

AMENDED IN ASSEMBLY APRIL 17, 1995
AMENDED IN ASSEMBLY MARCH 28, 1995

CALIFORNIA LEGISLATURE—1995–96 REGULAR SESSION

ASSEMBLY BILL

No. 1293

Introduced by Assembly Member Weggeland

February 23, 1995

An act to amend Section 22340 of the Financial Code, relating to loans.

LEGISLATIVE COUNSEL'S DIGEST

AB 1293, as amended, Weggeland. Loans.

Under existing law, a finance lender or broker licensed under the California Finance Lenders Law may sell promissory notes evidencing the obligation to repay loans made by the licensee or evidencing the obligation to repay loans purchased from and made by another licensee to institutional investors, and may make agreements with institutional investors for the collection of payments or the performance of services with respect to those notes, as specified. For the purpose of this provision, an "institutional investor" is defined, as specified.

This bill would add to the definition of "institutional investor" a trust or other business entity established by an institutional investor for the purpose of issuing or facilitating the issuance of undivided interests in, the right to receive payments from, or that are payable primarily from, a pool of

financial assets held by the trust or business entity, under specified circumstances.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

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

1 SECTION 1. Section 22340 of the Financial Code is
2 amended to read:

3 22340. (a) A licensee may sell promissory notes
4 evidencing the obligation to repay loans made by the
5 licensee pursuant to this division or evidencing the
6 obligation to repay loans purchased from and made by
7 another licensee pursuant to this division to institutional
8 investors, and may make agreements with institutional
9 investors for the collection of payments or the
10 performance of services with respect to those notes.

11 (b) For the purpose of this section, “institutional
12 investor” means the following:

13 (1) The United States or any state, district, territory, or
14 commonwealth thereof, or any city, county, city and
15 county, public district, public authority, public
16 corporation, public entity, or political subdivision of a
17 state, district, territory, or commonwealth of the United
18 States, or any agency or other instrumentality of any one
19 or more of the foregoing.

20 (2) A bank, trust company, savings bank or savings and
21 loan association, credit union, industrial bank or industrial
22 loan company, finance lender, or insurance company
23 doing business under the authority of and in accordance
24 with a license, certificate, or charter issued by the United
25 States or any state, district, territory, or commonwealth
26 of the United States.

27 (3) Trustees of pension, profit sharing, or welfare
28 funds, if the pension, profit sharing, or welfare fund has
29 a net worth of not less than fifteen million dollars
30 (\$15,000,000), except pension, profit sharing, or welfare
31 funds of a licensee or its affiliate, self-employed individual
32 retirement plans, or individual retirement accounts.



1 (4) A corporation with outstanding securities
2 registered under Section 12 of the Securities Exchange
3 Act of 1934 or any wholly owned subsidiary of that
4 corporation; provided, however, that the purchaser
5 represents that it is purchasing for its own account for
6 investment and not with a view to or for sale in
7 connection with any distribution of the promissory note.

8 (5) A syndication or other combination of any of the
9 foregoing that is organized to purchase the promissory
10 note.

11 (6) A trust or other business entity established by an
12 institutional investor for the purpose of issuing or
13 facilitating the issuance of undivided interests in, the
14 right to receive payments from, or that are payable
15 primarily from, a pool of financial assets held by the trust
16 or business entity if all of the following apply:

17 (A) The business entity is not a sole proprietorship.

18 (B) The pool of assets consists of one or more of the
19 following:

20 (i) Interest bearing obligations.

21 (ii) Other contractual obligations representing the
22 right to receive payments from the assets.

23 (iii) Surety bonds, insurance policies, letters of credit,
24 or other instruments providing credit enhancements for
25 these assets.

26 (C) The interests will be either of the following:

27 (i) ~~Rated investment grade by at least one nationally~~
28 ~~recognized statistical rating organization approved by~~
29 ~~the Securities and Exchange Commission. *Standard &*~~
30 ~~*Poor's Corporation or Moody's Investors Service, Inc.*~~
31 ~~*"Investment grade" means that the securities will be*~~
32 ~~*rated by Standard & Poor's Corporation as AAA, AA, A,*~~
33 ~~*or BBB, or by Moody's Investor Service, Inc., as Aaa, Aa,*~~
34 ~~*A, or Baa, including a rating with a "+" or "-" designation*~~
35 ~~*or other variations that occur within these ratings.*~~

36 (ii) Sold to an institutional investor as otherwise
37 defined in this section.

38 (D) The sale of the securities is subject to the
39 California Corporate Securities Law of 1968 (Division 1
40 (commencing with Section 25000) of Title 4 of the



1 Corporations Code) or federal law regulating the offer or
2 sale of securities including transactions exempt under
3 those laws.

4 (c) In the absence of agreement to the contrary by the
5 licensee and the institutional investor, all payments
6 received from the collection of payments shall be
7 deposited and maintained in a trust account, and shall be
8 disbursed from the trust account only in accordance with
9 the instructions of the owner of the promissory note.

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