

Introduced by Senator Russell

February 23, 1996

An act to amend Section 18205.5 of the Financial Code, relating to industrial loan companies.

LEGISLATIVE COUNSEL'S DIGEST

SB 1930, as introduced, Russell. Industrial loan companies.

Existing law authorizes an industrial loan company to make a loan or acquire an obligation that is repayable in unequal periodic payments throughout its term and that is secured by real or personal property, or both, provided that it is not a consumer loan or obligation. Existing law requires a nonconsumer loan or obligation with a term in excess of 10 years be repaid in substantially equal installments, with certain exceptions applicable to loans secured primarily by real property.

This bill would provide that a nonconsumer loan or obligation secured solely or primarily by personal property shall have a term not to exceed 15 years and 30 days.

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 18205.5 of the Financial Code is
- 2 amended to read:
- 3 18205.5. Notwithstanding any other provision of this
- 4 division, an industrial loan company may make a loan or
- 5 acquire an obligation ~~which~~ *that* is repayable in unequal

1 periodic payments during its term, and ~~which~~ *that* is
2 secured by either real property or personal property, or
3 both *real property and personal property*, provided that
4 it is not a consumer loan or a consumer obligation subject
5 to subdivision (b) of Section 18210. In order to ensure the
6 safety and soundness of industrial loan companies and to
7 avoid an unreasonable concentration of loans and
8 obligations that could result in balloon payments, all these
9 loans and obligations with a term in excess of 10 years shall
10 be repaid in substantially equal weekly, semimonthly,
11 monthly, or quarterly installments during the term. For
12 purposes of this section, “real property” means real
13 property other than home loans and other residential real
14 property loans subject to Title VIII (Alternative
15 Mortgage Transaction Parity Act of 1982) of the Garn-St.
16 Germain Depository Institutions Act of 1982, as those
17 terms are defined in Part 541 of Title 12 of the Code of
18 Federal Regulations, as amended. *The term of a loan or*
19 *obligation secured solely or primarily by personal*
20 *property shall not exceed 15 years and 30 days from the*
21 *date the loan is made or obligation is acquired by the*
22 *industrial loan company. The term of a loan or obligation*
23 *secured primarily by real property shall be as set forth in*
24 *subdivision (a) of Section 18210.*

