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The Honorable Manuel P. Alvarez
Commissioner
State of California
Department of Business Oversight
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Charles Carriere
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Department of Business Oversight
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Re: PRO 01-18

Dear Commissioner Alvarez and Mr. Carriere:

The California Department of Business Oversight's Notice of Rulemaking Action with respect to Commercial Financing Disclosures (PRO 01-18) invited written comments to the draft regulations proposed for California Senate Bill 1235. We appreciate the opportunity to comment and thank you for your consideration of our prior comments to the earlier draft of these regulations. We offer these additional comments to support the practical implementation of the regulations:

1. Discretionary Credit and Advance Limits. The definitions of "Approved credit limit" and "Approved advance limit" only include amounts that a financier is "**required** to pay" (emphasis added) with respect to a particular financing agreement. We recommend that these definitions be modified to include discretionary commercial financing agreements, where a financier may pay or advance funds to a recipient in the financier's discretion, but is not required to do so. We also recommend that these definitions apply across multiple agreements in the aggregate when those agreements utilize the same credit or advance limit (i.e., when a recipient's borrowing under one agreement reduces the credit limit available under all of the related agreements).
2. Inventory Financing. Section 2067(a) of the draft regulations specifically references a "definition of inventory financing," but the regulations do not include such definition or specific disclosure

formatting guidance for inventory financing. We suggest that the related clause (“unless the asset-based lending transaction meets the definition of inventory financing”) be deleted from Section 2067(a).

3. Threshold Amount. Section 2071 of the draft regulations applies a threshold for disclosure for asset-based lending transactions and factoring transactions only when the parties “agree in writing **prior to execution of their agreement**” (emphasis added) that an amount exceeding the threshold is reasonably expected. For an existing agreement entered into before these disclosure regulations were adopted and for agreements below the threshold when first entered into but subsequently amended to increase advance limits or credit limits above the threshold, an agreement in writing “prior to execution of their agreement” is not possible. Therefore, we recommend that this section also permit the parties to agree on their reasonable expectation in writing **prior to an amendment** of such agreement.

We welcome any questions you may have with respect to these comments and the practical application of these regulations to our commercial financing businesses and customers. Please feel free to contact me by email (Christine.G.Hamm@WellsFargo.com) or phone ((312) 920-3543) at your convenience.

Thank you for your consideration.

Sincerely yours,



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