advance amount and the reserve amount, if applicable.

iii. "Maximum receivable term," under a general factoring agreement of the kind described by section 22803 of the Code, means the maximum length of time between when a finance company will accept a legally enforceable claim and when that legally enforceable claim will become due and payable by the legally enforceable claim's account debtor.

iv. "Original advance amount" means the amount that a finance company issues to a recipient upon receipt of a legally enforceable claim for payment before the finance company receives full payment of the legally enforceable claim.

v. "Reserve amount" means, in a reserve factoring transaction, the amount that is equal to the face value of the legally enforceable claim minus the original advance amount and fee retained by the finance company, that is paid to the recipient on or after the date that the finance company receives full payment for the legally enforceable claim.

vi. "Reserve factoring transaction" means a factoring transaction, where upon receipt of a legally enforceable claim for payment, a finance company advances an original advance amount to the recipient that is less than the face value of the legally enforceable claim minus the factoring fee, and where, upon timely payment in full of the legally enforceable claim, the finance company pays the recipient an amount equal to the face value of the legally enforceable claim minus the original advance amount and the factoring fee.

(b) All terms used in these rules which are defined in Division 9.5, section 22800 of the Code but not defined in these rules, shall have the meanings ascribed to them in Division 9.5, section 22800 of the Code.

**§ 2060. General Formatting and Content Requirements.**

Disclosures provided in accordance with sections 22800 through 22804 of the Code shall comply with the following requirements:

(a) At the top of the disclosure, centered on the page or other display medium, the provider shall print the following statement in bold font: "This disclosure is provided in accordance with California law to help you understand the cost of your small business financing."

(b) At the bottom of the disclosure, below any other information required by this Article, the provider shall print the following statement: "By signing below, you are confirming that you received this form." Below the statement, the provider shall include a space for the applicant to sign the form labeled "Applicant Signature" and a space for the applicant to write the date of their signature labeled "Date."

(c) The term or estimated term of a transaction shall be disclosed in units of years and months, with any remaining days expressed as a portion of a month to the nearest two decimal points. For the purposes of these disclosures, a provider may assume that there are 30 days in every month and 360 days in a year. For example, a term of 400 days would be disclosed as "1 year, 1.33 months".

(d) The annual percentage rate shall be expressed to the nearest ten basis points.

(e) The provider shall use the following font sizes for disclosures:

1. For the third column of a disclosure table, ten-point font.
2. Where the second and third columns are combined, ten-point font for the resulting column.
3. Where the second and third columns of a disclosure table are not combined, bold, sixteen-point font for the second column.
4. Notwithstanding subdivisions (e)(1) and (e)(2) above, in any row where the first column includes the language “Prepayment”, twelve-point font for any columns in the same row.
5. In all other cases, twelve-point font.

(f) The disclosures shall be presented to the recipient as a separate document from any other contract or disclosure document provided to the recipient.

**§ 2061 Closed-End Transaction Formatting and Content Requirements.**

Disclosures for closed-end transactions provided in accordance with section 22802 of the Code shall comply with the following requirements, unless the closed-end transaction meets the definition of sales-based financing:

(a) The provider shall present the disclosures in a table consisting of seven rows and three columns.
(b) The first row of the table shall include only the following information:
    1. In the first column, the following language: “Amount of Funds Provided.”
    2. In the second column, the amount of funds that will be provided to the recipient, excluding any deductions.
    3. In the third column, a description of how the amount in the second column was calculated. For example: “This is your loan amount of [loan amount] minus the [amount and description of fees deducted].”
(c) The second row of the table shall include only the following information:
    1. In first column:
        a. If the contract provides for a fixed interest rate or rates that are predetermined by the contract, or no interest rate, the following language: “Annual Percentage Rate (APR)”.
        b. If the contract provides for an adjustable interest rate calculated using a benchmark rate and a margin, the following language: “Estimated Annual Percentage Rate (APR)”.
    2. In second column, the annual percentage rate calculated in accordance with section 3001 of these rules.
    3. In the third column:
        a. The following language, if the contract provides for a single, fixed interest rate:

           “This is the cost of your financing – including interest and other fees – expressed as a yearly rate. APR incorporates the amount and timing of the funding you receive, fees you pay, and the periodic payments you make.

           APR may be used to compare products with different interest rates and finance charges. Your APR is not an interest rate. Your interest rate is [interest rate].

Your APR may be higher than your interest rate because APR incorporates interest costs and other finance charges."

b. The following language, if the contract provides for a multiple pre-determined interest rates that change over time:

"This is the cost of your financing – including interest and other fees – expressed as a yearly rate. APR incorporates the amount and timing of the funding you receive, fees you pay, and the periodic payments you make.

APR may be used to compare products with different interest rates and finance charges.  Your APR is not an interest rate. Your initial interest rate is [interest rate]. Your APR may be higher than your interest rate because APR incorporates interest costs and other finance charges."

c. The following language, if the contract provides for an adjustable interest rate based upon a benchmark rate and a margin:

"This is the cost of your financing – including interest and other fees – expressed as a yearly rate. APR incorporates the amount and timing of the funding you receive, fees you pay, and the periodic payments you make.

APR may be used to compare products with different interest rates and finance charges. Your APR is not an interest rate. Your initial interest rate is [initial interest rate]. Although your interest rate will adjust over time based upon the [name of benchmark rate], for the purposes of this APR estimate, we have assumed that APR will be fixed for the length of the transaction. Your APR may be higher than your interest rate because APR incorporates interest costs and other finance charges."

d. The following language, if no part of the finance charge is based upon interest accrued:

"This is the cost of your financing expressed as a yearly rate. APR incorporates the amount and timing of the funding you receive, fees you pay, and the periodic payments you make.

APR may be used to compare products with different interest rates (or no interest rate) and finance charges. Your APR is not an interest rate, and your loan does not have an interest rate."

(d) The third row of the table shall include only the following information:

1. In first column:

   a. If the contract provides for a fixed interest rate or rates that are predetermined by the contract, or no part of the finance charge is based upon interest accrued, the following language: “Finance Charge”.
   b. If the contract provides for an adjustable interest rate calculated using a benchmark rate and a margin, the following language: “Estimated Finance Charge”.
2. In second column, the total finance charge, calculated in accordance with section 3010 of these rules.
3. In the third column:
   a. The provider’s calculation of the finance charge, with the amount and description of each expense (e.g. interest, origination fee, etc.) included in the finance charge.
   b. If the contract provides for an adjustable interest rate calculated using a benchmark rate and a margin, an explanation of how the initial interest rate was used to calculate interest charges. For example:

      This finance charge estimate assumes the interest rate will be [initial interest rate], which is the initial interest rate that would be in effect today under your contract. Your interest rate will adjust over time based upon the [name of benchmark], so your actual finance charge will vary.

(e) The fourth row of the table shall include only the following information:
1. In the first column
   a. If the periodic payments will not vary over the term of the transaction or the periodic payments during the term of the transaction will vary and it is possible to calculate the payment amounts in advance, the following language: “Payment Amount/Frequency”.
   b. If the periodic payment amounts will vary over the term of the transaction and it is not possible to calculate the payment amounts in advance (e.g. due to an adjustable interest rate using a benchmark rate and a margin), the following language: “Initial Payment Amount/Frequency”.
2. If periodic payments during the term of the transaction will not vary:
   i. In second column, the amount of each periodic payment followed by a forward slash (/) and the frequency of each periodic payment (month, day, etc.).
   ii. In the third column, a short explanation of the payment frequency. For example: “This is how much you will pay [frequency of payments, ex. each month].” The provider may also include a short statement describing when each payment will become due. For example: “Your monthly payments are due on the 1st of every month.”)
3. If periodic payments during the term of the transaction vary and it is possible to calculate the payment amounts in advance, the second and third column in the fourth row shall be combined and the provider shall list the periodic payment amounts with a description of when each amount will become due. For example:

Months 1-12: $600/month
Months 13-24: $1200/month

Or

Payments 1-23: $600/month
Payment 24: $2000.

4. If periodic payments during the term of the transaction vary and it is not possible to calculate all payment amounts in advance because the transaction has an adjustable interest rate based upon a benchmark rate and a margin:
    a. In the second column, a payment amount calculated using the initial interest rate.
    b. In the third column, a statement explaining that the payment amount disclosed is based upon the initial interest rate, and that the actual rate may change over time. For example: "This initial payment amount is based upon the interest rate that would be in effect today for your adjustable rate financing. This rate will adjust over time so your actual payment amount may vary." The provider may also include a statement describing when the payment will adjust and how it will be calculated. For example: "Your payment will adjust monthly based upon LIBOR."

(f) The fifth row of the table shall include only the following information:
1. In first column, the following language: "Term".
2. In second column, the term of the transaction.
3. In third column, an explanation describing the term. For example: "This is how long you will make payments under the contract."

(g) In the first column, the sixth and seventh rows shall be combined and shall include only the following language: "Prepayment."

(h) In the sixth row, the second and third columns shall be combined and include only:
1. The following statement: "If you pay off the financing before the end of the Term, will you be required to pay finance charges other than interest since your last payment?"
2. Following the statement required by subdivision (h)(1) above, the provider shall answer "Yes", in bold, underlined, capitalized letters, if, at any time during the term of the transaction, prepayment of the outstanding balance due will require the recipient to pay charges other than interest accrued since the recipient's last payment. In all other cases, the provider shall answer "No", in bold, underlined, capitalized letters.
3. If the response to subdivision (h)(2) is "Yes", the following language shall appear below the language required by (h)(1) and (h)(2) above: The total finance charge other than interest could be as high as [maximum non-interest finance charge]."

(i) In the seventh row, the second and third columns shall be combined and shall include only:
1. The following statement: "Does paying off the financing before the end of the term result in any additional fees or charges not already included in the Finance Charge?"

2. Following the statement required by subdivision (i)(1) above, the provider shall answer "Yes", in bold, underlined, capitalized letters, if, at any time during the term of the transaction, prepayment of the outstanding balance due will require the recipient to pay additional fees and charges not included in the finance charge, followed by a description of the prepayment charge. For example: "Prepayment during the first six months requires payment of a prepayment charge equal to $600.". In all other cases, the provider shall answer "No" in bold, underlined, capitalized letters.

(j) If the contract provides for periodic payments that are not monthly, then the provider shall insert one additional row below the third row, and the additional row shall include only the following information:
   1. In the first column, the following language: "Average Monthly Cost".
   2. In the second column, the average monthly cost that the recipient will pay over the term of the transaction.
   3. In the third column, language explaining that the recipient will not be required to make monthly payments, but that the provider has calculated an average monthly cost for the disclosure. For example: "Although you do not make payments on a monthly basis, this is our calculation of your average monthly cost."

(k) If the contract provides for multiple payment options, then the provider shall insert one additional row above the first row, and in that row, all three columns shall be combined, resulting in a single cell. In that cell, the provider shall include a statement explaining how the provider has based the disclosure on the minimum payment permitted under the contract. For example: "Although you have multiple payment options each month, the disclosures below assume that you will choose to make minimum monthly payments."

**§ 2062. Commercial Open-Ended Credit Plan Disclosure Formatting.**

Disclosures for commercial open-ended credit plans provided in accordance with section 22802 of the Code shall comply with the following requirements:

(a) The provider shall present the disclosures in a table consisting of eight rows and three columns.

(b) In the first row, the first, second and third columns shall be combined, and the resulting cell shall have only the following language, in italics:
   1. If the contract allows only for a single payment option: "The calculations below are based on an initial draw of an amount equal to your full Approved Credit Limit of [approved credit limit] and assume that you will pay off the draw entirely according to the agreed payment schedule, that you miss no payments, and that you do not re-draw on this line. Actual costs may differ substantially."
   2. If the contract allows for multiple payment options: "The calculations below are based on an initial draw of an amount equal to your full Approved Credit Limit of [approved credit limit] and assume that you will choose to make minimum payments, that you miss no payments, and that you do not re-draw on this line. Actual costs may differ substantially." Where the contract specifies no time at which outstanding amounts on the account must be repaid by the recipient, and the minimum periodic payments are less than or equal to the interest and other finance charges that will accrue on the amount advanced, the

provider shall also include the following statement: "Although there is no set term for your transaction, this estimate assumes you will pay back all remaining amounts owed in five years."

(c) The second row of the table shall include only the following information:
1. In first column, the following language: "Amount of Funds Provided".
2. In second column, the maximum credit limit, minus any deductions required under the contract.
3. In the third column, a description of how the amount in the second column was calculated. For example: "This is the maximum amount you can draw on your credit line minus a $50 draw fee that we deduct from the amount advanced."

(d) The third row of the table shall include the following information:
1. In first column
    i. If the contract provides for a fixed interest rate or rates that are predetermined by the contract, the following language: "Annual Percentage Rate (APR)".
    ii. If the contract provides for an adjustable interest rate calculated using a benchmark rate and a margin, the following language: "Estimated Annual Percentage Rate (APR)".
2. In second column the provider's calculation of the annual percentage rate calculated in accordance with section 3001 of these rules.
3. In the third column
    i. If the contract provides for a single, fixed interest rate, the following language:

    "This is the cost of your financing – including interest and other fees – expressed as a yearly rate. APR incorporates the amount and timing of the funding you receive, fees you pay, and the periodic payments you make.

    APR may be used to compare products with different interest rates and finance charges. Your APR is not an interest rate. Your interest rate is [interest rate]. Your APR may be higher than your interest rate because APR incorporates interest costs and other finance charges."

    ii. If the contract provides for a multiple pre-determined interest rates that change over time, the following language:

    "This is the cost of your financing – including interest and other fees – expressed as a yearly rate. APR incorporates the amount and timing of the funding you receive, fees you pay, and the periodic payments you make.

    APR may be used to compare products with different interest rates and finance charges. Your APR is not an interest rate. Your initial interest rate is [initial interest rate]. Your APR may be higher than your interest rate because APR incorporates interest costs and other finance charges."

iii. If the contract provides for an adjustable interest rate based upon a benchmark rate index and a margin, the following language:

> "This is the cost of your financing – including interest and other fees – expressed as a yearly rate. APR incorporates the amount and timing of the funding you receive, fees you pay, and the periodic payments you make.
>
> APR may be used to compare products with different interest rates and finance charges. Your APR is not an interest rate and is not used to calculate your finance charges. Your initial interest rate is [initial interest rate]. Although your interest rate will adjust over time based upon the [name of benchmark rate], for the purposes of this APR estimate, we have assumed that your interest rate will be fixed for the length of the transaction. Your APR may be higher than your interest rate because APR incorporates interest costs and other finance charges."

(e) The fourth row of the table shall include only the following information:

1. In the first column
   i. If the contract provides for a fixed interest rate or rates that are predetermined by the contract, the following language: "Finance Charge".
   ii. If the contract provides for an adjustable interest rate calculated using a benchmark rate and a margin, the following language: "Estimated Finance Charge".

1. In second column, the total finance charge calculated in accordance with section 3010 of these rules.
2. In the third column
   a. The provider's calculation of the finance charge, with the amount and description (e.g. interest, origination fee, etc.) of each expense that is included in the finance charge.
   b. If the contract provides for an adjustable interest rate calculated using a benchmark rate and a margin, the following language:

   > "This finance charge estimate assumes the interest rate will be [initial interest rate], which is the initial interest rate that would be in effect today under your contract. You interest rate will adjust over time based upon [name of benchmark rate], so your actual finance charge may vary."

(f) The fifth row of the table shall include only the following information:

1. In the first column
   a. If the periodic payments will not vary over the term of the transaction or the periodic payments during the term of the transaction will vary and it is possible to calculate the payment amounts in advance, the following language: "Payment Amount/Frequency".

   b. If the periodic payment amounts will vary over the term of the transaction and it is not possible to calculate the payment amounts in advance (e.g. due to an adjustable interest rate using a benchmark rate and a margin), the following language: “Initial Payment Amount/Frequency”.

2. If periodic payments during the term of the transaction will not vary:
   iii. In second column, the amount of each periodic payment followed by a forward slash (/) and the frequency of each periodic payment (month, day, etc.)
   iv. In the third column, a short explanation of the payment frequency. For example: “This is how much you will pay [frequency of payment, ex. “each month”].” The provider may also include a short statement describe when each payment will become due. For example: “Your monthly payments are due on the 1st of every month.”
3. If periodic payments during the term of the transaction vary and it is possible to calculate the payment amounts in advance, the second and third column in the fifth row shall be combined and the provider shall list the periodic payment amounts with a description of when each amount will become due. For example:

   Months 1-12: $600/month
   Months 13-24: $1200/month

   Or

   Payments 1-23: $600/month
   Payment 24: $2000.

4. If periodic payments during the term of the transaction vary and it is not possible to calculate all payment amounts in advance, because the transaction has an adjustable interest rate based upon a benchmark rate and a margin:
   a. In the second column, a payment amount calculated using the initial interest rate.
   b. In the third column, a statement explaining that the payment amount disclosed is based upon the initial interest rate, and that the actual rate may change over time. For example: “This initial payment amount is based upon the interest rate that would be in effect today for your adjustable rate financing. This rate will adjust over time, so your actual payment amount may vary.” The provider may also include a statement describing when the payment will adjust. For example: “Your payment will adjust monthly based upon LIBOR.”

(g) The sixth row of the table shall include only the following information:
1. In the first column, the following language: “Term.”
2. In the second column, the term of the transaction.
3. In the third column, an explanation describing the term. For example: “This is how long it would take to pay off your advance if you make the minimum payments required under your contract.”

(h) In the first column, the seventh and eighth rows shall be combined and shall include only the following language: “Prepayment.”

(i) In the seventh row, the second and third columns shall be combined and shall include only:

1. The following statement: “If you pay off the financing before the end of the Term, will you be required to pay finance charges other than interest since your last payment?”
2. Following the statement required by subdivision (i)(1) above, the provider shall answer “Yes” in bold, underlined, capitalized letters, if, at any time during the term of the transaction, prepayment of the outstanding balance due will require the recipient to pay charges other than interest accrued since the recipient’s last payment. In all other cases, the provider shall answer “No”, in bold, underlined, capitalized letters.
3. If the response to subdivision (i)(2) is “Yes”, the following language shall appear below the language required by (i)(1) and (i)(2) above: The total finance charge other than interest could be as high as [maximum non-interest finance charge].”

(j) In the eighth row, the second and third columns shall be combined and shall include only:

1. The following statement: “Does paying off the financing before the end of the term result in any additional fees or charges not already included in the Finance Charge?”
2. Following the statement required by subdivision (i)(1) above, the provider shall answer “Yes”, in bold, underlined, capitalized letters, if, at any time during the term of the transaction, prepayment of the outstanding balance due will require the recipient to pay additional fees and charges not included in the finance charge, followed by a description of the prepayment penalty. For example: “Prepayment during the first six months requires payment of a prepayment penalty equal to $600.” In all other cases, the provider shall answer “No”, in bold, underlined, capitalized letters.

(k) If the contract provides for periodic payments that are not monthly, then the provider shall insert one additional row below the fifth row, and the additional row shall include only the following information:

1. In the first column, the following language: “Average Monthly Cost.”
2. In the second column, the average monthly cost that the recipient will pay over the term of the transaction.
3. In the third column, language explaining that the recipient will not be required to make monthly payments, but that the provider has calculated an average monthly cost for the disclosure. For example: “Although you do not make payments on a monthly basis, this is our calculation of your average monthly cost.”

**§ 2063. Factoring Disclosure Format**

Disclosures for factoring transactions provided in accordance with section 22802 of the Code shall comply with the following requirements:

(a) The provider shall present the required disclosures in a table consisting of six rows and three columns.

(b) The first row of the table shall include only the following information:

1. In the first column, the following language: “Amount of Funds Provided.”

2. In the second column, the amount of funds that will be provided to the recipient, excluding any deductions and any reserve amount, expressed in whole dollars.
3. In the third column, a description of how the amount in the second column was calculated. For example: "This is your advance amount of [advance amount] minus the [amount and description of fees deducted]." If the factoring transaction involves a reserve amount, the description may also include a statement that reflects the circumstances under which the recipient will receive the reserve payment. For example: "If the invoice is paid in full and on time, we will remit an additional $2,300 reserve payment to you ($10,000 - $7,500 amount advanced - $200 factoring fee).")

(c) The second row of the table shall include only the following information:

1. In first column, the following language: "Estimated Annual Percentage Rate (APR)".
2. In second column, the estimated annual percentage rate calculated in accordance with sections 3001 and 3002 of these rules.
3. In the third column, the following language:

   "This is the estimated cost of your financing – including fees and other charges – expressed as a yearly rate. APR incorporates the amount and timing of the funding you receive, fees we charge, and payments made to [name of finance company]. This estimate assumes that you will assign the [description of asset assigned, e.g. "invoice"] to [name of financing company] today, and your customer will pay the [name of asset assigned, e.g. "invoice"] in full on the due date."

4. If no part of the finance charge is based upon an interest rate, the following language in addition to the language required by subdivision (c)(3) of this section: "While APR can be used for comparison purposes, it is not an interest rate and the amount of the factoring fee we charge is not based upon an interest rate."

(d) The third row of the table shall include the following information:

1. In the first column, the following language: "Finance Charge".
2. In the second column, the total finance charge calculated in accordance with section 3010 of these rules, expressed in whole dollars.
3. In the third column, the provider's calculation of the finance charge, with a description of each expense (e.g. factoring fee, origination fee, etc.) that is included in the finance charge.

(e) The fourth row of the table shall include only the following information:

1. In the first column, the following language: "Estimated Payment Amount/Frequency".
2. In the second column, the following language: "NA" or "Not applicable".
3. In the third column, a statement describing why the recipient is not ordinarily required to make payments under the contract. For example: "You are selling an invoice to us, so you will not be required to make any payments to us unless your customer fails to pay the invoice and we find that you breached your warranty to us by failing to deliver the invoiced goods to your customer.")

(f) The fifth row of the table shall include only the following information:

1. In the first column, the following language: "Estimated Term".

2. In the second column, the term of the transaction, calculated in accordance with section 2090, subdivision (a) of these rules.

a. In the third column, a statement describing how the provider calculated the term (ex. “The invoice is due for payment 30 days from today, so we have estimated a term of 1 month. The invoice may be paid sooner than the due date.”)

(g) The sixth row of the table shall include only the following information:

1. In the first column, the following language: “Prepayment.”
2. The second and third columns shall be combined, and:
    - i. If the recipient is permitted to repurchase the legally enforceable claim for payment before the legally enforceable claim is due and payable, the resulting combined cell shall be divided vertically into two cells by a horizontal line, and:
        - A. The top cell shall include the following statement: “If you repurchase the [description of legally enforceable claim] before the due date, will you be required to pay finance charges other than interest?”
        - B. Below the statement required by subdivision (g)(2)(i)(A) above, in the same cell, the provider shall answer “Yes”, in bold, underlined, capitalized letters, if at any time during the term of the transaction, repurchase of the legally enforceable claim will result in the recipient paying finances charges other than interest since the advance was made. In all other cases, the provider shall answer “No”, in bold, underlined, capitalized letters.
        - C. If the response to subdivision (g)(2)(i)(B) is “Yes”, the following language shall appear below the language required by (g)(2)(i)(A) and (B) above: “The total finance charge other than interest could be as high as [maximum non-interest finance charge].”
        - D. The bottom cell shall include the following statement: “If you repurchase the [description of legally enforceable claim] before the due date, will you be required to pay any additional fees or charges not already included in the Finance Charge?”
        - E. Below the statement required by subdivision (g)(1)(i)(D) above, the provider shall answer “Yes”, in bold, underlined, capitalized letters, if, at any time during the term of the transaction, prepayment of the outstanding balance due will require the recipient to pay additional fees and charges not included in the finance charge, followed by a description of the prepayment penalty. For example: “Repurchase before the invoice due date requires payment of an additional $10 repurchase charge.” In all other cases, the provider shall answer “No” in bold, underlined, capital letters.
    - ii. If the recipient is not permitted to repurchase the legally enforceable claim for payment before the legally enforceable claim is due and payable, the following statements:
        - A. “You are not permitted to pay the amount due on the [description of legally enforceable claim] before your customer’s due date.”
        - B. If applicable: “The finance charge will not decrease if your customer pays the [description of legally enforceable claim] before the due date.”

**§ 2064. General Factoring Disclosure Format**

Disclosures for factoring transactions provided in accordance with section 22803 of the Code shall comply with the following requirements:

(a) The provider shall present the required disclosures in a table consisting of seven rows and three columns.

(b) All three columns of the first row of the table shall be combined, and within the cell created, the provider shall include only the following language, in italics:

   a. If the finance charge does not vary based upon the account debtor for each legally enforceable claim: "The calculations below are based upon a hypothetical [description of legally enforceable claims to be assigned, e.g. "Invoice"] of [value calculated in accordance with section 3022 of these rules], assigned to [insert name of finance company] with a due date [maximum receivable term] from the date of assignment. Actual costs may differ substantially."

   b. If the finance charge will vary for different classes of legally enforceable claim with different characteristics (e.g. different account debtors):

      i. "The calculations below are based upon a hypothetical [description of legally enforcement claims to be assigned, e.g. "invoice"] of [insert value calculated in accordance with section 3022 of these rules], assigned to [name of financing company] with a due date [maximum receivable term] from the date of assignment."

      ii. A description of the class of the legally enforceable claim for which the disclosure applies. For example: "These calculations further assume that the account debtor on the invoice is Elsa's Pizza Shack."

      iii. "Actual costs may differ substantially."

(c) The second row of the table shall include only the following information:

   1. In the first column, the following language: "Amount of Funds Provided".
   2. In the second column, the amount of funds that will be provided to the recipient, excluding any deductions and any reserve amount, for an example transaction compliant with section 3022 of these rules.
   3. In the third column, a description of how the amount in the second column was calculated, such as "This is your advance amount of [insert advance amount] minus the [amount and description of fees and reserve amount deducted]." If the factoring transaction involves a reserve amount, the description may also include a statement that reflects the circumstances under which the recipient will receive the reserve payment. For example: "If the invoice is paid in full and on time, we will remit an additional $2,300 reserve payment to you ($10,000 - $7,500 amount advanced - $200 factoring fee)."

(d) The third row of the table shall include only the following information:

   1. In the first column, the following language: "Estimated Annual Percentage Rate (APR).
   2. In the second column, the provider's calculation of the annual percentage rate of the transaction calculated in accordance with sections 2090, 3001, and 3002 of these rules.
   3. In third column, the following language:

"This is the estimated cost of your financing – including fees and other charges – expressed as a yearly rate. APR incorporates the amount and timing of the funding you receive, fees we charge, and payments made to [name of finance company]. This estimate assumes that you will assign the [description of legally enforceable claim assigned, e.g. "invoice"] to [name of finance company] today, the invoice is due in [maximum receivable term] and your customer will pay the [name of legally enforceable claim assigned, e.g. "invoice"] in full on the due date."

(e) If no part of the finance charge is based upon an interest rate, the following language in addition to the language required by subdivision (d)(3) of this section: "While APR can be used for comparison purposes, it is not an interest rate and the amount of the finance charge is not based upon an interest rate."

(f) The fourth row of the table shall include the following information:
  1. In the first column, the following language: "Finance Charge."
  2. In the second column, the total finance charge calculated in accordance with section 3010 of these rules.
  3. In the third column, the provider's calculation of the finance charge, with the amount and a description of each expense (e.g. factoring fee, origination fee, etc.) that is included in the finance charge.

(g) The fifth row of the table shall include only the following information:
  1. In the first column, the following language: "Estimated Payment Amount/Frequency."
  2. In second column, the following language: "NA" or "Not applicable."
  3. In the third column, a statement describing why the recipient is not ordinarily required to make payments under the contract. For example: "You are selling an invoice to us, so you will not be required to make any payments to us unless your customer fails to pay the invoice and we find that you breached your warranty to us by failing to deliver the invoiced goods to your customer.")

(h) The sixth row of the table shall include only the following information:
  1. In the first column, the following language: "Estimated Term."
  2. In the second column, the term of the transaction calculated in accordance with section 2090, subdivision (b) of these rules.
  3. In the third column, a statement describing how the provider calculated the term. For example: "You are permitted to assign us invoices that are due a maximum of 60 days from the invoice date, so we have estimated a term of 2 months. The invoice may be paid sooner than the due date."

(i) The seventh row of the table shall include only the following information:
  1. In the first column, the following language: "Prepayment."
  2. The second and third columns shall be combined, and:
     i. If the recipient is permitted to repurchase the legally enforceable claim for payment before the legally enforceable claim is due and payable, the resulting combined cell shall be divided vertically into two cells, and:

A. The top cell shall include the following statement: "If you repurchase the [description of legally enforceable claim] before the due date, will you be required to pay finance charges other than interest?"

B. Below the statement required by subdivision (i)(2)(i)(A) above, in the same cell, the provider shall answer "Yes", in bold, underlined, capitalized letters, if at any time during the term of the transaction, repurchase of the legally enforceable claim will result in the recipient paying finance charges other than interest since the advance was made. In all other cases, the provider shall answer "No", in bold, underlined, capitalized letters.

C. If the response to subdivision (i)(2)(i)(C) is "Yes", the following language shall appear below the language required by (i)(2)(i)(A) and (B) above: The total finance charge other than interest could be as high as [maximum non-interest finance charge]."

D. The bottom cell shall include the following statement: "If you repurchase the [description of legally enforceable claim] before the due date, will you be required to pay any additional fees or charges not already included in the Finance Charge?"

E. Below the statement required by subdivision (i)(2)(i)(D) above, in bold, underlined, capital letters, the provider shall answer "Yes", in bold, underlined, capitalized letters, if, at any time during the term of the transaction, prepayment of the outstanding balance due will require the recipient to pay additional fees and charges not included in the finance charge, followed by a description of the prepayment charge. For example: "Repurchase before the invoice due date requires payment of an additional $10 repurchase charge." In all other cases, the provider shall answer "No" in bold, underlined, capital letters.

ii. If the recipient is not permitted to repurchase the legally enforceable claim for payment before the legally enforceable claim is due and payable, the provider shall include the following statements:

A. "You are not permitted to pay the amount due on the invoice before your customer's due date."

B. If applicable: "The finance charge will not decrease if your customer pays the [description of legally enforceable claim] before the due date."

**§ 2065. Sales-Based Financing Disclosure Formatting**

Disclosures for sales-based financing provided in accordance with section 22802 of the Code, shall comply with the following requirements:

(a) The provider shall present the required disclosures in a table consisting of eight rows and three columns.

(b) The first row of the table shall include only the following information:

1. In the first column, the following language: "Amount of Funds Provided."

2. In the second column, the amount of funds that will be provided to the recipient, excluding any deductions.
3. In the third column, a description of how the amount in the second column was calculated. For example: "This is your advance amount of [advance amount] minus the [amount and description of fees deducted]."

(c) The second row of the table shall include only the following information:
1. In the first column, the following language: "Estimate Annual Percentage Rate (APR).
2. In the second column, the annual percentage rate calculated in accordance with section 3001 of these rules.
3. In the third column, the following language:

   "This is the estimated cost of your financing – including fees and other charges – expressed as a yearly rate. APR incorporates the amount and timing of the funding you receive, fees you pay, and the periodic payments you make. This calculation assumes your estimated monthly income through [description of particular payment channel or mechanism] will be [monthly income estimate determined in accordance with sections 2091 or 2092 of these rules].

4. If no part of the finance charge is based upon an interest rate, the following language in addition to the language required by subdivision (c)(3) of this section: "While APR can be used for comparison purposes, it is not an interest rate. The amount of the finance charge you will pay is not based upon an interest rate."

(d) The third row of the table shall include only the following information:
1. In the first column, the following language: "Estimated Finance Charge".
2. In the second column, the finance charge calculated in accordance with section 3010 of these rules.
3. In the third column, the provider's calculation of the finance charge, with the amount and description of each expense that is included in the finance charge. In addition, if the finance charge will not increase under any circumstance if repayment takes longer than estimated, the provider may include the following statement: "Your finance charge will not increase if you take longer to pay off what you owe."

(e) The fourth row of the table shall include only the following information:
1. In the first column, the following language: "Estimated Monthly Cost."
2. In the second column, the estimated monthly cost that the recipient will pay over the term of the transaction based calculated in accordance with section 3003 of these rules. If the provider anticipates that the estimated monthly cost will vary over the term of the transaction, either due to changes in the recipient's income through the particular payment channel, a change in the split rate, or some other reason provided for in the contract, the provider shall list the estimated monthly costs and the time periods when those estimates apply. For example:

   Months 1-2:
   $600/month

Months 3-6:
$1200/month

Month 7:
$1000/month

3. In the third column, a description of how the provider calculated the estimated monthly cost.

(f) The fifth row of the table shall include only the following information:
1. In the first column, the following language: “Payment Amount/Frequency.”
2. In the second column, the amount of each estimated periodic payment calculated in accordance with section 3003 of these rules, followed by a forward slash (/) and the frequency of each periodic payment (month, day, etc.). If the provider anticipates that the estimated monthly cost will vary over the term of the transaction, either due to changes in the recipient’s income through the particular payment channel, a change in the split rate, or some other reason provided for in the contract, the provider shall list the estimated periodic payment amounts calculated in accordance with section 3003 of these rules, and the time periods when those estimates apply. For example:

Months 1-2:
$20/day

Months 3-7:
$40/day

3. In the third column, a description of how the provider calculated daily payments and a description of anticipated monthly bona fide true-up amounts calculated in accordance with section 3003 of these rules.

(g) The sixth row of the table shall include only the following information:
1. In the first column, the following language: “Estimated Term.”
2. In the second column, the estimated term of the transaction, calculated in accordance with section 3003 of these rules.
3. In the third column, an explanation stating that the estimated term is based upon assumptions about the recipient’s income. For example:

“Although your contract does not have a set term, this is our estimate of how long it will take to collect amounts due to us under the contract based upon the assumption that you will receive $6,000 in monthly income through your BrownPay account.”

(h) In the first column, the seventh and eighth rows shall be combined and shall include the following language: “Prepayment.”

(i) In the seventh row, the second and third columns shall be combined and shall include only:

1. The following question: “If you pay off the financing faster than required, will you pay finance charges other than interest since your last payment?”
2. Following the question required by subdivision (i)(1) above, the provider shall answer “Yes”, in bold, underlined, capitalized letters, if, at any time during the term of the transaction, prepayment of the outstanding balance due will require the recipient to pay charges other than interest accrued since the recipient’s last payment. In all other cases, the provider shall answer “No”, in bold, underlined, capitalized letters.
3. If the response to subdivision (i)(2) is “Yes”, the following language shall appear below the language required by (i)(1) and (2): “The total finance charge other than interest could be as high as [maximum non-interest finance charge].”

(j) In the eighth row, the second and third columns shall be combined and shall include:
  1. The following question: “Does paying off the financing faster than required result in any additional fees or charges not already included in the Finance Charge?”
  2. After the question required by subdivision (j)(1) above, the provider shall answer “Yes”, in bold, underlined, capitalized letters, if, at any time during the term of the transaction, prepayment of the outstanding balance due will require the recipient to pay additional fees and charges not included in the finance charge, followed by a description of the prepayment charge. For example: “Prepayment during the first six months requires payment of a prepayment charge equal to $600.” In all other cases, the provider shall answer “No” in bold, underlined, capitalized letters.

**§ 2066. Formatting and Content Requirements for Lease Financing.**

Disclosures for lease financing provided in accordance with section 22802 of the Code shall comply with the following requirements:

(a) The provider shall present the disclosures in a table consisting of eight rows and three columns.

(b) The first row of the table shall include only the following information:
  1. In the first column, the following language: “Amount of Funds Provided.”
  2. In the second column:
     a. If the finance company does not select, manufacture or supply the goods to be leased, the price the finance company will pay to acquire the property to be leased;
     b. If the finance company selects, manufactures or supplies the goods to be leased, the price that the finance company would sell the goods in a cash transaction.
  3. In the third column, a description of how the amount in the second column was calculated. For example: “This is the amount we will pay to the supplier to acquire the van that you will lease.”

(c) The second row of the table shall include only the following information:
  1. In first column the following language: “Annual Percentage Rate (APR)”.
  2. In second column, the annual percentage rate calculated in accordance with section 3001 of these rules.
  3. In the third column:

a. The following language, if the contract does not provide for a fixed price purchase option or a purchase option that can be calculated at the time of disclosure:

"This is the cost of your financing expressed as a yearly rate. APR incorporates the amount and timing of the funding we provide, fees you pay, and the periodic payments you make. This APR does not incorporate the costs associated with acquiring the leased property at the end of the lease term.

APR may be used to compare products with different finance charges. Your APR is not an interest rate, and your lease payments and charges are not based upon an interest rate.

b. The following language, if the contract provides for a fixed price purchase option or a purchase option that can be calculated at the time of disclosure:

"This is the cost of your financing expressed as a yearly rate. APR incorporates the amount and timing of the funding we provide, fees you pay, the periodic payments you make, and the anticipated cost for you to acquire the property at the end of the lease term.

APR may be used to compare products with different finance charges. Your APR is not an interest rate, and your lease payments and charges are not based upon an interest rate.

(d) The third row of the table shall include only the following information:

1. In first column the following language: "Finance Charge".
2. In second column, the total finance charge, calculated in accordance with section 3010 of these rules.
3. In the third column, the provider's calculation of the finance charge, with the amount and description of each expense included in the finance charge.

(e) The fourth row of the table shall include only the following information:

1. In the first column the following language: "Payment Amount/Frequency".
2. If periodic payments during the term of the transaction will not vary:
    a. In second column, the amount of each periodic payment followed by a forward slash (/) and the frequency of each periodic payment (month, day, etc.), and, if the contract provides for a fixed price purchase option or a purchase option that can be calculated at the time of disclosure, "Purchase Price:" followed by the price of the purchase option.
    b. In the third column, a short explanation of the payments. For example: "This is how much you will pay each month, and the purchase price you may pay at the end of the lease to acquire the property." The provider may also include a short

statement describing when each payment will become due. For example: "Your monthly payments are due on the 1st day of every month.")

3. If periodic payments during the term of the transaction vary, the second and third column in the fourth row shall be combined and the provider shall list the periodic payment amounts with a description of when each amount will become due. For example:

   Months 1-12: $600/month
   Months 13-24: $1200/month

   Or

   Payments 1-23: $600/month
   Payment 24: $2000.

   If the contract provides for a fixed price purchase option or a purchase option that can be calculated at the time of disclosure, the provider shall also include "Purchase Price:" followed by the price of the purchase option.

(f) The fifth row of the table shall include only the following information:
   1. In first column, the following language: "Term".
   2. In second column, the term of the transaction.
   3. In third column, an explanation describing the term. For example: "This is how long you will make lease payments under the contract."

(g) In the first column, the sixth and seventh rows shall be combined and shall include the following language: "Prepayment."

(h) In the sixth row, the second and third columns shall be combined and include only:
   1. The following statement: "If you pay off the financing before the end of the Term, will you be required to pay finance charges other than interest since your last payment?"
   2. Following the statement required by subdivision (h)(1) above, the provider shall answer "Yes" in bold, underlined, capitalized letters if, at any time during the term of the transaction, prepayment of the outstanding balance due will require the recipient to pay charges other than interest accrued since the recipient's last payment. In all other cases, the provider shall answer "No" in bold, underlined, capitalized letters.
   3. If the response to subdivision (h)(2) is "Yes," the following language shall appear below the language required by (h)(1) and (2) above: "The total finance charge other than interest could be as high as [maximum non-interest finance charge]."

(i) In the seventh row, the second and third columns shall be combined and shall include only:
   1. The following statement: "Does paying off the financing before the end of the term result in any additional fees or charges not already included in the Finance Charge?"
   2. Following the statement required by subdivision (i)(1) above, the provider shall answer "Yes" in bold, underlined, capitalized letters if, at any time during the term of the transaction, prepayment of the outstanding balance due will require the recipient to pay additional fees and charges not included in the finance charge, followed by a description

of the prepayment penalty. For example: "Prepayment during the first six months requires payment of a prepayment penalty equal to $600." In all other cases, the provider shall answer "No" in bold, underlined, capitalized letters.

(j) If the contract provides for periodic payments that are not monthly, the provider shall insert one additional row below the third row, and the additional row shall include only the following information:
   1. In the first column, the following language: "Average Monthly Cost."
   2. In the second column, the average monthly cost that the recipient will pay over the term of the transaction.
   3. In the third column, language explaining that the recipient will not be required to make monthly payments, but that the provider has calculated an average monthly cost for the disclosure. For example: "Although you do not make payments on a monthly basis, this is our calculation of your average monthly cost."

**§ 2067 General Asset-Based Lending Transaction Disclosure Formatting.**

Disclosures for asset-based lending transactions, provided in accordance with section 22803 of the Code, shall comply with the following requirements:

(a) The provider shall present the required disclosures in a table consisting of nine rows and three columns.

(b) All three columns of the first row of the table shall be combined, and within the cell created, the provider shall include only the following language, in italics: "The calculations below are based upon a hypothetical lump sum draw of [amount calculated in accordance with Section 3021], with no additional draws, repaid as your customers repay the accounts that secure this loan. We anticipate we will receive an average of [amount calculated in accordance with Section 2091] per day in repayments from your customers' accounts. Actual costs may differ substantially."

(c) The second row of the table shall include only the following information:
   1. In the first column, the following language: "Amount of Funds Provided."
   2. In the second column, the amount of funds calculated in accordance with Section 3021, excluding any deductions.
   3. In the third column, a description of how the amount in the second column was calculated. For example: "This is your advance amount of [advance amount] minus the [amount and description of fees deducted]."

(d) The third row of the table shall include only the following information:
   1. In the first column, the following language: "Estimate Annual Percentage Rate (APR).
   2. In the second column, the annual percentage rate calculated in accordance with section 3001 of these rules.
   3. In the third column, the following language:

      This is the estimated cost of your financing – including fees and other charges – expressed as a yearly rate. APR incorporates the amount and timing of the funding you receive, fees you pay, and the payments we collect.

While APR can be used for comparison purposes, it is not an interest rate. Your initial interest rate will be [initial interest rate]. Your APR may be higher than your interest rate because APR incorporates interest costs and other finance charges. Although your interest rate will adjust over time based upon the [name of benchmark rate], for the purposes of this APR estimate, we have assumed your APR will be fixed for the length of the transaction.

(e) The fourth row of the table shall include only the following information:
  1. In the first column, the following language: "Estimated Finance Charge".
  2. In the second column, the finance charge calculated in accordance with section 3010 of these rules.
  3. In the third column, the provider's calculation of the finance charge, with the amount and description of each expense that is included in the finance charge.

(f) The fifth row of the table shall include only the following information:
  1. In the first column, the following language: "Estimated Monthly Cost."
  2. In the second column, the estimated monthly cost that the recipient will pay over the term of the transaction calculated in accordance with section 3003 of these rules. If the provider anticipates that the estimated monthly cost will vary over the term of the transaction, either due to changes in the recipient's income through the particular payment channel, a change in the split rate, or some other reason provided for in the contract, the provider shall list the estimated monthly costs and the time periods when those estimates apply. For example:

     Months 1-2:
     $600/month

     Months 3-6:
     $1200/month

     Month 7:
     $1000/month

  3. In the third column, a statement describing how the lender will receive repayments. For example: "This is how much we anticipate collecting each month in repayments from your customers' accounts."

(g) The sixth row of the table shall include only the following information:
  1. In the first column, the following language: "Payment Amount/Frequency."
  2. In the second column, the amount of each estimated periodic payment calculated in accordance with section 3003 of these rules, followed by a forward slash (/) and the frequency of each periodic payment (month, day, etc.). If the provider anticipates that the estimated monthly cost will vary over the term of the transaction, either due to changes in the recipient's income through the particular payment channel, or for some other reason provided for in the contract, the provider shall list the estimated periodic payment

amounts calculated in accordance with section 3003 of these rules, and the time periods when those estimates apply. For example:

Months 1-2:
$20/day

Months 3-7:
$40/day

3. In the third column, a statement describing how the lender will receive repayments. For example: "This is how much we anticipate collecting each day in repayments from your customers' accounts." The provider shall also describe anticipated monthly bona fide true-up amounts calculated in accordance with section 3003 of these rules.

(h) The seventh row of the table shall include only the following information:
   1. In the first column, the following language: "Estimated Term."
   2. In the second column, the estimated term of the transaction, calculated in accordance with section 3003 of these rules.
   3. In the third column, an explanation stating that the estimated term is based upon assumptions about the recipient's income. For example:

      "Although your contract does not have a set term, this is our estimate of how long it will take to collect amounts due to us under the contract based upon the assumption that we will receive $700 per day in repayments from your customers' accounts."

(i) In the first column, the eighth and ninth rows shall be combined and shall include the following language: "Prepayment."
(j) In the eighth row, the second and third columns shall be combined and shall include only:
   1. The following question: "If you pay off the financing faster than required, will you pay finance charges other than interest since your last payment?"
   2. Following the question required by subdivision (i)(1) above, the provider shall answer "Yes" in bold, underlined, capitalized letters if, at any time during the term of the transaction, prepayment of the outstanding balance due will require the recipient to pay charges other than interest accrued since the recipient's last payment. In all other cases, the provider shall answer "No" in bold, underlined, capitalized letters.
   3. If the response to subdivision (i)(2) is "Yes," the following language shall appear below the language required by (i)(1) and (2): "The total finance charge other than interest could be as high as [maximum non-interest finance charge]."
(k) In the ninth row, the second and third columns shall be combined and shall include:
   1. The following question: "Does paying off the financing faster than required result in any additional fees or charges not already included in the Finance Charge?"
   2. After the question required by subdivision (j)(1) above, the provider shall answer "Yes" in bold, underlined, capitalized letters if, at any time during the term of the transaction, prepayment of the outstanding balance due will require the recipient to pay additional fees and charges not included in the finance charge, followed by a description of the

prepayment penalty. For example: “Prepayment during the first six months requires payment of a prepayment penalty equal to $600.” In all other cases, the provider shall answer “No” in bold, underlined, capitalized letters.

**§ 2070. Signatures.**

(a) A recipient’s signature confirming receipt of the disclosures shall be obtained on disclosures made pursuant to both sections 22802 and 22803 of the Code before consummating a commercial financing transaction.

(b) If a commercial financing transaction is being consummated via the internet, a provider may obtain a recipient’s signature electronically after making the required disclosures.

**§ 2071. Thresholds for Disclosure**

(a) For the purpose of determining if the amount of a commercial financing offer is equal to or less than $500,000, a provider shall:

1. Use the approved credit limit for an offer under a commercial open-end credit plan;
2. Use the approved credit limit for an offer under an asset-based lending transaction, if:
    i. The provider offers the recipient an agreement that describes the general terms and conditions of the commercial financing transaction that will occur under the agreement;
    ii. The maximum advance limit exceeds $500,000; and
    iii. The parties to the asset-based lending transaction agree in writing prior to execution of their agreement that an amount exceeding $500,000 is reasonably expected to be unpaid and outstanding at some point during the agreement.
3. Use the maximum advance limit for an offer under a factoring transaction, if:
    i. The provider offers the recipient an agreement that describes the general terms and conditions of the commercial financing transaction that will occur under the agreement;
    ii. The maximum advance limit exceeds $500,000;
    iii. The parties to the factoring transaction agree in writing prior to execution of their agreement that at some point during the agreement, an amount exceeding $500,000 is reasonably expected to be advanced to the recipient for legally enforceable claims that have not yet been paid.

**§ 2089. Closed-end/Open-end Credit Plans with Payment Options.**

(a) For closed-end credit and open-end credit plans that offer multiple payment options to the recipient, the provider shall calculate disclosures for periodic payment amount, monthly cost, finance charge, and term based upon the minimum periodic payments allowed under the contract.

(b) For closed-end credit and open-end credit plans that offer multiple payment options to the recipient, where the contract specifies no time at which outstanding amounts on the account must be repaid by the recipient, and the minimum periodic payments described in subdivision (a) of this Section are less than or equal to the interest and other finance charges that will accrue on the amount advanced, the provider shall assume that any outstanding balance on the account must be repaid five years from the date of the advance.

**§ 2090. Estimated Term and APR – Factoring Transactions**

This section shall apply only to “factoring” as the term is defined by section 22800, subdivision (i) of the Code.

(a) For the purposes of disclosures under section 22802 of the Code, a provider shall calculate the estimate term by calculating the time between when the provider will advance the original advance amount, and when the legally enforceable claim will become due and payable.
(b) For the purposes of disclosures under section 22803 of the Code, the estimated term disclosed to the recipient shall be the maximum receivable term.
(c) The provider may use the estimated term described in subdivisions (a) and (b) above when calculating the estimated annual percentage rate required by section 3000 of these rules.

**§ 2091. Estimates –Accounts Receivable Purchase Transactions/Asset-Based Lending Transactions – Historical Method.**

This section shall apply only to sales-based financing:

(a) A provider shall calculate a recipient’s estimated periodic payments and other charges, monthly costs, bona fide true-up amounts, term, and annual percentage rate disclosed to the recipient using an “estimated monthly sales or receipts projection”
(b) Estimated monthly sales or receipts projection
    1. The estimated monthly sales or receipts projection shall be calculated as the recipient’s historical average sales volume or income with respect to a particular payment channel or mechanism.
    2. A provider shall fix the number of months considered to determine the recipient’s average monthly historical sales or income, provided that the period of historical data used by the provider shall not be less than one (1) month, or more than twelve (12) months.
    3. A provider shall use the same number of months to determine all recipients’ average historical sales or income, except where a recipient has not been in operation for the number of months set by the provider.
    4. When a recipient has not been in operation for the number of months set by the provider as described in subdivision (b)(3) of this section, the provider may calculate the recipient’s historical average sales volume or income with respect to a particular payment channel or mechanism using an average from the months the recipient has been in operation.

**§ 2092. Estimates – Sales-based financing (Accounts Receivable Purchase Transactions – Underwriting Method.**

This section shall apply only to sales-based financing:

(a) As an alternative to the methods described in Section 2091 for calculating estimated periodic payments and other charges, monthly costs, bona fide true-up amounts, term, and annual percentage rate disclosed to the recipient, a provider may elect to calculate estimated periodic payments, monthly costs, bona fide true-up amounts, term, and annual percentage rate in accordance with this section.

(b) A provider shall calculate a recipient's estimated periodic payment(s) and other charges, monthly costs, bona fide true-up amounts, term, and annual percentage rate disclosed to the recipient using an "internal estimated sales" projection through the particular payment channel or mechanism designated in the contract.

(c) The "internal estimated sales projection" through a particular payment channel or mechanism shall be calculated using the best information reasonably available to the provider.

(d) Once every twelve months, a provider who makes disclosures based upon internal estimated sales projections shall conduct an audit of its commercial financings.

1. The audit shall cover all commercial financings paid off during the previous twelve-month period where the provider made disclosures based upon internal estimated sales projections. The audit shall not include commercial financings where:
    i. The provider or finance company initiated legal action against the recipient in court or arbitration for breach of the contract or to collect amounts due under the contract; or
    ii. The provider or finance company stopped collection of amounts due under a contract after determining that the recipient had violated the terms of the contract.
2. The provider shall calculate the retrospective annual percentage rate for each commercial financing in the audit.
3. The provider shall subtract the disclosed annualized rate from the retrospective annualized rate for each commercial financing in the audit. The difference resulting from this calculation shall be called the "APR spread".
4. The provider shall average the APR spread for each commercial financing in the audit. The resulting average shall be called the "annual APR spread."

(e) After completing its audit, the provider shall calculate the weighted average of the annual APR spreads for the last three audits and the last five audits using the total number of transactions used to calculate the annual APR spreads for each year. This part does not require a provider to calculate a weighted average if for the last three audits if the provider has not conducted three audits, or the weighted average for the last five audits if the provider has not conducted five audits.

1. If the weighted average for the last three audits is greater than 10%, the provider may not calculate estimated payments, term or annual percentage rate in accordance with this section for 24 months.
2. If the weighted average for the last five audits is greater than 5%, the provider may not calculate estimated payments, term or annual percentage rate in accordance with this section for 24 months.

(f) Following the end of the 24 month period described in part (e) above, the provider may begin calculating estimated payments, term and annual percentage rate in accordance with this section only if the provider has made a good-faith effort to modify its method for calculating internal estimated sales projection to make its disclosures more accurate.

**§ 3000. Annualized Rate Disclosure.**

Any provider who extends a specific offer of commercial financing to a recipient shall, at the time of extending the specific commercial financing, disclose to the recipient the annual percentage rate.

**§ 3001. Calculation of Annual Percentage Rate.**

(a) The annual percentage rate is a measure of the cost of credit, expressed as a yearly rate, that relates the amount and timing of value received by the recipient to the amount and timing of payments made to the provider. For purposes of this subchapter, the annual percentage rate shall be determined in accordance with the actuarial method set forth in Appendix J, 12 C.F.R. Part 1026, as it may be amended, and which is incorporated herein by this reference.
(b) The actuarial method described in subdivision (a) specifies that, when no payment is made, or when the payment is insufficient to pay the accumulated finance charge, the actuarial method requires that the unpaid finance charge be added to the amount financed and thereby capitalized. Interest is computed on interest since in succeeding periods the interest rate is applied to the unpaid balance including the unpaid finance charge.
(c) The annual percentage rate shall be considered accurate if it is not more than 1/8 of 1 percentage point above or below the annual percentage rate determined in accordance with paragraph (a) of this section.
(d) The annual percentage rate shall be the nominal annual rate determined by multiplying the unit-period rate by the number of unit-periods in a year.
(e) The term of the transaction begins on the date of its consummation, except that if the finance charge or any portion of it is earned beginning on a later date, the term begins on the later date. The term ends on the date the last payment is due, except that if an advance is scheduled after that date, the term ends on the later date. For computation purposes, the length of the term shall be equal to the time interval between any point in time on the beginning date to the same point in time on the ending date.
(f) The annual percentage rate calculation shall include all finance charges, as that term is defined in section 3010 of these rules.
(g) When calculating the annual percentage rate, a provider may assume that it can collect payments on every calendar day, regardless of bank holidays, weekends, or other days that would otherwise delay or accelerate the provider's collection of a payment.
(h) For products where any part of the finance charge is based upon interest that accrues on the outstanding principal balance owed by the recipient, and the interest charge adjusts over time based upon a benchmark rate plus a margin, the provider may calculated the interest charge for the life of the loan based upon the benchmark rate in effect at the time of disclosure, plus any margin, taking into account any contractual requirements that would result in the interest rate deviating from benchmark rate plus the margin (e.g. initial fixed-rate periods).

**§ 3002. Calculation of Annual Percentage Rate – Factoring Transactions**

(a) When calculating an annual percentage rate in accordance with section 3000 of these rules for factoring transactions, to provide a disclosure based upon a single transaction as described by section 22802, subdivision (a)(6) of the Code, the provider shall assume that it will receive full payment of the legally enforceable claim upon the date that legally enforceable claim becomes due and payable.

(b) When calculating an annual percentage rate in accordance with section 3000 of these rules for factoring transactions, to provide a disclosure based upon an example transaction as described by section 22803, subdivision (a)(6) of the Code, the provider shall assume that it will receive full payment of the legally enforceable claim upon the date that results from adding the maximum receivable term to the date the disclosure is made.

**§ 3003. Estimates Annual Percentage Rate – Sales-based financing**

(a) When calculating the estimated periodic payment and bona fide true-up amounts for sales-based financing, a provider shall use the estimated monthly sales projection described in subdivision (b) of section 2091 of these rules or the provider's internal estimated sales projection described in subdivision (c) of section 2092 of these rules, accounting for:
   1. Specified payment amounts;
   2. Changes to the split rate over time;
   3. Contractual provisions requiring a minimum payment amount; and
   4. Penalty payments required when a periodic payment or series of periodic payments falls below a contracted threshold.

(b) When calculating estimated monthly cost, finance charge, term, and annual percentage rate for the sales-based financing, a provider shall use the estimated monthly sales projection described in subdivision (b) of section 2091, or internal estimated sales projection described in subdivision (c) of section 2092 of these rules, accounting for:
   1. Specified payment amounts;
   2. Changes to the split rate over time;
   3. Contractual provisions requiring a minimum payment amount;
   4. Penalty payments required when a periodic payment or series of periodic payments falls below a contracted threshold;
   5. Bona fide true-up amounts, but not true-up amounts that are not bona fide; and
   6. Any other finance charges that may be reasonably anticipated based upon the estimated monthly sales projection or the provider's internal estimated sales projection.

(c) When calculated annual percentage rate, but not the estimated periodic payment for products where the recipient makes payments more than once per week, a provider's calculation may assume that the recipient will make payments on every calendar day, and may calculate the daily payment for the purposes of the annual percentage rate calculation by dividing the amount of payments made during each 7-day period by 7.

**3010. Finance Charge.**

The "finance charge" for a commercial credit transaction is the sum of:

(a) All charges that would be included in the finance charge under 12 C.F.R. part 1026.4, as it may be amended, if the transaction were a consumer credit transaction;

(b) In any accounts receivable purchase transaction, the discount taken on the face value of the accounts receivable; and
(c) In any lease financing transaction, the sum of the lease payments and, if there is a fixed-price purchase option or a purchase option with a price that can be calculated at the time of disclosure, the purchase price listed in the contract that the lessee may pay to acquire the leased goods at the end of the lease, minus the amount of funds provided that is disclosed to the recipient subdivision (b)(2) of section 2066 of these rules**.**

**§ 3020. Asset-based lending; General disclosure requirements.**

In the alternative to providing disclosures to a recipient under section 2063 of these rules, an asset-based lending provider that offers a recipient an agreement describing the general terms and conditions of the commercial financing transaction that will occur under the agreement may, as permitted by section 22803 of the Code, provide the recipient the required disclosures by way of an example transaction in accordance with the requirements of this Article.

**§ 3021. Asset-based lending; Example transaction.**

The alternative disclosures to a recipient under section 3020 of these rules shall be made using an example transaction and in accordance with the formatting requirements of section 2064 of these rules. The example transaction shall be based on the proposed agreement governing the actual transaction between the provider and recipient with the following parameters, as applicable:

(a) Maximum draw amount. If the agreement between a finance company and recipient permits an advance of funds to the recipient up to and including a maximum credit amount, the example transaction used in making the disclosures shall assume the recipient has drawn half the maximum credit amount. For example, if the maximum credit amount under the agreement is $50,000, the example transaction shall assume the recipient has drawn $25,000.
(b) No maximum draw amount. If the agreement between a provider and recipient does not specify a maximum credit amount, the example transaction used in making the disclosures shall assume the recipient has drawn $10,000.

**§ 3022. Factoring; Example Transaction.**

(a) For factoring transactions where the finance charge varies based upon the type of the legally enforceable claim assigned, where the provider offers the recipient an agreement that describes the general terms and conditions of the commercial financing transactions that will occur under the agreement, and where the finance provides disclosures based upon an example of a transaction that could occur under the agreement under section 22803 of the Code, the provider shall give the recipient a separate disclosure table under section 2064 of these rules for each type of legally enforceable claim.
(b) Maximum draw amount. If the agreement between a finance company and recipient permits an advance of funds to the recipient up to and including a maximum aggregate purchase price for legally enforceable claims that have not yet been paid by the account debtor, the example transaction used in making the disclosures shall be equal to half the maximum aggregate purchase price. For example, if the finance company will advance up to $100,000 on unpaid legally enforceable claims, the example transaction shall assume the recipient has drawn $50,000.

(c) No maximum draw amount. If the agreement between a provider and recipient does not specify a maximum aggregate purchase price for legally enforceable claims that have not yet been paid by the account debtor, the example transaction used in making the disclosures shall assume the recipient has drawn $10,000.