

California Reinstates Licensing Exemption for Single Commercial Loan Made During 12-month Period

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On April 28, Governor Newsom [signed](#) Senate Bill 577 which will, among other things, bring back the California Financing Laws (CFL) licensing exemption which permits a lender to make a single commercial loan within a 12-month period without first obtaining a license. The previous law, which contained this exemption, had expired by its terms on December 31, 2021. The California Department of Financial Protection and Innovation has seen an uptick in California finance lender license applications this year, and speculation is that one of the reasons for that was the loss of this exemption. The new law takes effect immediately as an emergency statute. The exemption does not apply to consumer loans.

Putting It Into Practice: This exemption is important because the legislative history to the original statute makes clear that the law permits a company to form a number of special purpose entities under common management, none of which will require a California finance lender license if each makes only one commercial loan within a 12-month period. The reinstatement of this exemption also permits a lender that is applying for a license to make one commercial loan while the license application is pending without violating the law.

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