

Highlights of 2015 State Chaptered Legislation

The legislation noted below is a compendium of many, but not necessarily all of the chaptered bills that may affect or be of interest to DBO licensees. The full text of these bills may be found at:

<http://leginfo.legislature.ca.gov/faces/billSearchClient.xhtml>

I. LEGISLATION AFFECTING STATE-LICENSED BANKS AND CREDIT UNIONS

AB 283 (Dababneh)

Financial affairs

[AB 283, Chapter 181, Statutes 2015](#)

(Government Code)

This bill extends to January 2021 the sunset date on the authority granted to local agencies to invest up to 30 percent of surplus funds in deposits other than certificates of deposits with a depository institution that utilizes a private placement service. It also removes the cap on the amount of funds that may be invested in any single private-sector deposit placement service.

AB 1517 (Committee on Banking and Finance)

Business

[AB 1730, Chapter 457, Statutes 2014](#)

(Civil Code, Business and Professions Code, Corporations Code, Financial Code, Government Code, Insurance Code, Labor Code, Probate Code, Revenue and Taxation Code and Welfare and Institutions Code)

This bill makes technical changes to various California codes by updating incorrect or erroneous references. The changes include: correcting the name of the DBO pursuant to the Governor's Reorganization Plan No. 2 (GRP 2); returning Corporations Code Section 25401, the anti-fraud provision of the California Corporate Securities Law of 1968, to its original wording prior to the 2013 amendment; repealing Financial Code section 1008; and eliminating the requirement for a premium finance agency that is surrendering its license to submit an audited financial statement to the DBO. The bill also updates references to programs that used to be under the Department of Corporations but were transferred to the Department of Managed Healthcare.

SB 84 (Committee on Budget and Fiscal Review)

State government

[SB 84, Chapter 25, Statutes 2015](#)

(Civil Code and Government Code)

This bill makes necessary statutory and technical changes to implement provisions of the 2015 Budget Act related to General Government and Local Government. Specifically, SB 84 allows the State Treasurer to accept letters of credit from any federal home loan bank as security for state deposits.

SB 797 (Committee on Governmental Organization)

Government finance

[SB 797, Chapter 249, Statutes 2015](#)

(Government Code)

Current law specifies the types of securities eligible for the investment of surplus state funds. Eligible securities include commercial paper of "prime" quality as defined by a nationally recognized organization that rates these securities, if the commercial paper is issued by a corporation, trust, or limited liability company approved by the Pooled Money Investment Board (PMIB) as meeting specified conditions. This bill expands the definition of eligible securities to include commercial paper issued by a federally- or state-chartered bank or a state-licensed branch of a foreign bank approved by the PMIB as meeting the specified conditions.

II. LEGISLATION AFFECTING CALIFORNIA FINANCE LENDERS LAW

AB 1446 (Dababneh)

California Finance Lenders Law: violations

[AB 1446, Chapter 310, Statutes 2015](#)

(Financial Code)

This bill amends the California Finance Lenders Law (CFLL) to clarify that the DBO's authority to bring desist and refrain orders against licensees for violations of the CFLL extends to the DBO's regulations and orders.

SB 197 (Block)

Finance lenders: commercial loan: referral

[SB 197, Chapter 761, Statutes 2015](#)

(Financial Code)

This bill amends the CFLL to authorize a finance lender to pay referral fees to an unlicensed entity in connection with the referral of a prospective borrower for a commercial loan. The referral must lead to the consummation of a loan, and the annual percentage rate of the loan may not exceed 36 percent. Further, the finance lender must ensure that the prospective borrower has sufficient monthly gross revenue to repay the loan under the terms of the loan. The finance lender must also disclose to the borrower the payment of a referral fee, provide the DBO's contact information for complaints, and include any information requested by the Commissioner in the CFLL annual report.

SB 235 (Block)

Small dollar loans: finder duties and compensation

[SB 235, Chapter 761, Statutes 2015](#)

(Financial Code)

This bill expands the services "finders" (third-party individuals or entities who "find" borrowers for lenders) may perform under the Pilot Program for Increased Access to Responsible Small

Dollar Loans. SB 235 authorizes a finder that is licensed or regulated under a financial services law, as specified, to provide to a borrower the notices or disclosures required to be given to the borrower by the licensee, and to disburse loan proceeds to and accept loan payments from a borrower on behalf of the licensee. The bill increases the compensation paid by a licensee to a finder to a maximum of \$65 per loan, plus \$2 per for each payment received by the finder on behalf of the lender. The measure also permits licensees and finders to mutually determine how compensation will be paid to the finder.

III. LEGISLATION IMPACTING SECURITIES AND BROKER-DEALERS

AB 667 (Wagner)

Broker-dealers: exemptions: finders

[AB 667, Chapter 743, Statutes 2015](#)

(Corporations Code)

This bill creates a regulatory structure that would exempt from obtaining a broker-dealer license certain “finders,” or persons who, for compensation, introduce companies to potential investors (or vice versa). This bill also requires a finder to file a statement of information with the DBO, pay a filing fee of \$300, and a renewal fee of \$275. A finder would be prohibited from: providing services in transactions that involve securities purchases valued at more than \$15 million; taking possession or custody of funds; or and providing any advice to the parties involved in the securities transaction. Additionally, a finder will be required to maintain a written agreement between the finder, issuer and potential investor, which would include specific disclosures.

AB 816 (Bonta)

Cooperative corporations: worker cooperatives

[AB 816, Chapter 192, Statutes 2015](#)

(Corporations Code)

AB 816 establishes worker cooperative corporations (worker cooperative). The bill: (1) renames the Consumer Cooperative Corporation Law to the Cooperative Corporation Law; (2) sets forth various provisions that govern the formation and operations of a worker cooperative; and (3) expands an exemption in the securities law for a securities offering by a cooperative. Specifically, this bill increases the securities qualification exemption for a membership interest in a cooperative from \$300 to \$1,000.

SB 386 (Allen)

Unlawful business practices

[SB 386, Chapter 246, Statutes 2015](#)

(Civil Code)

This bill prohibits any person from advertising, offering for sale, or selling a financial product that is illegal under federal or state law, including a cash payment for the assignment to a third party of the right to receive future pension or veteran’s benefits.

SB 647 (Morrell)

Real estate investments: securities: qualification exemption
[SB 647, Chapter 263, Statutes 2015](#)
(Business and Professions Code and Corporations Code)

This bill amends several provisions of existing law related to the activities of threshold brokers. Threshold brokers are licensed real estate brokers engaged in making, brokering or servicing hard money mortgage loans. This bill: (1) establishes a new category of property and corresponding loan-to-value ratio for which threshold brokers are allowed to solicit investors; (2) limits the requirement that a threshold broker obtain a questionnaire from a hard money investor; and (3) removes the filing requirement for any issuer of securities, including a threshold broker, who relies on the single investor promissory note exemption to file required information with the DBO.

IV. LEGISLATION IMPACTING OTHER DBO-RELATED MATTERS

AB 525 (Holden)

Franchise relations: renewal and termination
[AB 525, Chapter 776, Statutes 2015](#)
(Business and Professions Code)

This bill modifies the California Franchise Relations Act to: (1) prohibit the termination of a franchise agreement prior to its end date, unless a franchisee is not substantially in compliance with the agreement after being provided notice and at least 60 days to fix any violations of the agreement; (2) allow the sale and transfer of franchises as specified; and (3) require a franchisor that improperly terminates or disallows the renewal, sale, assignment or transfer of a franchise agreement to pay the franchisee the fair market value of the franchise, its assets and any related damages. AB 527's provisions will apply to new franchise agreements and renewals made on or after January 1, 2016.

AB 1292 (Dababneh)

Bank on California program
[AB 1292, Chapter 750, Statutes 2015](#)
(Financial Code)

This bill establishes the Bank on California (Bank On) Program within the DBO and requires the Department to provide a brief annual summary of Bank On Program activities to the chairs of the Senate Committee on Banking and Financial Institutions and the Assembly Committee on Banking and Finance by August 30 each year.

AB 1113 (Chau)

Check Sellers, Bill Payers and Proraters Law
[AB 1113, Chapter 110, Statutes 2015](#)
(Financial Code)

This bill makes specified hearing rights under the Check Sellers, Bill Payers and Proraters Law (Check Sellers Law) similar to hearing rights under other laws enforced by the DBO.

Specifically, this bill provides 30 days for a licensee under the Check Sellers Law to contest a desist and refrain order and request a hearing.

V. *LEGISLATION THAT APPLIES TO GENERAL GOVERNMENT*

AB 355 (Garcia, Eduardo)

Unclaimed property: safe deposit boxes

[AB 355, Chapter 297, Statutes 2015](#)

(Code of Civil Procedure)

In the event that U.S. saving bond, war bond or military award escheats to the State as part of the contents of a safe deposit box, this bill permits the State Controller's Office to notify the apparent owner associated with the contents who is different from the reported owner of the safe deposit box or other safekeeping repository. The bill also authorizes the State Controller to request and obtain from State and local agencies identifiable information on the owner associated with the contents of the safety deposit box. This bill also allows local and State agencies to provide confidential identification/location information to the State Controller that could help locate the owner of unclaimed property. The State Controller may use the confidential information only to locate the owner of the unclaimed property.