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January 22, 2019

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

Via Electronic Mail to regulations@dbo.ca.gov
With a copy to: Charles Carriere, charles.carriere@dbo.ca.gov

RE: FILE NO. PRO 01-18
RESPONSE TO INVITATION FOR COMMENTS ON PROPOSED RULEMAKING
COMMERCIAL FINANCING DISCLOSURES (PRO 01-18)

Dear Commissioner Owen and Mr. Dyer,

PayPal, Inc. ("PayPal") is pleased to offer comments in response to the Invitation for Comments on Proposed Rulemaking for Commercial Financing Disclosures dated December 4, 2018.

Specifically, PayPal addresses the Department's request for input in developing regulations to implement SB 1235, which requires a "provider" – defined as a person who extends a specific offer of commercial financing to a recipient – to disclose specified information when the provider extends the offer. PayPal recognizes the importance of providing clear disclosures which are both meaningful and accurate. PayPal looks forward to working with the Department on creating such a framework under SB 1235.

PayPal also notes that it agrees with the issues and recommendations raised by the Electronic Transactions Association ("ETA") in their letter. PayPal will not reiterate those points herein, but instead submits this letter to address additional issues that are unique to PayPal and the products it services.

I. Small Business Lending That Is Fast, Flexible and Fair.

PayPal is a leading online payments company, with more than 250 million active user accounts around the world. PayPal offers consumers a "digital wallet" that connects into and leverages the traditional payment networks, enabling PayPal's users to make and receive both personal and commercial payments in a safe, secure, efficient and cost-effective manner. PayPal is also currently engaged as a general servicer as well as a marketing servicer providing certain processing services through an arrangement with WebBank, a state-chartered bank, for three business lending

products: PayPal Working Capital ("PPWC"), PayPal Business Loan ("PPBL"), and LoanBuilder, A PayPal Service ("LBAPS").[1]

PPWC, which launched in September, 2013, is a small-business, closed-end loan program offered to qualifying businesses that process payments for their sales transactions through PayPal. The lender for PPWC loans is WebBank. The online loan application takes minutes to complete and, if approved, the loan proceeds are immediately deposited into the merchant borrower's PayPal account. WebBank's underwriting is based primarily on the business's PayPal account history and does not involve a traditional, external credit check. Repayment terms are flexible: the loan is repaid through automatic deductions from the borrower's PayPal sales in a percentage chosen by the borrower (ranging from 10% to 30%), with a minimum payment required of either 5% or 10% of the total loan amount and fee due every 90 days. The only cost of the loan is a single, fixed fee that the borrower knows in advance, without any periodic interest charges, late fees or prepayment fees. PPWC loans are offered from $1,000 to $125,000 for first time borrowers, and up to $200,000 for the third and subsequent PPWC loans by the same borrower. A borrower can only have one PPWC loan outstanding at a time. The average PPWC loan size is approximately $16,000.00 and, while there is no set term for a PPWC loan, the average PPWC loan term is approximately 10 months.

PPBL and LBAPS are two, small-business, closed-end, fixed-term loan programs offered to qualifying businesses. The lender for PPBL and LBAPS is also WebBank. Borrowers do not need to process payments through PayPal, though for PPBL, a PayPal business account is required because the loan funds for PPBL are deposited into the merchant's PayPal business account. For LBAPS, the loan funds are deposited into a merchant's designated checking account, so a PayPal account is not required. PPBL and LBAPS have flexible terms, from 13 to 52 weeks. Merchants can check eligibility online or over the phone in minutes without impacting their credit score. If a merchant decides to move forward and complete the application process, more traditional underwriting occurs, considering a full review of the borrower's business, including a credit check. Weekly fixed repayments are drawn directly from the business's checking account. Like PPWC, the only cost of the loan is a single, fixed fee that the borrower knows in advance, without any periodic interest charges, late fees or prepayment fees.[2] PPBL and LBAPS are offered from $5,000 to $500,000, with the average loan sizes being approximately $35,000.00 and $38,000.00, respectively.

These business financing products serviced by PayPal are unique, transparent products that provide fast, flexible and fair access to credit for small businesses that otherwise may not receive funding. These include the businesses that were hit especially hard by the Great Recession and many are still trying to recover. Whereas three quarters of small businesses are looking for loans $250,000 or less, and more than half are looking for loans under $100,000,[3] the traditional bank market for

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[1] An affiliate of PayPal acquires the receivables from WebBank, but WebBank retains ownership in the loans and acquires a participation interest in the receivables.

[2] The only other fee is a $20 Returned Item Fee that is only assessed if a payment is returned.

[3] *See* Karen Gordon Mills and Brayden McCarthy, "The State of Small Business Lending: Innovation and Technology and the Implications for Regulation, Working Paper 17-042, Harvard Business School (2016) at 42, http: //www.hbs.edu/faculty/Publication%20Files/17 -042 30393d52-3c61-41cb-a78aebbe3e040e5S.pdf (noting over 70 percent of small businesses are looking for loans of under $250,000, and more than 60 percent want loans of under $100,000).

such loans shrank after the Great Recession. Limited underwriting data and higher credit risk make small-dollar loans to small businesses less profitable or even unprofitable in light of traditional banks' cumbersome processes and costs.[4] Business financing solutions like PPWC, PPBL, and LBAPS have stepped in to fill this credit gap.

Experience over the course of the past five years reveals that these fast, flexible and fair products resonate with today's small business owners. When PPWC customers were asked to rate how likely they would be to recommend the PPWC program to others (on a scale of 1-10, with 10 being the highest), approximately 85% responded with a 9 or 10. Survey results and customer feedback further reveal that it is not only the unique underwriting model of PPWC (no credit check, no personal guarantor, no need to submit tax returns or other financials), but also the speed of the application and funding process that are beneficial to today's small business owners.[5] These business owners report spending an average of 24 hours applying for credit in the more traditional bank lending model,[6] but the PPWC application and funding process can be completed in minutes. Notably, when PPWC was being designed, it was the small business owners who said that they wanted a single, upfront fee so they would know exactly what they were paying for the loan.

Survey results and customer feedback for PPBL and LBAPS similarly reveal the benefit of a more streamlined application process and fast funding for these business owners. These customers consistently point to the ease and convenience of the application process, transparency and customizability of the loan, along with a quick turnaround for funding, as important factors in choosing PPBL or LBAPS.[7]

PayPal fully supports transparency and equal access to credit, but cautions against prescribing rules that may confuse borrowers or unfairly advantage certain types of commercial financing products. In order to preserve the product tenets of fast, flexible and fair, which are essential to today's small business owners, the disclosure requirements must ensure such disclosures are both meaningful and helpful to borrowers as well as accurate and consistent among industry participants.

II. Commercial Financing Requiring Estimated Term Disclosures

PPWC is an example of commercial financing that, under SB 1235, will require disclosure of an "estimated term." As described in Section I, a PPWC loan does not have a fixed term. Rather, the loan is repaid through a percentage of the borrower's PayPal sales proceeds, which the borrower chooses before it accepts the loan. While the PPWC loan contract requires either 5% or 10% of the total repayment amount (loan and fee) to be repaid every 90 days, that is the minimum repayment requirement, and the majority of merchants repay the loan at a much faster pace. This type of repayment structure, where a percentage of repayments are automatically taken from a borrower's PayPal sales proceeds for each sales transaction processed by PayPal, allows customers

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[4] *Id.* at 44.

[5] For examples of PPWC customer feedback, see https://www.paypal.com/us/workingcapital/resources/community.

[6] Joint Small Business Credit Survey Report, 2014, at 4. Federal Reserve Banks of New York, Atlanta, Cleveland and Philadelphia. Updated February 2015. https://www.newyorkfed.org/medialibrary/media/smallbusiness/SBCS-2014-Report.pdf.

[7] For examples of LBAPS feedback, see https://www.loanbuilder.com/lb/our-customers.

a more flexible repayment option. Indeed, many PPWC customers laud this type of repayment structure, as it allows repayment to ebb and flow with their business.

However, because of its repayment structure - with no term and no fixed payment – PPWC cannot disclose an exact "term." Instead, given the new requirements of SB 1235, PPWC will need to disclose an "estimated term" based on projections from underwriting. See Section V for how this estimated term should be calculated.

III. Disclosure of Method, Frequency, and Amount of Payments for Commercial Financing with Flexible or Contingent Repayment Obligations

PPWC is an example of commercial financing offering flexible repayment obligations. Repayments are made from a percentage of the borrower's PayPal sales proceeds, with a minimum payment required every 90 days.

SB 1235 requires disclosure of the "method, frequency, and amount of payments." While the method of payment can be disclosed (*i.e.*, an agreed upon percentage of PayPal sales proceeds, with a minimum payment of either 5% or 10% every 90 days), the specific frequency and amount of payments cannot be disclosed for PPWC because a borrower's repayments will change in both frequency and amount, depending on their PayPal sales. For example, if a borrower chooses a repayment rate of 20%, but has no sales for 3 weeks, no repayments are made during that 3-week period. Or, if a borrower has sales every day for a month, repayments will be made on each sales transaction processed by PayPal, each day.

As such, for products like PPWC which offer flexible repayments, a description of the method, along with *when* and *how* repayments are made, should be deemed sufficient to satisfy SB 1235's requirement to disclose the method, frequency and amount of repayments. For example, the disclosure of the "method, frequency, and amount of payments" for PPWC would state (1) that payments are deducted from PayPal sales proceeds, (2) the chosen repayment percentage, and (3) the minimum payment requirement. Thus, the borrower will understand that each time they have a PayPal sale, they will have the chosen percentage deducted from that sale. A specific example of how this disclosure would look for PPWC is provided in Section VI below. This type of disclosure should be deemed sufficient for purposes of SB 1235 for products like PPWC.

IV. Annualized Rate Disclosure

a. Annualized Cost of Credit vs. Annual Percentage Rate

As noted in the ETA response letter, each of the two annualized cost measures identified in the Department's invitation for comments – Annual Percentage Rate ("APR") and Annualized Cost of Credit ("ACC") – has its own unique set of advantages and disadvantages. In addition to the analysis provided by the ETA, PayPal provides the following points regarding the appropriate metric for an annualized rate:

Annualized Cost of Credit

- Perhaps the most compelling advantage of ACC is its simplicity. ACC can literally be calculated by hand in a minute or two by anyone with a basic understanding of multiplication and division. The cost of financing is divided by the total amount of funds provided and the resulting rate is multiplied by a factor to annualize it (*i.e.*, the number of days in a year divided by the number of days in the term or estimated term). Anyone with a rudimentary understanding of Microsoft Excel (or a similar spreadsheet program) could create a spreadsheet to calculate ACCs in a matter of minutes and could calculate ACCs for hundreds of loans with such a spreadsheet in a matter of seconds. Similarly, incorporating an ACC calculation into a computer program that generates loan disclosures would be a fairly simple task. Because calculating ACC is so straightforward, it is also simple to validate and easy to understand. An examiner would not need any specialized software, an understanding of complex formulas or information about the interest accrual method used by the creditor or provider in the calculation.

- Likewise, a small business owner evaluating different loan products can both understand the basic concept underlying ACC (cost divided by loan amount) and check its accuracy rather quickly. In fact, ACC is akin to a measure with which many business owners are already familiar: total interest percentage or "TIP" (also known as fixed simple interest). TIP, a measure used both in the residential mortgage lending context as well as in commercial finance, is equal to the total interest on a loan divided by the loan amount. It is essentially the same as ACC but without an adjustment for the loan term.

- ACC is, however, a new concept that will be unfamiliar to most lenders. As such, if adopted, the Department will need to provide very clear guidance on the ACC's framework, such as what fees are included in the calculation. Additionally, although businesses may be familiar with a TIP calculation, these borrowers likely will not be familiar with an annualized version of this calculation, which may cause some initial confusion for these borrowers.

Annual Percentage Rate

- A potential benefit of APR is guidance related to APR in treatises, *see, e.g.,* Harrell, A. C. (2016), *Law of Truth in Lending*. Also, many business owners would be familiar with the APR concept from their experiences with consumer financial products. Finally, Regulation Z includes a number of simplifying assumptions that, while not addressing the business-specific loan issues described above, make APR calculations marginally easier. For example, Regulation Z allows a creditor to disregard the impact of leap years, how months have different lengths, odd first payment periods and the impact of collecting payments in whole cents.[8] However, as noted by the ETA, if the Department adopts APR, the Department would need to address the extent to which Regulation Z's methodologies, assumptions and calculations – and guidance related thereto – are applicable to business loans, business lines of credit and cash advances.

[8] *See* 12 C.F.R. § 1026.27(c)(3)(i)-(iv).

- The chief disadvantage of APR is its calculation complexity. *See, e.g.*, National Consumer Law Center, *Truth in Lending, 9th ed.* § 5.5.6.2.1 ("Unfortunately for both creditors and consumers, there is no easy way or simple formula to calculate the annual percentage rate using the actuarial method or the U.S. Rule."). APR is among the most complicated concepts with which consumer creditors must grapple, and generally cannot be calculated by hand or even with a scientific calculator or spreadsheet. Nor can APR be represented using a simple algebraic equation. The actuarial method that almost all creditors employ to calculate APRs requires an iterative approach where a calculation is performed and performed again and again (using slightly different inputs each time) until a final result is reached. As such, APR must generally be calculated using specialized software designed for that purpose. While Regulation Z mandates that consumer lenders calculate APRs using one of two methods, it only provides detailed explanations and examples for one of them. Specifically, Regulation Z requires creditors to calculate APRs using either the so-called "actuarial" method or "U.S. Rule" method, *but Regulation Z provides no guidance as to the latter. See* 12 C.F.R. § 1026.22(a)(1) (requiring use of actuarial or U.S. Rule method); 12 C.F.R. Pt. 1026, App. J (describing and providing examples only for actuarial method). The difference between the two relates to how payments get allocated between principal and interest and, although almost all creditors use the U.S. Rule method to actually calculate interest, they calculate APRs using the actuarial method because this is the only method for which there is actual guidance.

  The guidance and examples for the actuarial method are hard to follow. The following is an example:

> (c) Examples for the actuarial method.
>
> Single advance transaction, with or without an odd first period, and otherwise regular.
>
> The general equation in paragraph (b)(8) of this section can be put in the following special form for this type of transaction:
>
> $$A = \frac{1}{(1+fi)(1+i)^t}\left(P\, a_{\overline{n}|}\right)$$
>
> Example (i): Monthly payments (regular first period)
>
> Amount advanced (A) = $5000. Payment (P) = $230.
> Number of payments (n) = 24.
> Unit-period = 1 month. Unit-periods per year (w) = 12.
> Advance, 1-10-78. First payment, 2-10-78.
> From 1-10-78 through 2-10-78 = 1 unit-period. (t = 1; f = 0)
> Annual percentage rate (I) = wi = .0969 = 9.69 %

  12 C.F.R. Pt. 1026, App. J(c).

  Notably, the actuarial examples in Regulation Z are for common types of ***consumer*** loans. There are no examples of loans with daily payments, which are now common in the small

business loan market. *See* 12 C.F.R. Pt. 1026, App. J(c) (providing examples using payments with intervals ranging from weekly to quarterly in increments of weeks or months). PPWC is a perfect example of this type of small-business loan, where payments are made when a borrower has a sales transaction processed by PayPal.

Additional evidence of the complexity of calculating APRs is the fact that there are many firms that specialize in calculating and validating them. *See, e.g.,* Carlton Inc. (www.carletoninc.com); Sherman & Associates, Inc. (www.shermanloan.com); Nortridge Software (www.nortridge.com); TimeValue Software (www.timevalue.com). In fact, there are some such firms that almost exclusively focus on APRs. *See, e.g.,* Compliance Services Group, LLC (www.complianceservicesgroup.com). Of course, such firms exist because even sophisticated creditors have trouble calculating APRs. Likewise, it is not uncommon for lenders to hire quantitative experts to assist in handling APR-related issues. The complexity of calculating APRs makes such rates difficult to validate. Regulators generally check APRs using a program developed by the Office of the Comptroller of the Currency ("OCC") called APR WIN.[9] There is no practical way to check APRs by hand. APR WIN, however, was designed with consumer loans in mind. It would be difficult (or perhaps impossible) to use the software for small business loans with higher frequency payments, like PPWC, PPBL and LBAPS. In fact, we understand that the APR WIN program will sometimes crash when a user seeks to enter more than a dozen or so payment streams, and we are not aware of any off-the-shelf tools similar to APR WIN that could easily handle typical small business loan APR calculations.

Calculating an estimated APR for PPWC loans based on estimated daily sales volumes will be extremely difficult given the complexity of the APR calculation and the current limitations with existing APR calculation tools. The limitations of the APR tools make its calculation difficult even for PPBL and LB loans, which have set, weekly repayments.

- If the Department adopts APR as the annualized rate disclosure for SB 1235, PayPal suggests that the Department consider creating a tool (like the OCC's APR WIN program) that creditors, borrowers and examiners could use to validate APRs on the most common types of small business loans. Without such a tool, it is not clear how the Department's examiners could validate the APRs of a creditor being examined, how creditors could validate their own APRs or how diligent borrowers could check the APRs of the loans for which they apply. Such a tool would provide a common language of sorts for understanding and calculating APRs.

- If the Department adopts APR, the Department could consider allowing creditors to make additional assumptions (beyond those already allowed in Regulation Z) when calculating business loan APRs to make the calculations less onerous. For example, one such assumption could allow creditors to assume that all payments due during a given period (not to exceed one month) are made on a date around the middle of such period. For example, for a loan with $100 daily payments (or estimated daily payments) due from January 1 to March 31, the creditor could assume that the borrower makes just three payments: a payment of $3,100 on January 15, a payment of $2,800 on February 15 and a payment of $3,100 on March 15. This

[9] *See* Annual Percentage Rate Calculation Program for Windows, available at https://www.occ.treas.gov/tools-forms/tools/compliance-bsa/aprwin-software.html

would reduce the number of payments to consider for APR purposes which creates problems in existing APR calculation tools.

b. Types of Financing Requiring Estimated Annualized Rates

Loan products, such as PPWC, which do not have fixed terms, will require an estimated annualized rate because regardless of the type of annualized rate chosen, an annualized rate calculation will always need to include a term. As noted above in Section II, products with flexible payments and no fixed terms, like PPWC, will need to disclose an estimated term. So, if a commercial financing product requires an "Estimated Term," due to the nature of the product, that product will necessarily need to provide an "Estimated Annualized Rate."

c. Fees and Charges Included in an Annualized Rate Calculation

As noted above, the pricing of PPWC, PPBL and LBAPS is exceptionally straightforward. These loans have just a single, fixed fee the borrower knows in advance when choosing their loan. There are no additional interest changes, late fees or prepayment charges. PayPal anticipates that this single, fixed fee would be the fee included in the annualized rate calculation. Other creditors should not be able to easily make the costs of their products appear artificially lower through fees such as affiliate charges, third party charges shared with the creditor, processing fees, add-on products, and service charges. As such, the Department's regulation prescribing which loan charges get included in the annualized rate calculation should include any charge directly or indirectly payable by the borrower and imposed directly or indirectly by the creditor (including an affiliate or a third party with whom the creditor has a relationship) as an incident to or condition of the extension of credit. They should also include any charges assessed by a third party if the creditor requires the use of the third party or if the charges are shared with the creditor or an affiliate of a creditor. However, such charges should not include any charge that is payable in a comparable transaction where there is no extension of credit. For example, it should not include charges a borrower may pay to PayPal for payment processing services provided by PayPal apart from any loan services. Such charges should also not include fees for unanticipated events, such as a late or returned payment.

d. Tolerances

The Truth in Lending Act's Regulation Z incorporates three key concepts related to disclosure accuracy. *First*, it provides that certain numerical disclosures that are not precisely accurate do not violate the law unless they are inaccurate by more than a specified amount (*e.g.*, by more than 0.125 or 0.25 for an APR disclosure and by more than $5 or $10 for a finance charge). 12 C.F.R. § 1026.22(a)(2)-(3) (setting forth APR tolerances for regular and irregular transactions, respectively); 12 C.F.R. § 1026.18(d)(2) (establishing finance charge tolerances for non-mortgage consumer transactions equal to $5 where amount financed of $1,000 or less and $10 for transactions involving an amount financed of more than $1,000). *Second*, the law provides that a creditor that has made an inaccurate disclosure may "cure" any violation resulting from such disclosure if, within 60 days of discovery and before any action is instituted against the creditor for such violation, the creditor notifies the consumer of the inaccuracy and makes any correction necessary to assure that the consumer will not be required to pay an amount in excess of the charge actually disclosed. 15 U.SC. § 1640(b). *Third*, the law provides for no liability if a creditor can

show that a violation was not intentional and resulted from a *bona fide* error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error. 15 U.SC. § 1640(c) ("Examples of a bona fide error include, but are not limited to, clerical, calculation, computer malfunction and programing, and printing errors....").

If these liability-limiting concepts are reasonable as applied to ***consumer*** transactions, they are even more so as applied to ***commercial*** transactions. The Department should incorporate all three concepts into the rules it promulgates under the SB 1235. However, the Department should be cognizant of the fact that the tolerance ranges under Regulation Z were adopted for consumer loans, which are generally smaller than small business loans. As such, the Department's rules should have more liberal tolerances. PayPal also suggests that there be no tolerance limit for inadvertent ***over*** disclosures (e.g., disclosing an annualized rate as 36% instead of 35%). A creditor would never purposefully overstate the costs of its product and, in the event it inadvertently did so, the overstated information is not likely to lead to borrower harm because the business would pay less than expected in interest and fees.

V. Calculating Estimated Annualized Rates and Estimated Term

The Department's rules should not be prescriptive in how providers calculate estimated term. Rather, the Department should require an estimated term to be based on the best information reasonably available at the time the disclosure is made. Each type of commercial financing product will have its own unique underwriting program with different methodologies and calculations. It would be nearly impossible for a prescribed calculation to account for the uniqueness of the various types of products requiring an estimated term, let alone the uniqueness of each specific product and its program constructs.

Indeed, even the disclosure requirements set forth in Regulation Z for consumer loans do not dictate a specific method for determining an estimate. Rather, Regulation Z requires that a disclosure be "based on the best information reasonably available and shall state clearly that the disclosure is an estimate." 12 C.F.R. 1026(5)(c). The Comments interpreting this provision further provide that "[t]he reasonably available standard requires that the creditor, acting in good faith, exercise due diligence in obtaining information" and that "[i]n using estimates, the creditor is not required to disclose the basis for the estimated figures." Official Interpretation, 12 C.F.R. 1026(5)(c).

As such, instead of a mandated calculation for estimated term, the Department should instead adopt a standard requiring a provider to base the estimated term on the "best information reasonably available to the provider at the time the estimate is given."

a. Explanatory and Qualifying Language in Connection with Estimated Terms and Estimated Annualized Rates

To avoid confusion, there must be some clear designation that a disclosure is "estimated." This could be as simple as including an "e" next to a disclosure[10] or titling the disclosure as "estimated."

[10] Again, even TILA's Regulation Z requirements for consumer loans allow an "e" to be placed next to an estimated disclosure, along with a statement at the bottom of the disclosure page that "e means estimate."

Additionally, regardless of which method of an annualized rate disclosure the Department adopts, it should allow a provider to include a disclosure qualifying the annualized rate. PPWC, PPBL and LBAPS typically have a relatively short actual or anticipated term. The longest term offered for PPBL and LBAPS is 52 weeks, and the term can be as short as 13 weeks. Providing an annualized cost measure for a loan which does not have a term in excess of a year can be misleading. As such, the Department should allow a provider to include a disclosure to borrowers that shorter-term loans may show a higher APR. Additionally, where an estimated term and estimated annualized rate is shown, the Department should also allow a clarification that estimated term and APR are estimates that may vary depending on actual time to repay.

VI. Disclosure Formatting

The Department should set forth a specific format for disclosures required by SB 1235. This will allow for consistency in both a provider's compliance with the rules as well as for a customer comparing different products. The clearest and simplest format would be to include a box, with the disclosures provided in the order set forth in SB 1235. An example of how this would appear for a PayPal Working Capital loan is below:

Total amount of funds provided	$XX.00
Total dollar cost of the financing	$XX.00
Estimated Term*	X days / (approx. X months)
Method of Payments	X % of each sales transaction processed through your PayPal account
Frequency of Payments	X% will be deduced from each sales transaction processed through your PayPal account. A minimum payment of 5% of total payment amount (Loan Amount + Loan Fee) is due every 90 days
Amount of Payments	X% will be deduced from each sales transaction processed through your PayPal account. A minimum payment of 5% of total payment amount (Loan Amount + Loan Fee) is due every 90 days
Prepayment policies	No early repayment fee
Estimated Annualized Rate for Total Cost of the Financing+	X%

*Actual repayment term may vary depending on actual time to repay.

+Shorter-term loans may show a higher APR than loans with a longer term. Actual annualized rate may vary depending on actual time to repay.

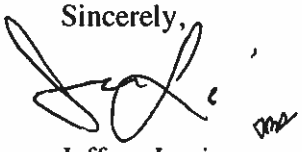
It is important that the total dollar cost of financing, and not annualized rate, be the more prominent disclosure. Giving an annualized rate (or estimated annualized rate) more significant prominence could potentially mislead customers to think higher cost loans – which can show lower APRs even though the total dollar cost of financing may be higher – are actually cheaper.

PayPal also asks the Department to address the issues and questions raised by the ETA with respect to the timing and signature requirements of SB 1235.

* * * *

Thank you for the opportunity to participate in the discussion on this important issue.

Sincerely,



Jeffrey Levine
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