

# California Legislature Mulls Rewrite Of "Broker" Definition In CFL

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California's default lender licensing law is the California Financing Law, a law which had until recently been known as the California Finance Lenders Law. The CFL generally prohibits anyone from engaging in the business of a finance lender or broker without obtaining a license. The CFL currently defines "broker" to include anyone who is engaged in the business of negotiating or performing any act as a broker in connection with loans made by a finance lender. Cal. Fin. Code § 22004. The Commissioner of Business Oversight has adopted a regulation prohibiting a finance lender, with certain exceptions, from paying any compensation to an unlicensed person or company for soliciting or accepting applications for loans. 10 CCR § 1451(c).

This may soon change if the legislature enacts AB 3207 (Limón). This bill completely rewrites the definition of "broker" to mean a person who is engaged in the business of performing any one of seven specified acts. The bill would also identify several categories of persons who would not be deemed to be a broker such as internet search engines and social media platforms, in each case as defined and subject to certain provisos.

The legislature has recently been providing clearer guidance on when a CFL licensed lender may pay unlicensed persons in connection with loan referrals. For example, the legislature enacted SB 197 (Block) in 2015 to authorize CFL licensed lenders to compensate unlicensed persons in connection with the referral, as defined, of one or more prospective borrowers to the licensee for a *commercial* loan if certain requirements are met.

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