

STATEMENT OF REASONS
WHY CHANGES IN THE REGULATIONS UNDER
THE CALIFORNIA FINANCE LENDERS LAW
AS SET FORTH IN CHAPTER 3, TITLE 10,
CALIFORNIA CODE OF REGULATIONS
ARE CHANGES WITHOUT REGULATORY EFFECT

As required by Section 100 of the rules of the Office of Administrative Law, the California Corporations Commissioner sets forth below the reasons for the proposed amendments to Section 1556 of Chapter 3, Title 10, California Code of Regulations (hereinafter Rule 1556) as changes without regulatory effect.

Section 100 defines a change without regulatory effect as one in which: the regulatory provision is inconsistent with and superceded by the changed statute, and the adopting agency has no discretion to adopt a change which differs in substance from the one chosen.

Existing Rule 1556 contains specified advertising and disclosure requirements for guaranteed loan offers, and prohibits finance companies from making guaranteed loans offers unless specified conditions are met. The term "guaranteed loan offer" under the existing rule include instruments such as instant loan checks or live checks. SB 1926 (Chapter 777, Statutes of 2002) added advertising and disclosure requirements, and other conditions and obligations, with respect to instant loan checks or live checks. See Financial Code Section 22342. These additional requirements and obligations are not reflected in existing Rule 1556. Therefore, there is an inconsistency between the statute and regulation.

To address the inconsistency between Rule 1556 and Financial Code Section 22342, this action amends Rule 1556 to require financial corporations to comply with Section 22342 in the case of instant loan checks or live checks.

The Department of Corporations cannot adopt a change that differs in substance from the proposed changes. A reference to Section 22342 is needed to ensure that the finance company submits (and the Department reviews) any proposed offering package in accordance with the requirements of both the statute and the rule.