Camel FINANCIAL, INC.

January 22, 2019

Via E-Mail: regulations@dbo.ca.gov
charles.carriere@dbo.ca.gov

Department of Business Oversight, Legal Division
Attn: Mark Dyer, Regulations Coordinator
1515 K Street, Suite 200
Sacramento, California 95814-4052

Re: Comments on Proposed Rulemaking Commercial Financing Disclosures (PRO 01-18)

Dear Mark Dyer:

Camel Financial would like to thank you for the opportunity to comment on regulations to implement SB1235 as amended, Glazer.

Camel Financial Inc. is an "Asset Based Lender" licensed by the Department of Business Oversight. We have been in business for 35 years. Our loans vary between $5,000 - $1,000,000. These loans are revolving lines of credit based on the accounts receivable of a company, used as collateral. The structure and loan size for each borrower varies and is dependent on sales volume, account debtor credit, and concentration account eligibility. Our loans renew on an annual basis and credit lines may increase or decrease based on each business's sales volume and growth.

Providing accurate information pursuant to the Disclosure Requirements (even through examples) may be very challenging because of the number of variables involved in disclosing accurate information. For your understanding, below is a list of some of the variables:

Availability:

Camel Financial Inc. like others in the industry provides accounts receivable loans. The amount available under an accounts receivable line of credit is generally capped by a maximum line amount, and within the line, advances are limited to a percentage of a borrowers "eligible accounts receivable." Most Asset Based Lenders limit eligible accounts to those within 90 days of invoice date, but other more varied rules define account eligibility of accounts.

Borrowing:

Within the line of credit and the percentage of eligible accounts, a borrower may request advances as needed. Borrowers typically request advances frequently to cover changing business operational expenses such as payroll, taxes, and supplier payments. Fluctuations and frequency of borrowing is individualized and is dependent on each Company's needs to cover business expenses related to each industry and business operations.

Repayment:

These loans are self-liquidating from the collections of those accounts receivable. Collections are credited against the loan balance. Fluctuation of payment from the accounts receivable depend on industry type and payment terms established,

Interest:

Interest rates are generally variable and determined based on a certain margin above an index rate (which is generally the prime rate, LIBOR or a similar index rate). The potential variable nature of the interest rate put together with the frequently fluctuating principal balance makes an annual estimation of interest to be paid an impossible task.

Interest is calculated daily on the outstanding daily balance. The annual interest rate is divided by 360 days and multiplied by that day's outstanding loan balance. On a monthly basis the sum of daily charges is added to the principal loan balance.

Float or Clearance Days

As payments come in to pay down the principal balance of the loans (in many instances on a daily or fairly frequent basis as demonstrated above), providers generally charge "float" or "Clearance Days." Such fees are calculated as the continued charging of interest on the amount repaid for a short period of time (generally 1-3 days) after the payment is received as though the payment was not received until the end of the period of time. The difficulty with determining this fee over a future time period is that neither the provider nor the recipient can estimate with any meaningful accuracy as to when the customers will be paying their accounts receivable which gets applied to the loan outstanding amount.

Other charges:

Camel Financial income consist of two monthly fees, interest and float. Other charges include fixed audit fee and fixed annual line fee, incidental bank charges, e.g. bad check fees, wire fees, and potentially a minimum monthly interest fee of $500. All charges and fees are disclosed on loan documents.

Proposals

We propose that the rules and regulations being considered allow asset-based lenders to comply with the Disclosure Requirements by having a very detailed list of contract terms clearly setting forth the interest rate index and margin and all of the fees that the recipient is required to pay. This list will be subject to negotiation between the parties and will be signed by both provider and recipient. Additional language can be added to this list in order to give an example or explanation of how the interest rate and each of the fees are calculated in order to give the recipient meaningful information it can use to determine its best option.

Difficulties with SB1235:

Impossibility of calculations for our lending practices and misleading disclosure to our borrowers.

Disclosing the interest rate is sensible, but a dollar cost is not amenable to calculation. Activity fluctuation of daily borrowing and repayment from accounts receivable are impossible to know. The nature of a revolving line is variation.

To calculate the charge on the total line of credit is misleading. Normally, the total line is set at a higher amount than the initial line to allow for daily variations and growth. It would be possible and misleading to disclose the cost of borrowing as a dollar cost per $100,000.00.

Disclosing the interest rate on a "prime plus" basis should be sufficient, along with an example of the cost of the line to its limit not unlike credit card companies do on their monthly statements.

The float formula can easily be disclosed. The dollar cost enters into speculation. The cost depends on the dollar amount of a borrower's collections. Unsophisticated borrowers may have a poor idea of collections and payment terms may vary by account debtor. We do not believe a lender should be responsible for an inaccurate estimate. A lender should not be at risk because the calculation is not correct because of unknown variations out of the lenders control.

Relying on the borrower's estimate may be unreasonable. This is something that can't be known. A cost per $100,000.00 type of disclosure unmoors the float component from the interest component total fees. Calculation is even more speculative if business days are used. The amount charged may depend on the day of the week collected.

Camel Financials' annual and line fees are fixed dollar and can easily be disclosed. Wire fees and return check fees can't be estimated. Some borrow daily, others weekly, others less frequently. Commonly when entering into a deal, a borrower has not idea how often they will borrow or what their sales potential might become with more capital.

Minimum interest and other fees are best left to disclosure. Camel Financials' minimum interest is $500. If actual interest and float exceed $500, there is no charge, if actual interest and float is for example $450, the borrower pays an additional $50.

My suggestion is the DBO require all fees be disclosed along with the method of calculation. Projections of dollar cost is simply not feasible.

We also want to take the opportunity to request that changes be made to the California Finance Law to designate ABL Lenders as a separate entity of financing with disclosures specific to our loan structures. Asset Based Lenders make up a significant number of the Finance Industry in California.

Thank you for your consideration of our viewpoint on this matter. We believe it is an important issue and have no opposition to legislation on this matter however we believe the laws need to suit each individual type of lending. We would like to see the bill be amended to ensure fairness and effective services for our clients.

Once again thank you for your consideration:

Helena Sopwith

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