

AMENDED IN SENATE MARCH 24, 2025

SENATE BILL

No. 825

Introduced by ~~Senator~~ *Senators Limón and Grayson*

February 21, 2025

An act to amend Section ~~22304.5~~ 90002 of the Financial Code, relating to finance.

LEGISLATIVE COUNSEL'S DIGEST

SB 825, as amended, Limón. ~~Consumer loans.~~ *Consumers: financial protection.*

Existing law, the California Consumer Financial Protection Law (CCFPL), requires the Department of Financial Protection and Innovation, headed by the Commissioner of Financial Protection and Innovation, to regulate consumer financial products or services under California consumer financial laws. The CCFPL makes it unlawful for a covered person or service provider, as defined, to engage in certain deceptive or abusive acts or practices with respect to consumer financial products or services. The CCFPL exempts from its provisions a person or employee of that person to the extent that person or employee is acting under the authority of certain licenses, certificates, or charters issued by the department, including licensed escrow agents and finance lenders.

This bill would provide that nothing in the above-described exemption shall be deemed to prevent the commissioner from using the authority provided by the CCFPL to enforce the above-described provision on deceptive or abusive acts or practices.

~~Existing law, the California Financing Law, generally provides for the licensure and regulation of finance lenders and brokers. A willful violation of the law is a crime, except as specified. Existing law imposes~~

various requirements on finance lenders making loans with a bona fide principal amount of at least \$2,500 but less than \$10,000.

~~Existing law requires a finance lender to, prior to disbursement, offer the borrower either a credit education program or seminar that has been previously reviewed and approved by the commissioner, or a credit education program or seminar provided by an independent third party that has been previously reviewed and approved by the commissioner.~~

~~This bill would recast those provisions to specify that in either case, whether provided directly or by a third party, the program or seminar is required to be previously reviewed and approved by the commissioner.~~

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

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

1 SECTION 1. Section 90002 of the Financial Code is amended
2 to read:

3 90002. (a) This division shall not apply to a licensee, or an
4 employee of a licensee, of any state agency other than the
5 Department of Financial Protection and Innovation to the extent
6 that licensee or employee is acting under the authority of the other
7 state agency’s license.

8 (b) ~~This (1)~~ Except as provided by paragraph (2), this division
9 shall not apply to a person or employee of that person to the extent
10 that person or employee is acting under the authority of one of the
11 following licenses, certificates, or charters issued by the
12 Department of Financial Protection and Innovation:

13 ~~(1)~~

14 (A) Any person licensed as an escrow agent under Division 6
15 (commencing with Section 17000) of the Financial Code.

16 ~~(2)~~

17 (B) Any person licensed as a finance lender, broker, program
18 administrator, or mortgage loan originator under Division 9
19 (commencing with Section 22000) of the Financial Code.

20 ~~(3)~~

21 (C) Any person licensed as a broker-dealer or investment adviser
22 under Division 1 (commencing with Section 25000) of Title 4 the
23 Corporations Code.

24 ~~(4)~~

1 (D) Any person licensed as a residential mortgage lender, a
2 mortgage servicer, or a mortgage loan originator under Division
3 20 (commencing with Section 50000) of the Financial Code.

4 ~~(5)~~

5 (E) Any person licensed as a check seller, bill payer, or prorater
6 under Division 3 (commencing with Section 12000) of the
7 Financial Code.

8 ~~(6)~~

9 (F) Any person licensed as a capital access company under
10 Division 3 (commencing with Section 28000) of Title 4 of the
11 Corporations Code.

12 ~~(7)~~

13 (G) Any person doing business under a license, charter, or
14 certificate issued under the Financial Institutions Law, including
15 Division 1 (commencing with Section 99), Division 1.1
16 (commencing with Section 1000), Division 1.2 (commencing with
17 Section 2000), Division 1.6 (commencing with Section 4800),
18 Division 2 (commencing with Section 5000), Division 5
19 (commencing with Section 14000), Division 7 (commencing with
20 Section 18000), and Division 15 (commencing with Section 31000)
21 of the Financial Code.

22 (2) *Nothing in this subdivision shall be deemed to prevent the*
23 *commissioner from using the authority provided by this division*
24 *to enforce Section 90003.*

25 (c) This division shall not apply to a bank, bank holding
26 company, trust company, savings and loan association, savings
27 and loan holding company, credit union, or an organization subject
28 to oversight of the Farm Credit Administration, when acting under
29 the authority of a license, certificate, or charter under federal law
30 or the laws of another state.

31 (d) This division applies to all other covered persons, as defined
32 in subdivision (f) of Section 90005.

33 ~~SECTION 1. Section 22304.5 of the Financial Code is amended~~
34 ~~to read:~~

35 ~~22304.5. (a) For any loan of a bona fide principal amount of~~
36 ~~at least two thousand five hundred dollars (\$2,500) but less than~~
37 ~~ten thousand dollars (\$10,000), as determined in accordance with~~
38 ~~Section 22251, a finance lender may contract for or receive charges~~
39 ~~at a rate not exceeding an annual simple interest rate of 36 percent~~
40 ~~per annum plus the Federal Funds Rate.~~

1 (b) ~~As used in this section, “Federal Funds Rate” means the rate~~
2 ~~published by the Board of Governors of the Federal Reserve~~
3 ~~System in its Statistical Release H.15 Selected Interest Rates and~~
4 ~~in effect as of the first day of the month immediately preceding~~
5 ~~the month during which the loan is consummated. If the Federal~~
6 ~~Reserve System ceases publication of the federal funds rate, the~~
7 ~~commissioner shall designate a substantially equivalent index.~~

8 (c) ~~The following rules shall also apply to finance lenders that~~
9 ~~make loans subject to this section:~~

10 (1) ~~The finance lender shall report each borrower’s payment~~
11 ~~performance to at least one consumer reporting agency that~~
12 ~~compiles and maintains files on consumers on a nationwide basis.~~
13 ~~For purposes of this section, a consumer reporting agency that~~
14 ~~compiles and maintains files on consumers on a nationwide basis~~
15 ~~is one that meets the definition in Section 603(p) of the federal~~
16 ~~Fair Credit Reporting Act (15 U.S.C. Sec. 1681a(p)).~~

17 (A) ~~A finance lender that is licensed under this division prior~~
18 ~~to January 1, 2020, and that is not approved as a data furnisher~~
19 ~~prior to January 1, 2020, by at least one of the consumer reporting~~
20 ~~agencies to which reporting is required pursuant to this section,~~
21 ~~shall obtain that approval by July 1, 2020, and, once approved,~~
22 ~~shall report borrower payment performance to that consumer~~
23 ~~reporting agency in connection with all loans originated under this~~
24 ~~section on and after January 1, 2020.~~

25 (B) ~~A newly licensed finance lender that is not approved as a~~
26 ~~data furnisher by at least one of the consumer reporting agencies~~
27 ~~to which reporting is required pursuant to this section shall have~~
28 ~~up to one calendar year in which to obtain that approval and, once~~
29 ~~approved, shall report borrower payment performance to that~~
30 ~~consumer reporting agency in connection with all loans originated~~
31 ~~under this section on and after the lender’s date of licensure.~~

32 (2) ~~Before disbursing loan proceeds to a borrower, the finance~~
33 ~~lender shall offer the borrower a credit education program or~~
34 ~~seminar, which may be provided either by the lender directly or~~
35 ~~by an independent third party. In either case, the education program~~
36 ~~or seminar shall be previously reviewed and approved by the~~
37 ~~commissioner for use in complying with this section. A credit~~
38 ~~education program or seminar may be provided in writing,~~
39 ~~electronically, or orally, but, if provided orally, shall be~~
40 ~~accompanied by written or electronic materials that a prospective~~

1 ~~borrower can retain or access following the conclusion of the~~
2 ~~program or seminar.~~

3 ~~(3) To be eligible for approval by the commissioner for use in~~
4 ~~complying with this section, a credit education program or seminar~~
5 ~~shall, at a minimum, cover all of the following topics regarding~~
6 ~~credit scores and credit reports provided by consumer reporting~~
7 ~~agencies described in paragraph (1):~~

8 ~~(A) The value of establishing a credit score.~~

9 ~~(B) Ways to establish a credit score.~~

10 ~~(C) Ways to improve a credit score.~~

11 ~~(D) Factors that impact a credit score.~~

12 ~~(E) Ways to check one's credit score.~~

13 ~~(F) Ways to obtain a free copy of one's credit report.~~

14 ~~(G) Ways to dispute an error in one's credit report.~~

15 ~~(4) A credit education program or seminar offered pursuant to~~
16 ~~this section shall be offered at no cost to the borrower.~~

17 ~~(5) A borrower shall not be required to participate in a credit~~
18 ~~education program or seminar offered by a lender or independent~~
19 ~~third party.~~