



STATE OF CALIFORNIA

**Department of Financial Protection and Innovation**

GOVERNOR **Gavin Newsom** • COMMISSIONER **Clothilde V. Hewlett**

**For Immediate Release**

December 5, 2023

**Contact:**

DFPI.media@dfpi.ca.gov

## **Federal Court Upholds DFPI Protections for Small Businesses**

SACRAMENTO — On December 4, 2023, Judge R. Gary Klausner granted the Department of Financial Protection and Innovation’s [Motion for Summary Judgment](#) in the case Small Business Finance Association v. DFPI.

Judge Klausner’s order upholds the Department’s recently adopted commercial financing disclosure regulations related to the implementation of [SB 1235](#) (Glazer) that require providers to disclose key metrics to small businesses to help them understand potential financing options, including the amount of funding provided, Annual Percentage Rate (APR), finance charge, and payment amounts. Judge Klausner’s order concluded that the disclosures required under the Department’s regulations were lawful under the First Amendment and were not preempted by federal law.

### **Statement from DFPI Commissioner Clothilde Hewlett:**

“Judge Klausner’s order represents a significant victory for small business owners and consumer protection in the State of California. SB 1235, and the accompanying DFPI regulations, ensure that more than four million California small businesses have protections like those enjoyed by consumers under the Truth in Lending Act for more than 50 years.

These regulations empower small businesses to make informed credit decisions and better understand the cost of small business financing products, including merchant cash advances. The DFPI is committed to advancing opportunities for small business owners to achieve the California dream by ensuring a fair financial marketplace.”

### **About DFPI**

The California Department of Financial Protection and Innovation (DFPI) protects consumers, regulates financial services, and fosters responsible innovation. The DFPI protects consumers by establishing and enforcing financial regulations that promote transparency and accountability. We empower all Californians to access a fair and equitable financial marketplace through education and preventing potential risks, fraud, and abuse. Learn more at [dfpi.ca.gov](#).

##