AMENDED IN ASSEMBLY JUNE 30, 2016

AMENDED IN SENATE MAY 31, 2016

SENATE BILL No. 984

Introduced by Senator Hueso
(Principal coauthor: Assembly Member Alejo)
(Coauthors: Senators ~~Hill~~ *Hill, Leno,* and Mitchell)
(Coauthors: Assembly Members Bonilla, Bonta, Brown, Low, Mullin, Ting, and Williams)

February 10, 2016

An act to amend Sections 22380 and 22381 of the Financial Code, relating to consumer loans.

LEGISLATIVE COUNSEL'S DIGEST

SB 984, as amended, Hueso. Pilot Program for Increased Access to Responsible Small Dollar Loans: extension.

(1) Existing law, the California Finance Lenders Law, provides for the licensure and regulation of finance lenders and brokers by the Commissioner of Business Oversight and makes a willful violation of its provisions a crime. Existing law, until January 1, 2018, establishes the Pilot Program for Increased Access to Responsible Small Dollar Loans for the purpose of allowing greater access for responsible installment loans in principal amounts of at least $300 and less than $2,500. Existing law requires licensees and other entities to file an application and pay a specified fee to the commissioner to participate in the program. Existing law authorizes a licensee approved by the commissioner to participate in the program to impose specified alternative interest rates and charges, including an administrative fee and delinquency fees, on loans of at least $300 and less than $2,500, subject to certain requirements. Existing law, on or before January 1,

2017, requires the commissioner to post a report on his or her Internet Web site containing specified information including a recommendation whether the pilot program should be continued after January 1, 2018.

This bill would extend the Pilot Program for Increased Access to Responsible Small Dollar Loans until January 1, 2023, *require an additional report on or before July 1, 2020,* and make a conforming change to the requirement that the report include the above-referenced recommendation.

Because a willful violation of these extended provisions would be a crime, this bill would impose a state-mandated local program.

(2) 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.

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

SECTION 1. Section 22380 of the Financial Code is amended to read:

22380. (a) On or before July 1, 2015, ~~and~~ again, on or before January 1, 2017, *and again, on or before July 1, 2020,* the commissioner shall post a report on his or her Internet Web site summarizing utilization of the Pilot Program for Increased Access to Responsible Small Dollar Loans. The report required to be submitted on or before July 1, 2015, shall additionally include the information required by former Section 22361, summarizing utilization of the Pilot Program for Affordable Credit-Building Opportunities, which was created by Chapter 640 of the Statutes of 2010.

(b) The information disclosed to the commissioner for the commissioner's use in preparing the report described in this section is exempted from any requirement of public disclosure by paragraph (2) of subdivision (d) of Section 6254 of the Government Code.

(c) If there is more than one licensee approved to participate in the program under this article, the report required pursuant to subdivision (a) shall state information in aggregate so as not to identify data by specific licensee.

(d) The report required pursuant to this section shall specify the time period to which the report corresponds, and shall include, but not be limited to, the following for that time period:

(1) The number of entities that applied to participate in the program.

(2) The number of entities accepted to participate in the program.

(3) The reason or reasons for rejecting applications for participation, if applicable. This information shall be provided in a manner that does not identify the entity or entities rejected.

(4) The number of program loan applications received by lenders participating in the program, the number of loans made pursuant to the program, the total amount loaned, the distribution of loan lengths upon origination, and the distribution of interest rates and principal amounts upon origination among those loans.

(5) The number of borrowers who obtained more than one program loan and the distribution of the number of loans per borrower.

(6) Of the number of borrowers who obtained more than one program loan, the percentage of those borrowers whose credit scores increased between successive loans, based on information from at least one major credit bureau, and the average size of the increase.

(7) The income distribution of borrowers upon loan origination, including the number of borrowers who obtained at least one program loan and who resided in a low-to-moderate-income census tract at the time of their loan application.

(8) The number of borrowers who obtained loans for the following purposes, based on borrower responses at the time of their loan applications indicating the primary purpose for which the loan was obtained:

(A) Medical.

(B) Other emergency.

(C) Vehicle repair.

(D) Vehicle purchase.

(E) To pay bills.

(F) To consolidate debt.

(G) To build or repair credit history.

(H) To finance a purchase of goods or services other than a vehicle.

(I) For other than personal, family, or household purposes.

(J) Other.

(9) The number of borrowers who self-report that they had a bank account at the time of their loan application, the number of borrowers who self-report that they had a bank account and used check-cashing services, and the number of borrowers who self-report that they did not have a bank account at the time of their loan application.

(10) With respect to refinance loans, the report shall specifically include the following information:

(A) The number and percentage of borrowers who applied for a refinance loan.

(B) Of those borrowers who applied for a refinance loan, the number and percentage of borrowers who obtained a refinance loan.

(C) Of those borrowers who obtained a refinance loan:

(i) The percentage of borrowers who refinanced once.

(ii) The percentage of borrowers who refinanced twice.

(iii) The percentage of borrowers who refinanced more than twice.

(D) Of those borrowers who obtained a refinance loan, the average percentage of principal paid down before obtaining a refinance loan.

(E) Of those borrowers who obtained a refinance loan, the average amount of additional principal extended.

(F) Of those borrowers who obtained a refinance loan, the average number of late payments made on the loan that was refinanced.

(11) The number and type of finders used by licensees and the relative performance of loans consummated by finders compared to the performance of loans consummated without a finder.

(12) The number and percentage of borrowers who obtained one or more program loans on which late fees were assessed, the total amount of late fees assessed, and the average late fee assessed by dollar amount and as a percentage of the principal amount loaned.

(13) (A) The performance of loans under this article, as reflected by all of the following:

(i) The number and percentage of program borrowers who experienced at least one delinquency lasting between 7 and 29 days, and the distribution of principal loan amounts corresponding to those delinquencies.

(ii) The number and percentage of program borrowers who experienced at least one delinquency lasting between 30 and 59 days, and the distribution of principal loan amounts corresponding to those delinquencies.

(iii) The number and percentage of program borrowers who experienced at least one delinquency lasting 60 days or more, and the distribution of principal loan amounts corresponding to those delinquencies.

(iv) The number and percentage of program borrowers who experienced at least one delinquency of greater than 7 days and who did not subsequently bring their loan current.

(v) Among loans that were ever delinquent for 7 days or more, the average number of times borrowers experienced a delinquency of 7 days or more.

(B) To the extent data are readily available to the commissioner, the commissioner shall include in his or her report comparable delinquency data for unsecured loans made by persons licensed under Chapter 2 (commencing with Section 22365) of Division 9 in principal amounts between two thousand five hundred dollars ($2,500) and four thousand nine hundred ninety-nine dollars ($4,999), and in principal amounts between five thousand dollars ($5,000) and nine thousand nine hundred ninety-nine dollars ($9,999), and for unsecured extensions of credit made by state-chartered banks and credit unions under the commissioner's jurisdiction, in principal amounts between two thousand five hundred dollars ($2,500) and four thousand nine hundred ninety-nine dollars ($4,999), and in principal amounts between five thousand dollars ($5,000) and nine thousand nine hundred ninety-nine dollars ($9,999).

(14) The number and types of violations of this article by finders, which were documented by the commissioner.

(15) The number and types of violations of this article by licensees, which were documented by the commissioner.

(16) The number of times that the commissioner disqualified a finder from performing services, barred a finder from performing services at one or more specific locations of the finder, terminated

a written agreement between a finder and a licensee, or imposed an administrative penalty.

(17) The number of complaints received by the commissioner about a licensee or a finder, and the nature of those complaints.

(18) Recommendations for improving the program.

(19) Recommendations regarding whether the program should be continued after January 1, 2023.

(e) The commissioner shall conduct a random sample survey of borrowers who have participated in the program to obtain information regarding the borrowers' experience and licensees' compliance with this article. The results of this survey shall be included in the report required by this section.

SEC. 2. Section 22381 of the Financial Code is amended to read:

22381. This article shall remain in effect only until January 1, 2023, and as of that date is repealed.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

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