

**2017 California Chapter Laws**

All Acts take effect on January 1, 2018, unless otherwise noted.

This summary is provided as a joint effort of Paul Soter and Michelle Jun. We have recognized that our practices are highly complimentary and that our expertise overlaps but are not identical. We expect to continue to work together to provide a broad range of services to clients in the financial services industry.

The 2017 California legislative session was again unusually quiet in the areas of consumer finance, payments and financial privacy. Only a handful of bills were passed and signed, as summarized below. However, there have already been a number of potentially important bills introduced in 2018: so be alert!

**Consumer Credit: General**

<i>Bill #</i>	<i>Chapter Law #</i>	<i>Statutes Affected</i>	<i>Summary of Provisions</i>	<i>Comments</i>
SB 266	514	Financial Code §§ 1498, 14960, 22345, 23038; M&V Code § 394	This Act establishes state parity with the federal military lending act: APR's of greater than 36% are prohibited in loans to MLA-Covered Borrowers. It also clearly establishes that no person may discriminate against any member of the military based on that person's military status	The MLA parity should have no effect on California lenders day today operations. The antidiscrimination provision merely clarifies the long-held view of the consumer credit bar that discrimination based on military status is probably unlawful under the Equal Credit Opportunity Act and the Unruh Civil Rights Act.
AB 1491	761	New Civil Code § 1670.10; affects New Civil Code § 1801 <i>et seq.</i>	Act effectively prohibits retail installment sales contracts for the sale of a cat or dog, where that contract is secured by the cat or dog.	This should have been placed in the Unruh Retail Installment Sales Act: no one will ever find it where it is. It appears to be a companion bill to the A.B. 485, Chapter Law 740, which requires pet shops to sell only rescued cats, dogs, and rabbits.

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**California Financing Law (Previously the California Finance Lenders Law)**

<i>Bill #</i>	<i>Chapter Law #</i>	<i>Statutes Affected</i>	<i>Summary of Provisions</i>	<i>Comments</i>
AB 1284	475	Bus & Prof Code § 10133.1; Financial Code §§ 22000, 22753, 22780, 22001, 22007, 22010, 22101, 22101.5, 22102, 22103, 22104, 22105, 22105.3, 22106, 22107, 22109, 22151, 22152, 22153, 22154, 22155, 22156, 22157, 22159, 22161, 22162, 22163, 22164, 22168, 22169, 22700, 22701, 22706, 22712, 22714, and 22716; new §§ 22003.5, 22015, 22016, 22017, 22018, 22018.5, 22019, 22020, 22068, 22100.5, 22252, 22552, 22758, 22680 <i>et seq.</i>	Property Assisted Clean Energy (“PACE”) programs provide financing to homeowners to make energy-efficiency improvements to their homes. This Act renamed the former CFL law, as it adds oversight of the PACE program to the DBO’s authority under the CFL. It addresses the fact that PACE credit has been extended to homeowners without the protections normally associated with on mortgage-like obligations. This Act establishes underwriting standards and brings PACE program administrators, solicitors, and solicitor agents under the DBO’s supervision. The Act requires that PACE borrowes be underwritten for ability to repay, being up-to-date with property tax payments, and having no liens for bankruptcy. The amount of PACE financing is limited to 15% of the first \$700,000 of the property value and 10% of the remaining value. Pace program administrators must be licensed and by the DBO and will be examined by the DBO. The DBO will issue regulations to implement this Act. The act takes place in stages beginning on April 1, 2018.	Was the PACE system broken? Does the DBO have the capacity to fix it? Time will tell.
SB 363	516	Financial Code § 22050.5	This portion of this Act relevant to CFL licensees tinkers with the de minimis exemption provision of financial code section 22050.5. As amended, financial code section blank now provides that no license is required for any person that makes one or fewer commercial loans in any 12 month period.	<b>No substantive change.</b>

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**California Deferred Deposit Transactions Law**

<i>Bill #</i>	<i>Chapter Law #</i>	<i>Statutes Affected</i>	<i>Summary of Provisions</i>	<i>Comments</i>
AB 1636		23036	<p>(1) As to CFL licensees, the DBO may impose penalties on a licensee that does not provide information requested by the DBO. This includes new Annual Report information where the DBO notifies licensees that the information will be required at least 90 days before the end of report is due.</p> <p>(2) As to CDDTL licensees broadens the annual report requirement to include “the relevant information that the commissioner reasonably requires concerning the business and operations conducted by the licensee within the state during the preceding calendar year for each licensed place of business.” Further, reports filed those annual reports shall be made available to the public for inspection except upon request by the licensee the balance sheets contained in manual report any nonpublicly traded person, which is defined as ownership by 35 or fewer individuals.</p>	<p>This Act was enacted at the request of the DBO, which felt that it’s existing authority to obtain information from licensees was insufficient. It is unclear how this bill will play out in real life. It appears to remain unclear to the DBO that industry’s objection to providing information to the DBO is based entirely on licensees’ inability to produce, at the snap of the DBO’s fingers, information concerning past transactions for which no contemporaneous records were compiled.</p>

*No government can be long secure without formidable opposition.*  
- Benjamin Disraeli