

Senate Bill No. 1930

CHAPTER 106

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

[Approved by Governor June 30, 1996. Filed with
Secretary of State July 1, 1996.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1930, 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.

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

SECTION 1. Section 18205.5 of the Financial Code is amended to read:

18205.5. Notwithstanding any other provision of this division, an industrial loan company may make a loan or acquire an obligation that is repayable in unequal periodic payments during its term, and that is secured by either real property or personal property, or both real property and personal property, provided that it is not a consumer loan or a consumer obligation subject to subdivision (b) of Section 18210. In order to ensure the safety and soundness of industrial loan companies and to avoid an unreasonable concentration of loans and obligations that could result in balloon payments, all these loans and obligations with a term in excess of 10 years shall be repaid in substantially equal weekly, semimonthly, monthly, or quarterly installments during the term. For purposes of this section, "real property" means real property other than home loans and other residential real property loans subject to Title VIII (Alternative Mortgage Transaction Parity Act of 1982) of the Garn-St. Germain Depository Institutions Act of 1982, as those terms are defined in Part 541 of Title 12 of the Code of Federal Regulations, as amended. For purposes of this section, the term of a nonconsumer

loan or a nonconsumer obligation secured solely or primarily by personal property shall not exceed 15 years and 30 days from the date the loan is made or obligation is acquired by the industrial loan company. For purposes of this section, the term of a nonconsumer loan or a nonconsumer obligation secured primarily by real property shall be as set forth in subdivision (a) of Section 18210.

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