

SUPPLEMENT TO THE FINAL STATEMENT OF REASONS
FOR THE ADOPTION OF RULES UNDER THE
CALIFORNIA FINANCE LENDERS LAW AND THE
CALIFORNIA RESIDENTIAL MORTGAGE LENDING ACT

The following statements supplement the Final Statement of Reasons:

Nonsubstantive revisions were made to the text to include reference to the Financial Code in all applicable “Section” references.

Nonsubstantive revisions were made to the text for clarity and accurate incorporation by reference of the Guidance on Nontraditional Mortgage Product Risks published on November 14, 2006 by the Conference of State Bank Supervisors and the American Association of residential Mortgage Regulators and the Statement on Subprime Mortgage Lending published on July 17, 2007 by the aforementioned entities and the National Association of Consumer Credit Administrators.

Nonsubstantive revisions were made to the text for clarity and accurate incorporation by reference of forms in subsections (b), (d)(1) and (d)(2) of Section 1436 and subsections (b), (d)(1) and (d)(2) of Section 1950.314.8.

Pursuant to Title 1, California Code of Regulations, Section 20, the following documents were incorporated by reference in the regulation text:

1. Guidance on Nontraditional Mortgage Product Risks published on November 14, 2006 by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators.
2. Statement on Subprime Mortgage Lending published on July 17, 2007 by the Conference of State Bank Supervisors, the American Association of Residential Mortgage Regulators, and the National Association of Consumer Credit Administrators. This document was added to the rulemaking record.
3. Non-traditional, Adjustable Rate and Mortgage Loan Survey (Rev. 8/07).
4. Comparison of Sample Mortgage Features: Typical Mortgage Transaction (8/1/07).

For all documents incorporated by reference, it would be cumbersome, unduly expensive, or otherwise impractical to publish the documents in the California Code of Regulations. Among other things, licensees must have the flexibility to implement “best practices” to manage loan product risks, and the Department must have the flexibility to coordinate its efforts with the DRE. The documents were available upon request at all relevant times during the rulemaking and on the Department’s website at www.corp.ca.gov, and the regulation text states that each document is incorporated by reference and identifies each document by title and date of publication or issuance.

The following documents were not incorporated by reference:

1. Instructional Guide for Comparison of Sample Mortgage Features: Typical Mortgage Transaction (FSD Instructional Guide for Comparison Chart (8/1/07)). This document has been added to the rulemaking record for background information and is available upon request and on the Department's website at www.corp.ca.gov.

2. Mortgage Loan Disclosure Statement/Good Faith Estimate Nontraditional Mortgage Product (One to Four Residential Units), Department of Real Estate Form (RE Form 885). Initial incorporation by reference of this document in the regulation text was replaced by a cross-reference to Title 10, California Code of Regulations, Section 2842.