

AMENDED IN ASSEMBLY MARCH 9, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2275

Introduced by Assembly Member Dababneh

February 18, 2016

An act to amend Section ~~4973~~ 44257 of the ~~Financial Education~~ Code, relating to ~~loans~~: *teacher credentialing*.

LEGISLATIVE COUNSEL'S DIGEST

AB 2275, as amended, Dababneh. ~~Consumer loans. Teacher credentialing: computer science courses.~~

Existing law authorizes the Commission on Teacher Credentialing to issue single subject teaching credentials only in specific subjects.

This bill would authorize a person who holds a single subject credential in business, industrial and technology education, mathematics, or science to teach courses in computer science.

~~Existing law imposes various prohibitions and limitations on covered loans, defined as a specified consumer loan, including prohibiting a covered loan from being made unless a certain disclosure has been provided to the consumer prior to signing loan documents. Under existing law, the disclosure is required to include contact information for the United States Department of Housing and Community Development. Existing law provides that any licensed person, defined as, among others, a real estate broker, a finance lender or broker, a residential mortgage lender, or a savings association, who violates that disclosure requirement is deemed to have violated that person's licensing law. A willful violation of the Real Estate Law, the California Finance Lenders Law, the California Residential Mortgage Lending Act, and the Savings Association Law is a crime.~~

~~This bill would update the contact information for the United States Department of Housing and Community Development. By changing the content of the information required to be included in that disclosure, the willful violation of which would be a crime under those aforementioned provisions, the bill would impose a state-mandated local program.~~

~~The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that no reimbursement is required by this act for a specified reason.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: *yes-no*.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 44257 of the Education Code is amended
- 2 to read:
- 3 44257. (a) The commission shall issue single subject teaching
- 4 credentials only in the following subjects:
- 5 (1) Agriculture.
- 6 (2) Art.
- 7 (3) Business.
- 8 (4) English.
- 9 (5) Foreign Language.
- 10 (6) Health Science.
- 11 (7) Home Economics.
- 12 (8) Industrial and Technology Education.
- 13 (9) Mathematics.
- 14 (10) Music.
- 15 (11) Physical Education.
- 16 (12) Science.
- 17 (13) Social Science.
- 18 (b) The commission shall issue the single subject *teaching*
- 19 credential in foreign language with an authorization to teach
- 20 Chinese, French, German, Russian, Spanish, or any other language
- 21 that the commission determines is appropriate.
- 22 (c) Subjects that are commonly taught in departmentalized
- 23 classes in California public schools shall be subsumed under the
- 24 credential categories in subdivision ~~(a)~~ of this section. *(a)*.

1 (d) The commission shall issue single subject teaching
2 credentials in the categories that were identified in Section 44282
3 as of December 31, 1993, to applicants who were in the process
4 of preparing to earn those credentials ~~prior to~~ *before* the effective
5 date of the commission's implementation of subdivision (a).

6 (e) *A person issued a single subject teaching credential in*
7 *business, industrial and technology education, mathematics, or*
8 *science is authorized to teach computer science.*

9 (f) *This section does not prohibit a school district from*
10 *employing a person to teach computer science who holds a single*
11 *subject teaching credential in another subject with an authorization*
12 *to teach computer concepts and applications.*

13 ~~SECTION 1. Section 4973 of the Financial Code is amended~~
14 ~~to read:~~

15 ~~4973. The following are prohibited acts and limitations for~~
16 ~~covered loans:~~

17 ~~(a) (1) A covered loan shall not include a prepayment fee or~~
18 ~~penalty after the first 36 months after the date of consummation~~
19 ~~of the loan.~~

20 ~~(2) A covered loan may include a prepayment fee or penalty up~~
21 ~~to the first 36 months after the date of consummation of the loan~~
22 ~~if:~~

23 ~~(A) The person who originates the covered loan has also offered~~
24 ~~the consumer a choice of another product without a prepayment~~
25 ~~fee or penalty.~~

26 ~~(B) The person who originates the covered loan has disclosed~~
27 ~~in writing to the consumer at least three business days prior to loan~~
28 ~~consummation the terms of the prepayment fee or penalty to the~~
29 ~~consumer for accepting a covered loan with the prepayment penalty~~
30 ~~and the rates, points, and fees that would be available to the~~
31 ~~consumer for accepting a covered loan without a prepayment~~
32 ~~penalty.~~

33 ~~(C) The person who originates the covered loan has limited the~~
34 ~~amount of the prepayment fee or penalty to an amount not to~~
35 ~~exceed the payment of six months' advance interest, at the contract~~
36 ~~rate of interest then in effect, on the amount prepaid in any~~
37 ~~12-month period in excess of 20 percent of the original principal~~
38 ~~amount.~~

39 ~~(D) A covered loan will not impose the prepayment fee or~~
40 ~~penalty if the covered loan is accelerated as a result of default.~~

1 ~~(E) The person who originates the covered loan will not finance~~
2 ~~a prepayment penalty through a new loan that is originated by the~~
3 ~~same person.~~

4 ~~(b) (1) A covered loan with a term of 5 years or less may not~~
5 ~~provide at origination for a payment schedule with regular periodic~~
6 ~~payments that when aggregated do not fully amortize the principal~~
7 ~~balance as of the maturity date of the loan.~~

8 ~~(2) For a payment schedule that is adjusted to account for the~~
9 ~~seasonal or irregular income of the consumer, the total installments~~
10 ~~in any year shall not exceed the amount of one year's worth of~~
11 ~~payments on the loan. This prohibition does not apply to a bridge~~
12 ~~loan. For purposes of this paragraph, "bridge loan" means a loan~~
13 ~~with a maturity of less than 18 months that only requires payments~~
14 ~~of interest until the time when the entire unpaid balance is due and~~
15 ~~payable.~~

16 ~~(c) A covered loan shall not contain a provision for negative~~
17 ~~amortization such that the payment schedule for regular monthly~~
18 ~~payments causes the principal balance to increase, unless the~~
19 ~~covered loan is a first mortgage and the person who originates the~~
20 ~~loan discloses to the consumer that the loan contains a negative~~
21 ~~amortization provision that may add principal to the balance of~~
22 ~~the loan.~~

23 ~~(d) A covered loan shall not include terms under which periodic~~
24 ~~payments required under the loan are consolidated and paid in~~
25 ~~advance from the loan proceeds.~~

26 ~~(e) A covered loan shall not contain a provision that increases~~
27 ~~the interest rate as a result of a default. This provision does not~~
28 ~~apply to interest rate changes in a variable rate loan otherwise~~
29 ~~consistent with the provisions of the loan documents, provided the~~
30 ~~change in the interest rate is not triggered by the event of default~~
31 ~~or the acceleration for the indebtedness.~~

32 ~~(f) (1) A person who originates covered loans shall not make~~
33 ~~or arrange a covered loan unless at the time the loan is~~
34 ~~consummated, the person reasonably believes the consumer, or~~
35 ~~consumers, when considered collectively in the case of multiple~~
36 ~~consumers, will be able to make the scheduled payments to repay~~
37 ~~the obligation based upon a consideration of their current and~~
38 ~~expected income, current obligations, employment status, and~~
39 ~~other financial resources, other than the consumer's equity in the~~
40 ~~dwelling that secures repayment of the loan. In the case of a~~

1 covered loan that is structured to increase to a specific designated
2 rate, stated as a number or formula, at a specific predetermined
3 date not exceeding 37 months from the date of application, this
4 evaluation shall be based upon the fully indexed rate of the loan
5 calculated at the time of application.

6 ~~The consumer shall be presumed to be able to make the~~
7 ~~scheduled payments to repay the obligation if, at the time the loan~~
8 ~~is consummated, the consumer's total monthly debts, including~~
9 ~~amounts owed under the loan, do not exceed 55 percent of the~~
10 ~~consumer's monthly gross income, as verified by the credit~~
11 ~~application, the consumer's financial statement, a credit report,~~
12 ~~financial information provided to the person originating the loan~~
13 ~~by or on behalf of the consumer, or any other reasonable means.~~

14 ~~(2) No presumption of inability to make the scheduled payments~~
15 ~~to repay the obligation shall arise solely from the fact that at the~~
16 ~~time the loan is consummated, the consumer's total monthly debts,~~
17 ~~including amounts owed under the loan, exceed 55 percent of the~~
18 ~~consumer's monthly gross income.~~

19 ~~(3) In the case of a stated income loan, the reasonable belief~~
20 ~~requirement in paragraph (1) shall apply, however, for stated~~
21 ~~income loans that belief may be based on the income stated by the~~
22 ~~consumer, and other information in the possession of the person~~
23 ~~originating the loan after the solicitation of all information that the~~
24 ~~person customarily solicits in connection with loans of this type.~~
25 ~~A person shall not knowingly or willfully originate a covered loan~~
26 ~~as a stated income loan with the intent, or effect, of evading the~~
27 ~~provisions of this subdivision.~~

28 ~~(g) A person who originates a covered loan shall not pay a~~
29 ~~contractor under a home-improvement contract from the proceeds~~
30 ~~of a covered loan other than by an instrument payable to the~~
31 ~~consumer or jointly to the consumer and the contractor or, at the~~
32 ~~election of the consumer, to a third-party escrow agent for the~~
33 ~~benefit of the contractor in accordance with terms and conditions~~
34 ~~established in a written escrow agreement signed by the consumer,~~
35 ~~the person who originates a covered loan, and the contractor prior~~
36 ~~to the disbursement of funds. No payments, other than progress~~
37 ~~payments for home-improvement work that the consumer certifies~~
38 ~~is completed, shall be made to an escrow account or jointly to the~~
39 ~~consumer and the contractor unless the person who originates the~~
40 ~~loan is presented with a signed and dated completion certificate~~

1 by the consumer showing that the home-improvement contract
2 was completed to the satisfaction of the consumer.

3 (h) It is unlawful for a person who originates a covered loan to
4 recommend or encourage a consumer to default on an existing
5 consumer loan or other debt in connection with the solicitation or
6 making of a covered loan that refinances all or any portion of the
7 existing consumer loan or debt.

8 (i) A covered loan shall not contain a call provision that permits
9 the lender, in its sole discretion, to accelerate the indebtedness.
10 This prohibition does not apply if repayment of the loan has been
11 accelerated in accordance with the terms of the loan documents
12 (1) as a result of the consumer's default, (2) pursuant to a
13 due-on-sale provision, or (3) due to fraud or material
14 misrepresentation by a consumer in connection with the loan or
15 the value of the security for the loan.

16 (j) A person who originates a covered loan shall not refinance
17 or arrange for the refinancing of a consumer loan such that the
18 new loan is a covered loan that is made for the purpose of
19 refinancing, debt consolidation or cash out, that does not result in
20 an identifiable benefit to the consumer, considering the consumer's
21 stated purpose for seeking the loan, fees, interest rates, finance
22 charges, and points.

23 (k) (1) A covered loan shall not be made unless the following
24 disclosure, written in 12-point font or larger, has been provided to
25 the consumer no later than three business days prior to signing of
26 the loan documents of the transaction:

27
28 CONSUMER CAUTION AND HOME OWNERSHIP
29 COUNSELING NOTICE
30

31 If you obtain this loan, the lender will have a mortgage on your
32 home. You could lose your home, and any money you have put
33 into it, if you do not meet your obligations under the loan.

34 Mortgage loan rates and closing costs and fees vary based on
35 many other factors, including your particular credit and financial
36 circumstances, your earnings history, the loan-to-value requested,
37 and the type of property that will secure your loan. Higher rates
38 and fees may be justified depending on the individual
39 circumstances of a particular consumer's application. You should
40 shop around and compare loan rates and fees.

1 This particular loan may have a higher rate and total points and
2 fees than other mortgage loans and is, or may be, subject to the
3 additional disclosure and substantive protections under Division
4 1.7 (commencing with Section 4970) of the Financial Code. You
5 should consider consulting a qualified independent credit counselor
6 or other experienced financial adviser regarding the rate, fees, and
7 provisions of this mortgage loan before you proceed. For
8 information on contacting a qualified credit counselor, ask your
9 lender or call the United States Department of Housing and Urban
10 Development's counseling hotline at 1-800-569-4287 or go to
11 www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm for a list of
12 HUD-approved housing counseling agencies.

13 You are not required to complete any loan agreement merely
14 because you have received these disclosures or have signed a loan
15 application.

16 If you proceed with this mortgage loan, you should also
17 remember that you may face serious financial risks if you use this
18 loan to pay off credit card debts and other debts in connection with
19 this transaction and then subsequently incur significant new credit
20 card charges or other debts. If you continue to accumulate debt
21 after this loan is closed and then experience financial difficulties,
22 you could lose your home and any equity you have in it if you do
23 not meet your mortgage loan obligations.

24 Property taxes and homeowner's insurance are your
25 responsibility. Not all lenders provide escrow services for these
26 payments. You should ask your lender about these services.

27 Your payments on existing debts contribute to your credit ratings.
28 You should not accept any advice to ignore your regular payments
29 to your existing creditors.

30 (2) It shall be a rebuttable presumption that a licensed person
31 has met its obligation to provide this disclosure if the consumer
32 provides the licensed person with a signed acknowledgment of
33 receipt of a copy of the notice set forth in paragraph (1).

34 (f) (1) A person who originates a covered loan shall not steer,
35 counsel, or direct any prospective consumer to accept a loan
36 product with a risk grade less favorable than the risk grade that
37 the consumer would qualify for based on that person's then current
38 underwriting guidelines, prudently applied, considering the
39 information available to that person, including the information
40 provided by the consumer.

1 A person shall not be deemed to have violated this section if the
2 risk grade determination applied to a consumer is reasonably based
3 on the person's underwriting guidelines if it is an appropriate risk
4 grade category for which the consumer qualifies with the person.

5 (2) If a broker originates a covered loan, the broker shall not
6 steer, counsel, or direct any prospective consumer to accept a loan
7 product at a higher cost than that for which the consumer could
8 qualify based on the loan products offered by the persons with
9 whom the broker regularly does business.

10 (m) A person who originates a covered loan shall not avoid, or
11 attempt to avoid, the application of this division by doing the
12 following:

13 (1) Structuring a loan transaction as an open-end credit plan for
14 the purpose of evading the provisions of this division when the
15 loan would have been a covered loan if the loan had been structured
16 as a closed-end loan.

17 (2) Dividing any loan transaction into separate parts for the
18 purpose of evading the provisions of this division.

19 (n) A person who originates a covered loan shall not act in any
20 manner, whether specifically prohibited by this section or of a
21 different character, that constitutes fraud.

22 SEC. 2. No reimbursement is required by this act pursuant to
23 Section 6 of Article XIII B of the California Constitution because
24 the only costs that may be incurred by a local agency or school
25 district will be incurred because this act creates a new crime or
26 infraction, eliminates a crime or infraction, or changes the penalty
27 for a crime or infraction, within the meaning of Section 17556 of
28 the Government Code, or changes the definition of a crime within
29 the meaning of Section 6 of Article XIII B of the California
30 Constitution.