

## Financial Institutions Litigation and Regulatory Compliance (“FILARC”)



OCTOBER 8, 2026

### California’s AB 2116 Brings Factoring, Merchant Cash Advances, and Other Small Business Financing Under the California Financing Law

Governor Gavin Newsom signed [Assembly Bill 2116](#) (“AB 2116”) on September 30, 2026, which expands applicability of the California Financing Law (“CFL”) as it relates to commercial-purpose transactions. AB 2116 requires providers and brokers of many non-loan products to obtain a license from the Department of Financial Protection and Innovation (“DFPI”).

The CFL already licenses finance lenders and brokers, including those that make commercial loans. AB 2116 defines “commercial financing” broadly to include accounts receivable purchase transactions (including factoring), asset-based lending, commercial loans, commercial open-end credit plans, and lease financing, when the financing is intended primarily for a purpose other than a personal, family, or household purpose. The law includes exemptions for the following:

- specified regulated institutions;
- transactions secured by real property;
- certain vehicle-dealer and rental-company financings; and
- limited numbers of incidental transactions.

The definition of “commercial financing broker” is also broad. It covers anyone who does any of the following:

- transmits a prospective recipient’s sensitive data to a provider with the expectation of compensation;
- participates in negotiations;

- advises an applicant based on its sensitive data;
- helps prepare application documents;
- communicates a provider’s approval decision; or
- charges the applicant a fee.

AB 2116 adds several consumer-style protections to commercial-purpose transactions. Brokers must post on their websites the average and maximum annual percentage rates (“APRs”) of the transactions they facilitated in the prior calendar year. In addition, the law also expressly prohibits unlawful, unfair, deceptive, or abusive practices, and it imposes recordkeeping, reporting, advertising, and examination requirements.

Arguably, the law’s most consequential provision is that it makes a covered agreement unenforceable unless at least one of the following applies:

- the provider was licensed;
- the provider had a complete application pending; or
- the transaction predates January 1, 2028.

**For more information or assistance, please contact [Paula Vigo Marqués](#), or another member of the [Financial Institutions Litigation and Regulatory Compliance group](#).**

**Paula Vigo Marqués**  
202.420.2702 | [paula.vigomarques@blankrome.com](mailto:paula.vigomarques@blankrome.com)