

## Senate Bill No. 1816

### CHAPTER 225

An act to amend Section 18455 of the Financial Code, relating to financial institutions.

[Approved by Governor July 20, 1996. Filed with  
Secretary of State July 22, 1996.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 1816, Lewis. Industrial loan companies.

Existing law prohibits an industrial loan company from making any loan to, or purchasing a contract, loan, or chose in action from, specified persons and entities, including officers and directors of the company. This prohibition does not apply to the purchase of a contract, loan, or chose in action from a finance lender, a mortgage broker, a mortgage banker, a real estate broker, or other licensed lender, provided written authorization for the purchase is obtained from the Corporations Commissioner.

This bill would provide that the prohibition also does not apply to the purchase of life insurance by an industrial loan company on behalf of an officer or director as part of the officer's or director's employee benefit plan package.

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

SECTION 1. Section 18455 of the Financial Code is amended to read:

18455. An industrial loan company shall not, directly or indirectly, make any loan to, or purchase a contract, loan, or chose in action from, hold a lease obligation of, or purchase a lease contract from:

(a) A person who is an officer or director of the industrial loan company or of its holding or affiliated company.

(b) A person who is a holder of record or beneficiary of the shares of the industrial loan company or of any holding or affiliated company. This restriction shall not apply to persons holding less than 10 percent of the shares of a holding company or affiliate company which is exempt from the qualification requirements of the Corporate Securities Law of 1968 contained in Section 25130 of the Corporations Code, pursuant to subdivision (a) or (b) of Section 25101 of the Corporations Code.

(c) A person in which an officer or director of the industrial loan company or of any holding or affiliated company directly or indirectly is financially interested, directly or indirectly.

(d) A person in which the holder of record or beneficiary of the shares of the industrial loan company or of any holding or affiliated company directly or indirectly is financially interested, directly or indirectly. This restriction shall not apply to persons holding less than 10 percent of the shares of a holding company or affiliate company that is exempt from the qualification requirements of the Corporate Securities Law of 1968 contained in Section 25130 of the Corporations Code, pursuant to subdivision (a) or (b) of Section 25101 of the Corporations Code.

(e) A person who acquired those contracts directly or indirectly or through intervening assignments from a person described in subdivision (a), (b), (c), or (d).

Any officer, director or shareholder of an industrial loan company who directly or indirectly makes or procures or participates in making or procuring a loan or contract in violation of this section or knowingly approves the same is personally liable for any loss resulting to an industrial loan company from the loan or contract, in addition to any other penalties provided by law.

(f) The prohibition contained in this section shall not apply to the purchase by an industrial loan company of a contract, loan, or chose in action from a finance lender, as described in Section 22009, a mortgage broker, a mortgage banker, a real estate broker or other licensed lender, provided written authorization for the purchase is obtained from the commissioner.

(g) The prohibition contained in this section shall not apply to the purchase of life insurance by an industrial loan company on behalf of an officer or director as part of the officer's or director's employee benefit plan package.

