

AMENDED IN SENATE MAY 23, 2000
AMENDED IN SENATE MAY 18, 2000
AMENDED IN SENATE APRIL 13, 2000

SENATE BILL

No. 2128

Introduced by Senator Solis
(Principal coauthor: Assembly Member Villaraigosa)

February 25, 2000

An act relating to residential mortgage loans, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 2128, as amended, Solis. Residential mortgage loans.

Existing law sets forth regulatory schemes regarding mortgages on residential real property.

This bill would establish the Predatory Lending Task Force to establish a definition of or criteria for, and to evaluate information related to, predatory practices by lenders in making consumer home loans. The bill would require the task force to report to the Legislature on or before May 1, 2001, with recommendations related to combating predatory lending in the state.

The bill would appropriate ~~an unspecified sum~~ \$100,000 to the Business, Transportation and Housing Agency for allocation to the task force.

The bill would declare that it is to take effect immediately as an urgency statute.

Vote: 2/3. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

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

1 SECTION 1. The Legislature finds and declares all of
2 the following:

3 (a) Nationally, the level of subprime lending has
4 skyrocketed in recent years. According to the Housing
5 and Urban Development Agency, the subprime loan
6 volume has grown from twenty billion dollars
7 (\$20,000,000,000) in 1993 to more than one hundred fifty
8 billion dollars (\$150,000,000,000) in 1998.

9 (b) The number of subprime purchase and refinance
10 loans has increased almost ten fold since 1993 to one
11 million loans in 1998. During the same period, all other
12 refinance and purchase loans have only risen 12 percent.

13 (c) All homeowners and prospective homeowners
14 should have fair access to the best-priced credit for which
15 they can qualify.

16 (d) Predatory lending practices cause harm to
17 California residents and California communities by
18 stripping homeowners of the equity they have built in
19 their homes.

20 (e) It is the intent of the Legislature to provide
21 consumer protection against unscrupulous and predatory
22 lending practices.

23 SEC. 2. (a) There is hereby established the
24 Predatory Lending Task Force, which shall be staffed and
25 coordinated by the Business, Transportation and Housing
26 Agency.

27 (b) The task force shall be composed of 10 voting
28 members and two nonvoting members who shall be
29 appointed, as follows:

30 (1) Four members appointed by the Governor.

31 (2) Three members appointed by the Senate
32 Committee on Rules.

33 (3) Three members appointed by the Speaker of the
34 Assembly.



1 (4) Two nonvoting ex officio members who shall be
2 Members of the Legislature, one appointed by the
3 Speaker of the Assembly and one appointed by the Senate
4 Committee on Rules.

5 (c) In making the appointments specified in
6 subdivision (b), the task force shall be comprised of
7 mortgage brokers, mortgage lenders, consumer
8 protection advocates, borrowers affected by predatory
9 lending, real estate professionals, and other
10 knowledgeable experts.

11 (d) *The task force shall be comprised of an equal*
12 *number of consumer and industry representatives.*

13 (e) The main responsibility of the task force shall be to
14 report to the Legislature regarding the predatory lending
15 practices in this state and to establish recommendations
16 to combat predatory lending in the state.

17 ~~(e)~~

18 (f) The task force shall do all of the following:

19 (1) Establish a definition or criteria for those home
20 purchase or refinance lending practices which are
21 considered predatory lending practices.

22 (2) Evaluate current available information related to
23 predatory lending inside and outside of the state.

24 (3) Assess the range of lending practices in the state,
25 including those that are or may be considered predatory,
26 the impact of these practices, and the frequency of these
27 practices with regard to areas of different income and
28 race.

29 (4) Assess the growth or decline in rates of foreclosure
30 and the distribution of foreclosures in areas of different
31 income and race in the state.

32 (5) Assess the adequacy of current law in preventing
33 predatory lending practices.

34 ~~(f)~~

35 (g) The task force shall conduct three public hearings
36 in the state so that communities which have been
37 impacted by predatory lending will have the opportunity
38 to testify.

39 ~~(g)~~



1 (h) The task force shall report to the Legislature on or
2 before May 1, 2001, with recommendations related to
3 combating predatory lending in the state.

4 SEC. 3. The sum of ~~_____~~ dollars (~~\$_____~~) *one*
5 *hundred thousand dollars (\$100,000)* is hereby
6 appropriated from the General Fund to the Business,
7 Transportation and Housing Agency for allocation for the
8 Predatory Lending Task Force.

9 SEC. 4. This act is an urgency statute necessary for the
10 immediate preservation of the public peace, health, or
11 safety within the meaning of Article IV of the
12 Constitution and shall go into immediate effect. The facts
13 constituting the necessity are:

14 In order that consumer protection against predatory
15 lending take effect at the earliest possible time, it is
16 necessary that this act take effect immediately.

