



CA Legislation FAQs

What legislation was passed in California?

Effective Friday, December 9, 2022 the state of California requires commercial financing providers to deliver a disclosure form to small businesses in their state before entering into a commercial financing transaction, such as revenue-based financing. Accordingly, we must follow this law by sending disclosure forms when required and having each California customer sign a disclosure form before funding.

While most of the information in the California disclosure form is also included on the front page of Forward's contract, the disclosure form also includes an Estimated APR field as a separate line item. Because our product is categorized as Sales-Based Financing, we are required to include this information.

However, APR does NOT accurately reflect the cost of our revenue-based financing. APR is calculated based on variables typical of a loan, such as fixed payment amount and a fixed payment term. These variables do not apply to revenue-based financing – payments can be adjusted if revenue decreases, which also lengthens the duration of remittance.

What does the disclosure form look like?

We have provided an example of the disclosure form, including some helpful explanations at forwardfinancing.com/cadisclosure

ISOs should also be aware that the California disclosure form:

- Must be provided anytime a specific commercial financing offer is made in writing, even if the offer is not accepted by the customer;
- Does NOT need to be provided if the offer is made verbally (not in writing) or if multiple specific commercial financing offers are made in writing at the same time;
- Will always be sent from Forward Financing systems to the customer and ISO;
- Is the ISO's responsibility to request using Forward's ISO Calculator wherever a specific commercial financing offer is made in writing;
- Is sent in conjunction with the funding agreement and must be signed by a business owner;
- Will be treated like any other stipulation;
- Cannot be altered and is consistent for all "sales-based" financing in the state of California; and
- Cannot be merged with any other document.



What will small business owners need to do?

While Forward takes great care to ensure our funding agreement is clear and comprehensive, California is requiring a separate form for commercial financing transactions, including "sales-based" financing.

Forward will provide a disclosure form every time an ISO makes a "specific commercial financing offer" to a California-based small business.

"Specific commercial financing offer" means a **written** communication to a recipient, based upon information from, or about, the recipient, including a piece of information from **A and B** below:

- **A.** Periodic payment amount, Irregular payment amount, or Financing amount
- **B.** Any rate, price, or cost of financing, or any total repayment amount

When a customer wishes to accept a specific offer, they will receive (1) their funding agreement (since this is when they'll receive an offer that binds Forward) and (2) a final disclosure form in separate emails. The documents in both emails must be signed before moving forward in the funding process. The funding agreement must be signed by all parties; the disclosure form only needs to be signed by one business owner.

In all cases, whether working with an ISO or directly with Forward, the customer will receive disclosure forms from Forward as long as we have a business email address for the customer. Depending on the ISO's preference, the customer will receive the funding agreement directly from Forward or from their ISO.



What do ISOs need to know?

For any customer with a California address or a principal place of business located in California, ISOs are now required by state law to provide a disclosure form any time a “specific commercial financing offer” is made. Forward Financing will email the disclosure form to the customer, but it is the ISO’s responsibility to request a disclosure form from Forward’s ISO Calculator whenever the ISO communicates this kind of offer.

“**Specific commercial financing offer**” means a **written** communication to a recipient, based upon information from, or about, the recipient, including a piece of information from **A and B** below:

- **A.** Periodic payment amount, Irregular payment amount, or Financing amount
- **B.** Any rate, price, or cost of financing, or any total repayment amount

When a customer decides to proceed with funding, Forward will send a funding agreement to either the ISO or customer, depending on the ISO’s preference. Forward will always send a disclosure form directly to a customer, which must be signed – in addition to Forward’s funding agreement – before funds can be disbursed.

Who can I contact if I have questions?

ISOs are encouraged to contact their Account Manager with any questions regarding Forward’s change in processes related to this California law and implementing regulations. Further information can be found at dfpi.ca.gov.

Customers working with an ISO and funding with Forward for the first time are encouraged to contact their ISO with questions on any documentation requirements, including this disclosure form. Customers who are working directly with Forward are welcome, as always, to reach out to their Account Executive with any questions or concerns.

What is an example of a specific commercial financing offer?

A specific commercial financing offer that **WOULD** require a disclosure form:

- A broker who has reviewed bank statements from a prospective customer sends a text that says: “Hi! Based on your current monthly sales, I can get you a financing amount of \$10,000 with a total cost of \$12,000.”
- This text message is:
 - In writing
 - Appears to be based on financial information about the prospective customer
 - Includes both the financing amount and total repayment amount

A non-specific commercial financing offer that **WOULD NOT** require a disclosure form:

- A sales-based financing company employee sends an email to a prospective customer that says: “Based on our initial review of your monthly revenue, you qualify for \$10,000.”
- This email is:
 - In writing
 - Appears to be based on financial information about the prospective customer
 - Includes the financing amount
 - However, it does not include the total repayment amount or any rate, price, or cost of financing

Will other states be passing similar legislation?

While none of us know for sure what legislation will or will not be passed, we can share our steadfast commitment to delivering financial opportunity to small businesses with transparency and the highest ethical standards.

We are involved in these discussions and closely monitoring any legislation that could affect our customers and ISOs. We will keep ISOs informed as decisions are made and will help them navigate any changes to how they work with Forward and the customers we share. Please talk to your dedicated Account Manager or Executive with any questions regarding industry legislation.