

AMENDED IN ASSEMBLY AUGUST 25, 1998

AMENDED IN ASSEMBLY AUGUST 11, 1998

AMENDED IN ASSEMBLY JULY 27, 1998

AMENDED IN ASSEMBLY MAY 11, 1998

AMENDED IN SENATE MARCH 16, 1998

SENATE BILL

No. 1624

Introduced by Senator Lewis

February 12, 1998

An act to amend Sections 4828.3, 18000, 18003, 18023.1, 18061, 18100.5, 18190, 18266.1, 18293, 18315, 18563, and 18594 of, to add Section 18016.5 to, to add Article 4 (commencing with Section 18245) to Chapter 3 of Division 7 ~~of, to repeal Sections 18057, 18059, 18230, 18266.2, 18266.3, and 18341 of, and to repeal and add Section 18003.5 of, to repeal Sections 18059 and 18341 of, and to repeal and add Section 18003.5 of,~~ the Financial Code, relating to industrial loan companies.

LEGISLATIVE COUNSEL'S DIGEST

SB 1624, as amended, Lewis. Industrial loan companies.

Existing law provides for the regulation of industrial loan companies by the Department of Financial Institutions.

This bill would revise provisions relating to the powers, duties, operations, and management of industrial loan companies. It would, among other things, authorize an industrial loan company, in certain circumstances, to acquire in a single transaction all of the outstanding shares of another

depository corporation, to borrow funds from, among other sources, the Federal Deposit Insurance Corporation or a Federal Reserve Bank, and to issue credit cards and to acquire or hold obligations resulting from the use of credit cards.

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

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

1 SECTION 1. Section 4828.3 of the Financial Code is
2 amended to read:

3 4828.3. A California state bank or an industrial loan
4 company may, with the approval of the commissioner and
5 its board and, if the transaction constitutes a
6 reorganization as defined in Section 181 of the
7 Corporations Code, subject to the provisions of Chapter
8 12 (commencing with Section 1200) of Division 1 of Title
9 1 of the Corporations Code, acquire in a single transaction
10 all (except directors' qualifying shares, if any) of the
11 outstanding shares of another depository corporation in
12 accordance with a plan that provides either of the
13 following:

14 (a) That the other depository corporation shall (1)
15 immediately sell its whole business unit (as defined in
16 Section 4840) to the California state bank or industrial
17 loan company and (2) shall thereafter wind up and
18 dissolve or, if the other depository corporation is a
19 California state bank or an industrial loan company and
20 if the commissioner so approves, change into a nonbank
21 corporation by amending its articles and changing its
22 name.

23 (b) That the other depository corporation shall
24 immediately merge into the California state bank or
25 industrial loan company.

26 SEC. 2. Section 18000 of the Financial Code is
27 amended to read:

28 18000. This division shall be known and may be cited
29 as the "Industrial Loan Law," the "Industrial Banking
30 Law," or the "Thrift and Loan Law."



1 SEC. 2.5. Section 18003 of the Financial Code is
2 amended to read:

3 18003. “Industrial loan company,” “industrial bank,”
4 “thrift and loan company,” or “company” means any
5 corporation which in the regular course of business loans
6 money and issues its own choses in action under the
7 provisions of this division.

8 SEC. 3. Section 18003.5 of the Financial Code is
9 repealed.

10 SEC. 4. Section 18003.5 is added to the Financial
11 Code, to read:

12 18003.5. (a) When used with respect to an industrial
13 loan company, “insured” means an industrial loan
14 company that is insured by the Federal Deposit
15 Insurance Corporation under the Federal Deposit
16 Insurance Act (12 U.S.C. Sec. 1811 et seq.).

17 (b) When used with respect to an investment
18 certificate, “insured” means an investment certificate
19 that is insured by the Federal Deposit Insurance
20 Corporation under the Federal Deposit Insurance Act
21 (12 U.S.C. Sec. 1811 et seq.).

22 SEC. 5. Section 18016.5 is added to the Financial
23 Code, to read:

24 18016.5. “Premium finance agency” has the meaning
25 set forth in Section 18560.

26 SEC. 6. Section 18023.1 of the Financial Code is
27 amended to read:

28 18023.1. In addition to the borrowings under Section
29 18023, an industrial loan company may borrow funds from
30 the Federal Home Loan Bank, the Federal Deposit
31 Insurance Corporation, or a Federal Reserve Bank, which
32 borrowed funds shall not be included in the borrowing
33 limitations contained in Section 18023.

34 ~~SEC. 7. Section 18057 of the Financial Code is~~
35 ~~repealed.~~

36 ~~SEC. 8.~~

37 ~~SEC. 7.~~ Section 18059 of the Financial Code is
38 repealed.

39 ~~SEC. 9.~~



1 *SEC. 8.* Section 18061 of the Financial Code is
2 amended to read:

3 18061. If an industrial loan company refers in any
4 advertisement to rates of charge, discount, charges or
5 costs of loans, those charges shall be stated fully and
6 clearly in a manner as may be necessary to prevent
7 misunderstanding thereof by prospective borrowers and
8 to give adequate information to prospective borrowers.
9 If the rates or costs advertised do not apply to loans of all
10 classes, this fact shall be clearly indicated in the
11 advertisement.

12 ~~SEC. 10.~~

13 *SEC. 9.* Section 18100.5 of the Financial Code is
14 amended to read:

15 18100.5. Each industrial loan company, other than a
16 premium finance agency, that has issued and has
17 outstanding thrift obligations shall, as a condition to its
18 authority to conduct business under this division,
19 participate as a member of the Federal Deposit Insurance
20 Corporation.

21 ~~SEC. 11.~~

22 *SEC. 10.* Section 18190 of the Financial Code is
23 amended to read:

24 18190. An industrial loan company may:

25 (a) Loan money, secured or unsecured, with or
26 without the pledge of its installment investment
27 certificates.

28 (b) Collect and receive charges for loans in advance or
29 otherwise.

30 (c) Purchase, sell, or discount the following
31 obligations: bona fide trust receipts, secured or unsecured
32 choses in action, conditional sales contracts, or security
33 agreements.

34 (d) Purchase, sell, discount, or originate lease
35 obligations.

36 ~~SEC. 13.~~ Section 18230 of the Financial Code is
37 repealed.

38 ~~SEC. 14.~~



1 *SEC. 11.* Article 4 (commencing with Section 18245)
2 is added to Chapter 3 of Division 7 of the Financial Code,
3 to read:

4
5 Article 4. Credit Cards
6

7 18245. (a) Subject to any regulations that the
8 commissioner may issue, an industrial loan company may
9 issue credit cards and may acquire or hold obligations
10 resulting from the use of credit cards.

11 (b) Except as the commissioner may otherwise
12 provide by regulation or order, the acquiring and holding
13 of obligations pursuant to subdivision (a) are not subject
14 to Article 2 (commencing with Section 18205) or Article
15 6.5 (commencing with Section 18300).

16 ~~SEC. 15.~~

17 *SEC. 12.* Section 18266.1 of the Financial Code is
18 amended to read:

19 18266.1. An industrial loan company may make loans
20 and acquire obligations, the proceeds of which are used
21 for home improvements that are secured by real property
22 having a market value of at least 100 percent of the
23 principal amount owing on the loan being made by the
24 industrial loan company or obligation being acquired by
25 the industrial loan company and on prior encumbrances,
26 except nondelinquent tax liens, secured by the same real
27 property. Home improvements means additions,
28 alterations, or modifications to owner-occupied property
29 consisting of one to four dwelling units and appurtenant
30 buildings thereto or to the real property containing same.

31 ~~SEC. 16.~~ Section 18266.2 of the Financial Code is
32 repealed.

33 ~~SEC. 17.~~ Section 18266.3 of the Financial Code is
34 repealed.

35 ~~SEC. 18.~~

36 *SEC. 13.* Section 18293 of the Financial Code is
37 amended to read:

38 18293. If credit disability or loss-of-income insurance
39 is provided pursuant to this division, the industrial loan
40 company shall also deliver an understandable written



1 statement to the borrower detailing the conditions when
2 the borrower will be entitled to make a claim under the
3 insurance policy and the procedure to be followed in
4 making the claim.

5 ~~SEC. 19.~~

6 *SEC. 14.* Section 18315 of the Financial Code is
7 amended to read:

8 18315. (a) When authorized to conduct business
9 pursuant to this division, an industrial loan company may
10 sell and issue its investment certificates subject to the
11 provisions of this division. The commissioner may, by
12 written order directed to a company or by rule or
13 regulation, impose terms and conditions upon
14 investment certificates and the sale or redemption
15 thereof or the payment of interest thereon, as he *or she*
16 deems reasonable and necessary or advisable for the
17 protection of the company or the public, and he *or she*
18 may from time to time in his *or her* discretion amend,
19 alter or revoke any such order or regulation or any
20 condition or provision thereof.

21 (b) Any change in the form, terms, or provisions of
22 outstanding investment certificates or in the rights,
23 privileges, or restrictions upon the holder or issuer
24 thereof is deemed a sale and issuance of investment
25 certificates.

26 (c) The company named in any order issued pursuant
27 to subdivision (a) of this section may, within 15 days after
28 receipt thereof, file with the commissioner its written
29 request for hearing. The filing of the request shall not
30 operate to postpone or suspend the effectiveness of any
31 order issued by the commissioner unless otherwise
32 directed by the commissioner. The commissioner shall,
33 within 15 days after the receipt of the written request or
34 at such later time as may be mutually agreed with the
35 company, cause the matter to be heard and shall
36 thereafter issue his final decision. The decision may be
37 amended or set aside by the commissioner at any time.

38 (d) Every order or decision of the commissioner made
39 pursuant to this section is subject to judicial review in
40 accordance with law.



1 ~~SEC. 20.~~

2 *SEC. 15.* Section 18341 of the Financial Code is
3 repealed.

4 ~~SEC. 21.~~

5 *SEC. 16.* Section 18563 of the Financial Code is
6 amended to read:

7 18563. As used in this chapter, “premium financing”
8 means the activities of a company engaging in the
9 business of advancing money directly or indirectly to an
10 insurer or producer at the request of an insured pursuant
11 to the terms of a premium finance agreement, wherein
12 the insured has assigned the unearned premiums,
13 accrued dividends or loss payments as security for such
14 advancement in payment of premiums on insurance
15 contracts only, and acquiring premium finance
16 agreements, and does not include the financing of
17 insurance contract premiums purchased in connection
18 with the financing of goods and services. The amount of
19 such advancement in payment of premiums must bear a
20 reasonable relationship to the premium or premiums
21 being financed.

22 ~~SEC. 22.~~

23 *SEC. 17.* Section 18594 of the Financial Code is
24 amended to read:

25 18594. Any corporation organized as an industrial
26 loan company other than a premium finance agency shall
27 conduct any insurance premium financing business
28 under the authority of this chapter and it shall be subject
29 to all of the provisions of this chapter in respect to such
30 business, as if it were a premium finance agency.

