



STATE OF CALIFORNIA

Department of Financial Protection and Innovation

GOVERNOR **Gavin Newsom** • ACTING COMMISSIONER **Christopher S. Shultz**

INITIAL STATEMENT OF REASONS FOR AMENDMENTS TO REGULATIONS UNDER THE CALIFORNIA FINANCING LAW

The Department of Financial Protection and Innovation (“Department”) proposes to amend Title 10 of the California Code of Regulations, sections 1602, 1603, 1606, 1613, 1614, 1615 and 1616, concerning the Pilot Program for Increased Access to Responsible Small Dollar Loans (“RSDL Program” or “Pilot Program”).¹

BACKGROUND INFORMATION REGARDING THE RSDL PROGRAM

The California Financing Law² (“CFL”) governs loans made by finance lenders, protects borrowers against unfair practices by some lenders, ensures an adequate supply of credit to borrowers in California, and permits and encourages the development of fair and economically sound lending practices.³ Under the CFL, the Department regulates finance lenders, brokers, and finders, including those participating in the RSDL Program. The CFL defines a “finance lender” as any person engaged in making consumer or commercial loans,⁴ a “broker” as any person acting as a broker in connection with loans made by a finance lender,⁵ and a “finder” as an entity that brings together a licensed lender and prospective borrower to negotiate a loan contract.⁶

In 2014, the Legislature replaced an earlier pilot program⁷ with the RSDL Program, finding that demand for consumer loans in principal amounts of at least \$300 but less than \$2,500 exceeded the supply of those loans.⁸ In establishing the RSDL Program, the Legislature attempted to provide consumers with greater access to small dollar loans by authorizing participating lenders to impose higher interest rates and charges on RSDL Program loans than other loans under the CFL. As part of the RSDL Program, the Legislature also envisioned the use of finders as an inexpensive way for lenders to attract customers, grow their small dollar lending business, and increase market share. In practice, however, finders were rarely used because the law establishing the RSDL Program did not allow them to perform certain vital functions.

Consequently, in 2015, the Legislature enacted Senate Bill 235 (“SB 235”)⁹ to increase the use of finders in the RSDL Program, enabling qualified finders to disburse loan proceeds to

¹ Fin. Code, § 22365 et seq.

² Fin. Code, § 22000 et seq.

³ Fin. Code, § 22001, subd. (a).

⁴ Fin. Code, § 22009.

⁵ Fin. Code, § 22004.

⁶ Fin. Code § 22371, subd. (b).

⁷ Fin. Code, §§ 22348-22362, repealed by Sen. Bill No. 318 (2013-2014 Reg. Sess.).

⁸ Sen. Bill No. 318 (2013-2014 Reg. Sess.).

⁹ Sen. Bill No. 235 (2015-2016 Reg. Sess.).

borrowers, collect loan payments from borrowers, and issue notices and disclosures to borrowers. By expanding the authorized finder activities, the Legislature intended to help unbanked and underbanked Californians access small dollar loans.¹⁰

In 2018, to further incentivize lender participation and expand consumer access to loans under the Pilot Program, the Legislature enacted Assembly Bill (“AB 237”)¹¹, which increased the upper dollar limit for a permissible loan from \$2,500 to \$7,500¹² and required participating lenders to perform reasonable background checks on finders.¹³

PROBLEM STATEMENT

Several forms for the RSDL Program, including the Pilot Program Application, the Finder Registration Form, and the Annual Report, must be updated to reflect changes in the law made by SB 235 and AB 237. These changes include amendments to Financial Code section 22370 that require participating lenders to perform reasonable background checks on any finders associated with the lenders’ participation in the program; however, the statute does not define what constitutes a reasonable background check on finders or specify the types of information licensees should seek when performing background checks on finders.

Specifically, this proposed regulatory action:

- Replaces “Department of Business Oversight” with its new name, “Department of Financial Protection and Innovation”¹⁴;
- Replaces “California Finance Lenders Law” with its new name, “California Financing Law”¹⁵;
- Revises general information and instructions to forms;
- Updates the upper dollar limit for RSDL Program loans from \$2,500 to \$7,500;
- Requires Pilot Program applicants to submit the policies and procedures they must maintain to address customer complaints and respond to questions raised by loan applicants and borrowers, including questions about finders;

¹⁰ “Californians who lack credit scores, or have very thin credit files or damaged credit, currently have very few affordable options when they need to borrow money. Credit cards are often unavailable to this population, or, if available, bear very high interest rates and fees. When their spending needs outpace their incomes, these Californians commonly turn to payday loans, auto title loans, or high-interest rate, unsecured installment loans. All three of these options come with high costs, and none rewards timely loan repayment with a credit score increase.” Sen. Rules Com., Off. Of Sen. Floor Analyses, unfinished business analysis of Sen. Bill No. 235 (2015-2016 Reg. Sess.) as amended Aug. 17, 2015, p. 4.

¹¹ Assem. Bill No. 237 (2018-2019 Reg. Sess.).

¹² Fin. Code, § 22370, subd. (l).

¹³ Fin. Code, § 22370, subd. (h)(2).

¹⁴ Assem. Bill No. 107 (2019-2020 Reg. Sess.) §6, Assem. Bill No. 1864 (2019-2020 Reg. Sess.) §3.

¹⁵ Assem. Bill No. 1284 (2017-2018 Reg. Sess.) §4.

- Requires lenders participating in the Pilot Program to report additional information about the finders they use with the Department;
- Allows a finder, if licensed as a financial service provider under one of thirteen specified federal or state laws, to disburse loan proceeds to the borrower, receive loan payments from the borrower, and provide notices or disclosures to the borrower;
- Deletes an existing provision prohibiting a finder from discussing marketing materials or loan documents with a borrower or prospective borrower (these finder services were previously prohibited but are now authorized by SB 235);
- Revises incorrect statutory references;
- Restates the statutory requirement for finders who disburse or receive loan payments to maintain records for at least two years or until one month following the Department's examination of licensee, whichever is later; and
- Restates the regulatory requirement for participating lenders to maintain, for at least three years, a record of notices and disclosures provided by finders to borrowers.

BENEFITS ANTICIPATED FROM REGULATORY ACTION¹⁶

The anticipated benefits of this regulatory action mirror the goals of the RSDL authorizing statute: to increase consumer access to small dollar loans by encouraging CFL-licensed lenders to participate in the RSDL Program. The proposed regulations help achieve this goal by increasing the upper dollar limit for RSDL Program loans and expanding the scope of finder activities while ensuring the legitimacy of finders.

This regulatory action will also produce nonmonetary benefits. The increased lender participation and availability of affordable consumer credit should generally benefit California's economy and help consumers build or rebuild their credit histories. The adoption of these regulations, in compliance with California's rulemaking requirements, should also increase transparency in government and provide a meaningful opportunity for stakeholders to participate.

SPECIFIC PURPOSE OF REGULATIONS¹⁷

Section 1602, subdivision (e). The purpose of the change to subdivision (e) is to update the Pilot Program Application Form, including the General Information and Instructions. Revisions to the Application Form delete unnecessary items seeking information already in the Department's possession and require applicants to submit policies and procedures they are statutorily required to develop and implement as RSDL Program participants.

¹⁶ Gov. Code, § 11346.2, subd. (b)(1).

¹⁷ Gov. Code, § 11346.2, subd. (b)(1).

Section 1603, subdivision (c). The purpose of the change to subdivision (c) is to update the Finder Registration Form. Some of the changes require each participating lender to provide information regarding the finders they use; these changes clarify and make specific Financial Code section 22370, subdivision (h)(2), which requires participating lenders to perform a “reasonable background check on any finders associated with the licensee’s participation in the program.” Other changes to the Finder Registration Form have been made to accommodate the additional finder services authorized by SB 235 in Financial Code section 22372, subdivision (b).

Section 1606, subdivision (b). The purpose of the change to subdivision (b) is to update the Instructions and Annual Report for lenders participating in the RSDL Program. Changes to the Instructions include administrative changes to the procedure for filing the Annual Report with the Department. Changes to the Annual Report reflect the increased upper dollar limit (\$7,500) set by AB 237 for RSDL Program loans.

Section 1613, subdivision (b). The purpose of the change to subdivision (b) is to correct a statutory reference.

Section 1614, subdivisions (b) and (c). The purpose of subdivision (b) is to restate the statutory requirement in Financial Code section 22372, subdivision (b)(2)(D), regarding the timeframe for certain finders to maintain records. The purpose of subdivision (c) is to ensure participating lenders who use finders to provide notices or disclosures understand Rule 1614, subdivision (a), requires them to maintain, for at least three years, a record of the notices and disclosures.

Section 1615, subdivision (b). The purpose of subdivision (b) is to update the regulation to include the additional finder services authorized in Financial Code section 22372, subdivision (b).

Section 1616, subdivision (a). The purpose of the change to subdivision (a) is to correct two statutory references.

Sections 1602, 1603, and 1606. The purpose of replacing “Department of Business Oversight” with “Department of Financial Protection and Innovation” is to reflect the Department’s new name under Assembly Bill No. 107 (2019-2020 Reg. Sess.) §6 and Assembly Bill No. 1864 (2019-2020 Reg. Sess.) §3.

Sections 1602, 1603, and 1606. The purpose of replacing “California Finance Lenders Law” with “California Financing Law” is to reflect the law’s new name under Assembly Bill No. 1284 (2017-2018 Reg. Sess.) §4.

NECESSITY¹⁸

Throughout these proposed regulations, the upper dollar limit for permissible RSDL Program

¹⁸ Gov. Code, § 11349, subd. (a).

loans is increased from \$2,500 to \$7,500, to reflect changes to Financial Code section 22370, subdivisions (b)(2) and (l), enacted by AB 237. These changes, to ensure consistency with the revised statute, are without regulatory effect because the \$2,500 upper dollar limit on an RSDL Program loan is inconsistent with and superseded by the new \$7,500 limit established by AB 237, and the Department has no discretion to adopt a different amount.¹⁹

Section 1602, subdivision (e). The revision to the first sentence of the general information section corrects a grammatical error to the description of Senate Bill 318. Changes to grammar are without regulatory effect.²⁰

The general information section is also revised to update background information regarding the RSDL Program for the applicant - a summary of existing laws explaining why applicants may want to participate in the Pilot Program (to charge alternative interest rates on Pilot Program loans up to \$7,500). This restatement of law does not materially alter any requirement, right, responsibility, condition, prescription or other regulatory element of any California Code of Regulations provision and does not have any regulatory effect.²¹

The instructions are also revised to include a new telephone number for applicants and the Department's new office address in Sacramento. These changes are necessary to ensure applicants can contact the proper Department employee with questions regarding the form.

Section 5 of the Application Form deletes "if licensed under the CFLL." This change is without regulatory effect because an applicant must still provide its license number if it has one. Section 5 is also revised to delete "Primary Mailing (988) Number, if applicable." This information is not necessary because the Department already possesses each licensed lender's primary mailing number.

Section 6 of the Application Form, which asks whether the applicant is "in good standing with the Commissioner," is deleted because the Department should already have this information and is the sole entity that can determine whether an applicant's license is in good standing.

Section 8 of the Application Form is added to ask lenders to confirm they have developed, and to submit, the policies and procedures required by SB 235.²² This question is necessary for the Department to verify participating lenders have, as required by statute, a clear and consistent protocol in place to follow when applicants and borrowers ask questions or raise complaints regarding their loans. It is necessary to require applicants to attach a copy of their policies and procedures so the Department can review those documents for compliance.

Section 1603, subdivision (c). The instructions are revised to include a new telephone number for applicants and the Department's new office address in Sacramento. These changes are necessary to ensure applicants can contact the proper Department employee with questions

¹⁹ Cal. Code Regs., tit. 1, § 100(a)(6).

²⁰ Cal. Code Regs., tit. 1, § 100(a)(1).

²¹ Cal. Code Regs., tit. 1, § 100(a).

²² Fin. Code, § 22370, subd. (h)(1).

regarding the form.

Sections 5, 7, 8, 9, 10, and 11 of the Finder Registration Form require participating lenders to submit to the Department certain information obtained during their reasonable background checks on finders. When providing Pilot Program services, finders are performing delegated functions that would otherwise need to be performed by their CFL-licensed lenders. Thus, the standards for participating lenders to perform background checks on their finders should be similar to those used by the Department to perform background checks on finance lenders. The Department developed these categories of information for finders using its own expertise and experience with existing elements in the CFL license application (Cal. Code Regs., tit. 10, § 1422, subd. (c)).

- 1) Section 5 asks the licensee to list all fictitious business names used by the finder. This requirement mirrors Item 1.b and Exhibit F of the CFL license application, in which an applicant must provide its fictitious business name and fictitious business name statement. This information is necessary to ensure participating lenders' reasonable background checks on finders do not overlook any activity under another fictitious business name.
- 2) Sections 7 and 8 ask the licensee to indicate whether the finder is registered with the California Secretary of State and provide the finder's type of business entity. These requirements mirror Exhibits G, H, I, J, and K of the CFL license application, in which corporations, partnerships, limited liability partnerships, and limited liability companies must provide the Department with documentation, including a certificate of qualification or good standing from the Secretary of State. Requiring licensees to provide this information is necessary to ensure finders have satisfied filing requirements with the Secretary of State and are not likely to be confused with another business entity.
- 3) Sections 9, 10, and 11 ask the licensee to list all types of business activities conducted by the finder outside the CFL, all government entities that regulate the finder's business activities (including license, permit, and registration numbers, their status, and expiration dates), and information regarding each instance the finder has been subject to disciplinary action by a government entity. This information will enable the licensee and the Department to determine whether a finder has sufficient resources to perform finder activities on behalf of the lender, is responsible enough to maintain required licenses, permits, or registrations, and has been able to successfully conduct business in compliance with other laws without facing disciplinary action. These are important factors to consider in determining whether a finder can be trusted with the responsibilities in Financial Code section 22372.
- 4) Although CFL license candidates must also submit fingerprint images and related information required by the Department of Justice to undergo criminal background

checks,²³ California has very strict laws limiting how employers may consider criminal conviction histories of an applicant for employment.²⁴ Therefore, the Department is not requiring finders to submit to criminal background checks by participating lenders.

Another change to the Finder Registration Form in Section 16 requires the applicant to identify, in Exhibit A, the business addresses of all locations where the finder will perform the services authorized by Financial Code section 22372, subdivision (b). These changes to Section 16 and Exhibit A are necessary to help the Department track the locations where additional finder services are performed, a vital component of the Department's examinations under Financial Code section 22371 of participating lenders and their finders.

The other change to Section 16, a reminder to lenders that any information contained in the finder registration form must be reported to the Commissioner, is without regulatory effect. It simply restates existing requirements in California Code of Regulations title 10, section 1600, to report finder registration form changes to the Department and does not materially alter any requirement, right, responsibility, condition, prescription or other regulatory element of any California Code of Regulations provision.²⁵

Section 18 is revised to require lenders to indicate whether finders listed in Exhibit C will perform any additional services authorized under Financial Code section 22372, subdivision (b) and, if so, to indicate the services and the finder's qualifications to perform them. These changes to Section 18 and Exhibit C are necessary to help the Department track the additional finder services authorized by SB 235 and verify the finder's qualifications to perform those services.

Exhibit C is revised to replace a statutory reference to ensure consistency with the revised Financial Code section 22372. This change is without regulatory effect because SB 235 renumbered Financial Code section 22372, subdivision (b), to Financial Code section 22372, subdivision (c), and the Department has no discretion to adopt a different change.²⁶

Exhibit C is also revised to delete a provision prohibiting finders from interpreting or explaining marketing materials or loan documents to borrowers or prospective borrowers. This change, to ensure consistency with the revised statute, is without regulatory effect. Financial Code section 22372 previously prohibited finders from interpreting or explaining the relevance, significance, or effect of any of the marketing materials or loan documents the finder provides to a borrower or prospective borrower. However, SB 235 removed this prohibition, and the Department has no discretion to adopt a change which differs in substance from the one chosen because Exhibit C mirrors the statutory language in Financial Code section 22372.²⁷

Section 1606, subdivision (b). Section 1606 includes the Annual Report Form required by

²³ Fin. Code, §22101.5, subd. (a).

²⁴ Gov. Code, § 12952.

²⁵ Cal. Code Regs., tit. 1, § 100, subd. (a).

²⁶ Cal. Code Regs., tit. 1, § 100, subd. (a)(6).

²⁷ Cal. Code Regs., tit. 1, § 100, subd. (a)(6).

Financial Code section 22380.

The instructions are revised to include the new effective dates for posting of the annual report established in Financial Code section 22380, subdivision (a). This change, to ensure consistency with the revised California statute, is without regulatory effect because the date is inconsistent with and superseded by the new dates established by AB 2196²⁸, and the Department has no discretion to adopt a different date.²⁹

The instructions are also revised to include minor, administrative changes to the submission process for the Annual Report. Under the new process, the Annual Report, including an electronic copy of the signed verification, must be completed and filed electronically through the Department's web portal, <https://docqnet.dfpi.ca.gov>. The portal will show the Annual Report as not filed if any information is incomplete or incorrect. Because Annual Reports will no longer be accepted in paper form, licensees will not need to download the form from the Department's website or attach supplemental pages. These changes are necessary to transition from paper to electronic filing of the Annual Report, which will reduce the risk of misplaced or lost documents, increase filing efficiency, and be environmentally friendly.

The instructions are also revised to include a new telephone number for applicants. This change is necessary to ensure applicants can contact the proper Department employee with questions regarding the Annual Report.

Various schedules to the Annual Report are updated to include an additional column, for loans with a principal balance of \$2,500 to \$7,499. This change is necessary to capture data from licensees regarding the additional RSDL Program loans authorized by AB 237 in Financial Code section 22370, subdivisions (b)(2) and (l). The Annual Report provides information on the business operations of participating licensees, including the number and types of loans made. The Department uses this information to identify lending and industry trends and to better understand and monitor the business operations of its licensees. The information is also needed for the Department to evaluate and report on the utilization of the Pilot Program as required by Financial Code section 22380.

Section 1613, subdivision (b). The change in subdivision (b), made to ensure consistency with the revised California statute, is without regulatory effect because SB 235 renumbered Financial Code section 22373, subdivision (b), to Financial Code section 22373, subdivision (d), and the Department has no discretion to adopt a different change.³⁰

Section 1614, subdivisions (b) and (c). Subdivision (b) restates the statutory requirement in Financial Code section 22372, subdivision (b)(2)(D), regarding the time period for finders to maintain records of disbursements or loan payments. This restatement of law does not materially alter any requirement, right, responsibility, condition, prescription or other

²⁸ Assem. Bill No. 2196 (2019-2020 Reg. Sess.) §1.

²⁹ Cal. Code Regs., tit. 1, § 100, subd. (a)(6).

³⁰ Cal. Code Regs., tit. 1, § 100, subd. (a)(6).

regulatory element of any California Code of Regulations provision and does not have any regulatory effect.³¹

Subdivision (c) is also without regulatory effect as it does not materially alter the requirement in Rule 1614, subdivision (a), for licensees to maintain, for at least three years, a record of notices or disclosures provided by finders to borrowers on the licensee's behalf.

Although these two provisions do not make any material change to the law, they reiterate the responsibilities of lenders and finders to properly maintain books and records regarding the additional finder activities authorized by Financial Code section 22372, subdivision (b). These reiterations of existing law are necessary to consolidate all record-keeping requirements for finders and licensees in one place and to facilitate the Department's examination of RSDL Program lenders and finders.

Section 1615, subdivision (b). Subdivision (b) is necessary to update the regulation with the additional finder activities authorized by Financial Code section 22372, subdivision (b). This restatement of law does not materially alter any requirement, right, responsibility, condition, prescription or other regulatory element of any California Code of Regulations provision and does not have any regulatory effect.³²

Section 1616, subdivision (a). The change in subdivision (a), made to ensure consistency with the revised California statute, is without regulatory effect because SB 235 renumbered Financial Code section 22372, subdivisions (b) and (c), to Financial Code section 22372, subdivisions (c) and (d), and the Department has no discretion to adopt a different change.³³

Sections 1602, 1603, and 1606. All revisions to replace "Department of Business Oversight" with "Department of Financial Protection and Innovation" are without regulatory effect because AB 107 amended Government Code section 12895, subdivision (a) to rename the Department, and the Department has no discretion to adopt a different change.

Sections 1602, 1603, and 1606. All revisions to replace "California Finance Lenders Law" with "California Financing Law" are without regulatory effect because AB 1284 amended Financial Code section 22000 to rename the law, and the Department has no discretion to adopt a different change.

NON-DUPLICATION STANDARD³⁴

Some of the proposed regulations duplicate state statutes cited as authority or reference. Section 1614(b) restates the requirement in Financial Code section 22372, subdivision (b)(2)(D) for a finder to retain records. Section 1615(b) restates Financial Code section 22372, subdivision (b), which

³¹ Cal. Code Regs., tit. 1, § 100, subd. (a).

³² Cal. Code Regs., tit. 1, § 100, subd. (a).

³³ Cal. Code Regs., tit. 1, § 100, subd. (a)(6).

³⁴ Cal. Code Regs., tit. 1, § 12, subd. (b)(1).

authorizes finders, if licensed or regulated under certain laws, to perform additional finder activities. These duplications are necessary because licensees often rely solely on the regulations to understand the requirements applicable to them. The duplication in Section 1614 consolidates all record-keeping requirements for both finders and licensees in one place, and the duplication in Section 1615 lists all the services finders may perform.

POTENTIAL FOR ADVERSE ECONOMIC IMPACT ON BUSINESS AND INDIVIDUALS³⁵

The Department has determined this proposed regulatory action does not have the potential to adversely impact businesses and individuals or impair the ability of California businesses to compete with businesses in other states.

The proposed changes implement recent legislation, make technical changes to forms, and update instructions on how forms should be accessed and submitted. These changes should positively, and not adversely, affect participating lenders, finders, and individuals. Incentives for lenders to participate, such as the increased upper dollar limit for loans and the expanded capabilities of finders, will allow participating lenders to increase their number of loans and compete with businesses in other states. Although the proposed rulemaking requires lenders to provide additional information when registering their finders, the economic impact of this requirement on lenders will be negligible because most of this information is publicly available and can be easily obtained. With respect to individuals, the revisions to the RSDL program should increase the number of participating lenders, making small dollar credit more available and accessible to California consumers.

ECONOMIC IMPACT ASSESSMENT³⁶

The Creation or Elimination of Jobs Within the State

The Department has determined this regulatory proposal will not significantly create or eliminate jobs for lenders or finders. For RSDL lenders, the regulation will involve negligible, absorbable work because the recordkeeping, reporting, and other requirements will largely remain the same. Moreover, the Department does not anticipate any new CFL license applicants solely due to the changes to the Pilot Program regulations. The regulations are unlikely to create any new finder businesses because only a small portion of each finder's activity is related to the Pilot Program, most likely because finder compensation is capped at \$65 per Pilot Program loan plus \$2 per payment received for the duration of the loan. The Department's registered finders act primarily as insurance brokers, notaries, and tax preparers, or have other occupations outside the authority of the CFL.

This rulemaking will also not create or eliminate jobs within state government. Although the Department may incur costs to examine additional finders, the same staff who currently perform licensing, examination, and other regulatory activities to administer the CFL and RSDL

³⁵ Gov. Code, § 11346.3, subd. (a).

³⁶ Gov. Code, § 11346.3, subd. (b).

programs will continue to perform these activities once the proposed revisions take effect.

The Creation of New Businesses or the Elimination of Existing Businesses Within the State

The Department has determined this regulatory proposal will not create new businesses or eliminate existing businesses in California because, to participate in the RSDL program, a finance lender must be currently licensed and approved by the Commissioner under the CFL. The proposal is unlikely to create any new finder businesses because only a small portion of each finder's activity is related to the Pilot Program, most likely because finder compensation is capped at \$65 per Pilot Program loan plus \$2 per payment received for the duration of the loan. The Department's registered finders act primarily as insurance brokers, notaries, and tax preparers, or have other occupations outside the authority of the CFL.

The Expansion of Businesses Currently Doing Business Within the State

The Department has determined this regulatory proposal could result in the expansion of financial lending in California by encouraging more CFL-licensed lenders to participate and provide additional loans. Also, there is evidence of demand for these types of loans - in establishing the RSDL program, the Legislature found consumer demand exceeds the supply of small dollar loans.³⁷

The Benefits of the Regulations to the Health and Welfare of California Residents, Worker Safety and the State's Environment

The Department has determined this regulatory proposal may benefit California residents' health and welfare by increasing the supply of affordable small dollar credit. However, the proposal does not benefit worker safety or the state's environment.

TECHNICAL, THEORETICAL AND/OR EMPIRICAL STUDIES, REPORTS OR DOCUMENTS³⁸

The Department did not rely on any technical, theoretical, or empirical study, report, or other similar document for this proposed regulatory action, other than the reports referred to in this Initial Statement of Reasons.

REASONABLE ALTERNATIVES AND REASONS FOR REJECTING THOSE ALTERNATIVES³⁹

The Department has considered and determined there are no reasonable alternatives to these regulations that would be more effective in carrying out the purpose for which the action is proposed, as effective and less burdensome to affected private persons, or more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

³⁷ Sen. Bill No. 318 (2013-2014 Reg. Sess.) § 2.

³⁸ Gov. Code, § 11346.2, subd. (b)(3).

³⁹ Gov. Code, § 11346.2, subd. (b)(4)(A).

REASONABLE ALTERNATIVES THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESSES AND REASONS FOR REJECTING THOSE ALTERNATIVES⁴⁰

The Department has determined there are no adverse impacts of the proposed regulations on small business.

FACTS, EVIDENCE, DOCUMENTS, TESTIMONY OR OTHER EVIDENCE RELIED ON BY AGENCY⁴¹

The Department has determined this proposed regulatory action will not have a significant adverse economic impact on business.

The proposed changes implement recent legislation, make technical changes to forms, and update instructions on how forms should be accessed and submitted. These changes should positively, and not adversely, affect participating lenders, finders, and individuals. Incentives for lenders to participate, such as the increased upper dollar limit for loans and the expanded capabilities of finders, will allow participating lenders to increase their number of loans and compete with businesses in other states. Although the proposed rulemaking requires lenders to provide additional information when registering their finders, the economic impact of this requirement on lenders will be negligible because most of this information is publicly available and can be easily obtained.

⁴⁰ Gov. Code, § 11346.2, subd. (b)(4)(B).

⁴¹ Gov. Code, § 11346.2, subd. (b)(5)(A).