



October 27, 2021

*Via email to [regulations@dfpi.ca.gov](mailto:regulations@dfpi.ca.gov)*

*cc: [REDACTED]@dfpi.ca.gov and [REDACTED]@dfpi.ca.gov*

Commissioner of Financial Protection and Innovation  
Attn: Sandra Sandoval, Regulations Coordinator  
300 South Spring Street, 15th Floor  
Los Angeles, CA 90013

*Re: Notice of Third Modifications to Proposed Regulations Under Division 9.5 of the California Financial Code (Pro 01/18)*

Dear Department of Financial Protection and Innovation:

Stripe appreciates the opportunity to provide input on the Department of Financial Protection and Innovation's (DFPI) notice of third modifications to proposed regulations (the **Proposed Regulations**) under Division 9.5 of the California Financial Code. Stripe supports measures to help recipients better understand the terms of their commercial financing arrangements and effectively comparison shop between products, including through disclosure of cost as an annual percentage rate (APR).

We are writing this letter to reiterate our concerns that the Proposed Regulations' approach to open-end credit products will generate borrower confusion and urge the DFPI to consider adopting the disclosure approach set out in Regulation Z.<sup>1</sup> As described in our comment letter submitted to the DFPI on its notice of second modifications, dated August 9, 2021, the Proposed Regulations require providers to combine rates and fees to calculate the APR for open-end credit products.<sup>2</sup> The result is a hybrid figure that presents inherent challenges to clear and meaningful disclosure of the cost of credit and that is inconsistent with the rules under Regulation Z on open-end credit products offered to consumers. The third modifications to the Proposed Regulations still adopt an approach that is inconsistent with Regulation Z.

We thank the DFPI for its introduction of Section 911(a)(4)(C)(iv), allowing providers to provide a description of APR that does not *assume* that APR includes an interest rate. This is a change that helps enhance the clarity of disclosures for interest-free open-end credit products. To further enhance clarity and better assist borrowers in understanding the terms of their commercial financing, we recommend that the DFPI make the following edits to Section 911(a)(4)(C)(iv):

(iv) If no part of the finance charge is based upon an interest rate:

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<sup>1</sup> 12 C.F.R. Part 1026—Truth in Lending (**Regulation Z**).

<sup>2</sup> Prior to our August 9, 2021 letter, Stripe raised this issue in our letter to the DFPI, dated October 28, 2020, on the initial text of the Proposed Regulations dated September 11, 2020. The Electronic Transactions Association, of which Stripe is a member, also raised this issue in its letter to the DFPI, dated April 26, 2021, on the modifications to the text of the Proposed Regulations dated April 7, 2021.



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

APR is not an interest rate. Your financing does not charge interest. The cost of this financing is based upon an annualization of fees charged rather than interest that accrues over time.”

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Stripe thanks the DFPI for its efforts throughout this rulemaking process, and appreciates the opportunity to provide our comments. We share with the DFPI the common goal of helping users of our commercial financing products understand their cost of credit and effectively comparison shop between products.

We would be happy to provide you with additional information to evaluate our comments. Please do not hesitate to contact me at [nuveen@stripe.com](mailto:nuveen@stripe.com) with any questions.

Respectfully submitted,

/s/

Nuveen Dhingra  
Regulatory Counsel

Cc:

Charles Carriere  
Jesse Mattson