

**SENATE COMMITTEE
ON BANKING AND FINANCIAL
INSTITUTIONS**

2023 - 2024 LEGISLATIVE SUMMARY

SENATOR MONIQUE LIMÓN, CHAIR

MEMBERS

SENATOR ROGER NIELLO, Vice Chair
SENATOR STEVEN BRADFORD
SENATOR ANNA CABALLERO
SENATOR DAVE MIN
SENATOR JANET NGUYEN
SENATOR ANTHONY PORTANTINO

STAFF DIRECTOR
Michael Burdick

COMMITTEE ASSISTANT
Rae Flores

Legislative Office Building Room 522, Sacramento
(916) 651-4102

TABLE OF CONTENTS

Table of Contents

DEPOSITORY INSTITUTIONS	3
FINANCIAL TECHNOLOGY.....	5
MORTGAGES.....	6
NONBANK LENDING.....	7
BUSINESS ENTITY FORMATION AND CORPORATE GOVERNANCE	9
MISCELLANEOUS	11
2021-2022 INFORMATIONAL AND OVERSIGHT HEARINGS	13

DEPOSITORY INSTITUTIONS

BILLS SIGNED INTO LAW

AB 386 (Nguyen), Chapter 433, Statutes of 2023 California Right to Financial Privacy Act.

Sponsored by County Welfare Directors Association. Expands the time period covered by requests from specified law enforcement agencies for financial information related to an alleged illegal act involving an account and specifies additional information about the account that can be disclosed to law enforcement agencies.

AB 2017 (Grayson), Chapter 509, Statutes of 2024 Banks and credit unions: nonsufficient funds fees.

Author-sponsored. Prohibits state-chartered banks and credit unions from charging a fee when a consumer's attempt to initiate a transaction is declined instantaneously or near instantaneously by the bank or credit union due to nonsufficient funds.

AB 2062 (Grayson), Chapter 305, Statutes of 2024 Credit unions.

Sponsored by California Credit Union League. Makes various technical amendments to the California Credit Union Law, including authorizing the board of directors of a credit union to use an automated system to establish membership eligibility and to delegate dividend policy to specified committees, among other changes.

AB 2067 (Dixon), Chapter 222, Statutes of 2024 Financial institutions: service of process.

Sponsored by California Association of Legal Support Professionals. Provides that, if a financial institution designates a third-party agent, as defined, to serve as a central location for service of legal process, the financial institution must designate at least one other central location which must be located in a different county than the third-party agent.

SB 1075 (Bradford), Chapter 521, Statutes of 2024 Credit unions: overdraft and nonsufficient funds fees.

Author-sponsored. Limits the amount of nonsufficient funds and overdraft fees that a credit union may charge and requires a credit union to provide a notice to a member each time the credit union assesses such a fee.

BILLS VETOED

SB 278 (Dodd)

Elder abuse: emergency financial contact program.

Sponsored by Consumer Attorneys of California. Would have required financial institutions to take specified actions intended to deter financial abuse of elder or dependent adults, including the establishment of an emergency financial contact program and the delaying of certain financial transactions by three business days if there is a reasonable suspicion of financial abuse. The veto message includes the following comments from the governor:

While the intent of this bill is commendable, it raises several concerns. The mandatory three-day hold on transactions suspected of abuse could lead to unintended consequences, such as delaying legitimate transactions and restricting access to funds, thereby undermining the financial independence of affected account holders. Furthermore, the proposed enforcement provisions need further review to ensure they are legally sound and minimize the risk of costly litigation - a burden that would ultimately fall on taxpayers and diminish the overall effectiveness of the bill.

I encourage the Legislature to continue refining this concept to ensure it is both implementable and strikes a better balance between consumer protection and individual rights.

FINANCIAL TECHNOLOGY

BILLS SIGNED INTO LAW

AB 39 (Grayson), Chapter 792, Statutes of 2023

Digital financial asset businesses: regulatory oversight.

Sponsored by Consumer Federation of California. Establishes a licensing and regulatory framework, administered by the Department of Financial Protection and Innovation, for digital financial asset business activity. The bill intends to provide regulatory clarity to businesses and legal protections for consumers and retail investors in this emerging industry.

AB 1116 (Grayson), Chapter 463, Statutes of 2023

Money Transmission Act.

Author-sponsored. Amends various provisions of the licensing requirements for money transmitters, based on a model law recommended by the Conference of State Bank Supervisors.

AB 1587 (Ting), Chapter 247, Statutes of 2023

Financial transactions: firearms merchants: merchant category code.

Sponsored by Brady California and Brady Campaign. Requires financial institutions that facilitate payment card transactions to implement a merchant category code for firearms merchants. Provides exclusive authority to the Attorney General to enforce the provisions of the bill, including seeking civil penalties, injunctive relief, and attorney's fees in a civil action.

AB 1934 (Grayson), Chapter 945, Statutes of 2024

Digital financial asset businesses.

Author-sponsored. Delays the operative date of the Digital Financial Assets Law, enacted by AB 39, and clarifies provisions in that law related to stablecoins.

SB 401 (Limón), Chapter 871, Statutes of 2023

Digital financial asset transaction kiosks.

Author-sponsored. Provides for the regulation of digital financial asset transaction kiosks, including limits on the total amount of transactions in a day (\$1,000 per customer), fee limitations (\$5 or 15% of transaction amount, whichever is greater), and a requirement to provide a receipt for every transaction.

MORTGAGES

BILLS SIGNED INTO LAW

AB 2424 (Schiavo), Chapter 311, Statutes of 2024

Mortgages: foreclosure.

Sponsored by Consumer Federation of California. Adds procedural requirements to the foreclosure process, including notification requirements intended to help a borrower find assistance in navigating the foreclosure process, additional time before a foreclosure auction commences for a borrower who attempts to sell their property, and a minimum sales price, in relation to fair market value, for the initial foreclosure auction.

AB 3100 (Low), Chapter 431, Statutes of 2024

Assumption of mortgage loans: dissolution of marriage.

Author-sponsored. Requires that a conventional home mortgage loan, as specified, shall include provisions allowing for the assumption of a mortgage in connection with a divorce.

AB 3108 (Jones-Sawyer), Chapter 517, Statutes of 2024

Business: mortgage fraud.

Sponsored by Consumer Federation of California. Specifies acts that constitute criminal mortgage fraud related to misstatements on loan-related documents and also makes those acts a violation of the Covered Loan Law, which provides civil remedies for consumers.

SB 455 (McGuire), Chapter 873, Statutes of 2023

State of emergency: mortgage servicers: disasters.

Author-sponsored. Provides responsibilities for transferor and transferee mortgage servicers related to a mortgage secured by real property located within the geographic limits of a proclaimed emergency, as specified, with the goal of helping disaster survivors remain on-track with the repair, rebuilding, or replacement of their properties.

SB 1146 (Wilk), Chapter 601, Statutes of 2024

Mortgages.

Sponsored by the California Mortgage Association and the United Trustees Association. Clarifies the trustee sale procedures, how bids are made payable, when to automatically postpone a trustee's sale, and that specified reporting and other requirements of the Homeowners Bill of Rights should not apply to very small entities, which make such few loans that these entities are not required to be licensed in California.

NONBANK LENDING

BILLS SIGNED INTO LAW

AB 3148 (Chen), Chapter 252, Statutes of 2024
Deferred deposit transactions: assessments.

Sponsored by California Financial Service Providers. Changes the cost allocation methodology for licensees under the Deferred Deposit Transaction Law from assessments based on the number of licensed locations to assessments based on the pro rata volume of deferred deposit transactions made by a licensee.

SB 33 (Glazer), Chapter 376, Statutes of 2023
Commercial financing: disclosures.

Author-sponsored. Removes a sunset provision that applied to a requirement to disclose the cost of a commercial financing transaction expressed as an annualized rate. By removing the sunset, the law requires commercial financing providers to provide the specified disclosure indefinitely.

SB 666 (Min), Chapter 881, Statutes of 2023
Small business: commercial financing transactions.

Sponsored by California Association of Micro Enterprise Opportunity and Consumer Federation of California. Restricts specified fees charged to small businesses by commercial financing providers and brokers in connection with commercial financing transactions.

SB 1198 (Roth), Chapter 185, Statutes of 2024
Pawnbrokers: fees and charges.

Sponsored by California Pawnbrokers Association. Increases specified fees that pawnbrokers may charge for pawn loans, with the intent of allowing pawnbrokers to cover rising business costs.

SB 1521 (Committee on Banking and Financial Institutions), Chapter 194, Statutes of 2024
Commercial financing transactions: fees.

Author-sponsored. Exempts specified collateral monitoring fees from a provision prohibiting the charging of certain fees related to a commercial financing transaction, which was enacted by SB 666 (Min, Chapter 881, Statutes of 2023).

BILLS NOT SENT TO THE GOVERNOR

AB 2993 (Grayson)

Home improvement and home solicitation: right to cancel contracts: loan financing regulation.

Sponsored by Housing and Economic Rights Advocates (HERA). Would have added requirements and restrictions related to home improvement contracts and a certain category of financing offered to consumers to pay for such improvements. Requirements and restrictions included a right-to-cancel provision for home improvement contracts of five days, or seven days if the buyer is a senior citizen and restrictions on the timing of payments made to a contractor until specified conditions are reached. Died in Senate Judiciary Committee after hearing was canceled at the request of the author.

SB 869 (Glazer)

Commercial financing.

Author-sponsored. Would have expanded the California Licensing Law to cover specified commercial financing transactions offered to small businesses, establishing requirements and prohibitions on commercial financing providers and brokers engaged in such transactions. Held by the Senate Appropriations Committee on the suspense file.

SB 1466 (Min)

Small business: commercial financing transactions: monitoring fees.

Author-sponsored. Would have allowed a covered entity to charge a monitoring fee to compensate for services related to the evaluation, tracking, and review of collateral. Died in Senate Banking and Financial Institutions due to SB 1521 being introduced for a similar purpose.

SB 1482 (Glazer)

Commercial financing.

Author-sponsored. The version approved by the Senate would have established a registration framework under the California Consumer Financial Protection Law for commercial financing activities that are not expressly covered by the California Financing Law. The Assembly Appropriations Committee gutted the bill, and the bill was not taken up on the Assembly Floor.

BUSINESS ENTITY FORMATION AND CORPORATE GOVERNANCE

BILLS SIGNED INTO LAW

AB 231 (Chen), Chapter 115, Statutes of 2023 **Shareholders' meetings: remote communication.**

Sponsored by California Lawyers Association, Nonprofit Organizations Committee and Corporations Committee of the Business Law Section. Provides additional flexibility to corporations to offer audiovisual or audio-only participation in shareholder or member meetings, as specified.

AB 2908 (Chen), Chapter 157, Statutes of 2024 **Shareholders' meetings: remote communication.**

Sponsored by California Lawyers Association, Nonprofit Organizations Committee and Corporations Committee of the Business Law Section. Removes a sunset provision that applies to an authorization for corporations to hold remote shareholder or member meetings, as specified, making this authorization apply indefinitely.

SB 446 (Wilk), Chapter 151, Statutes of 2023 **Nonprofit and cooperative corporations: ratification or validation of noncompliant corporate actions.**

Sponsored by California Lawyers Association, Business Law Section. Provides two mechanisms through which a nonprofit corporation or cooperative corporation may ratify or validate an otherwise-lawful corporate act that was not in compliance with state law or the corporation's articles or bylaws when it was made.

SB 1168 (Limón), Chapter 783, Statutes of 2024 **Business entities: Secretary of State: document filings.**

Sponsored by Shirley N. Weber, Ph.D., California Secretary of State. Permits the Secretary of State to cancel a limited liability company or corporation if, after a court order issues a finding that the entity has misused an individual's identifying information and orders that information to be removed, the entity does not update its records within 60 days; and provides a mechanism for a person who learns that their identifying information has been improperly used in an entity filing to have a disclaimer of the use of their information placed in the entity's file.

BILLS NOT SENT TO THE GOVERNOR

SB 594 (Durazo)

Beneficial owners.

Sponsored by California Reinvestment Coalition. Would have required corporations, limited liability companies, and real estate investment trusts to report information about their beneficial owners, as specified, on periodic reports that those business entities are required to file with the Secretary of State and that are made available to the public. Held by Senate Appropriations Committee on suspense file.

SB 738 (Hurtado)

Corporate Transparency Act: foreign corporations: certificate of qualification.

Author-sponsored. Would have required a foreign corporation or a foreign limited liability company to disclose certain information with respect to any beneficial owner, as defined. Author did not request bill to be set for a hearing.

SB 1201 (Durazo)

Beneficial owners.

Sponsored by Public Advocates and Rise Economy. Would have required corporations and domestic and foreign limited liability companies (LLCs), beginning January 1, 2026, to report information about their beneficial owners, as specified, on periodic reports that those business entities are required to file with the Secretary of State and that are made available to the public. Would have authorized the Secretary of State to collect additional fees as needed to support the collection of the beneficial ownership information without treating those fees as “additional excess fees” that must be transferred to the General Fund. Died in Assembly Banking and Finance Committee after hearing was canceled at the request of the author.

MISCELLANEOUS

BILLS SIGNED INTO LAW

AB 1312 (Committee on Banking and Finance), Chapter 100, Statutes of 2023 Financial transactions.

Author-sponsored. Corrects erroneous cross-references in several provisions related to financial transactions.

AB 2422 (Grayson), Chapter 650, Statutes of 2024 Department of Financial Protection and Innovation: online resources: financial abuse: domestic violence victims.

Sponsored by FreeFrom. Requires the Department of Financial Protection and Innovation to make available online resources related to financial abuse of victims of domestic violence.

SB 54 (Skinner), Chapter 594, Statutes of 2023 Venture capital companies: reporting.

Author-sponsored. Requires a venture capital company to report annually to the Civil Rights Department on its funding determinations related to companies primarily founded by diverse founding team members.

SB 919 (Umberg), Chapter 518, Statutes of 2024 Franchise Investment Law: franchise brokers.

Sponsored by International Franchisor Association, American Association of Franchisees and Dealers, and Coalition of Franchisee Associations. Requires a franchise broker to register with the Department of Financial Protection and Innovation prior to engaging in the offer or sale of a franchise in this state and to provide a specified disclosure before engaging with a prospective franchisee about a franchise opportunity.

SB 985 (Ochoa Bogh), Chapter 178, Statutes of 2024 Check Sellers, Bill Payers and Proraters Law: exemption: nonprofit community service organizations.

Sponsored by Financial Counseling Association of America. Increases the allowable fees that a nonprofit community service organization can collect pursuant to an exemption provided by the Check Sellers, Bill Payers, and Proraters Law.

SB 1286 (Min), Chapter 522, Statutes of 2024

Rosenthal Fair Debt Collection Practices Act: covered debt: commercial debts.

Sponsored by California Association for Micro Enterprise Opportunity, Consumer Federation of California, East Bay Community Law Center, and Small Business Majority. Expands the scope of the Rosenthal Fair Debt Collection Practices Act to cover specified commercial debt, providing certain debtors with protections from harassment and other prohibited collections activities.

BILLS NOT SENT TO THE GOVERNOR

SB 484 (Newman)

Escrow agents: customer contact centers.

Sponsored by Escrow Institute of California. Would have authorized a licensed escrow agent to designate an employee to perform work on the licensee's behalf at a remote location. Held by Assembly Appropriations Committee on suspense file.

BILLS LATER AMENDED OUT OF JURISDICTION

SB 531 (Ochoa Bogh)

Financial literacy: student financial aid.

Author-sponsored. Would have required the California Student Aid Commission and the Department of Financial Protection and Innovation to display a link to a specified financial literacy document on their respective internet websites. Bill was later gut-and-amended out of the committee's jurisdiction to address a different problem.

2023-2024 INFORMATIONAL AND OVERSIGHT HEARINGS

The agendas and background papers for the hearings summarized below are available on the Committee's Internet Web site. Videos of the hearings are available on the hearing archive portion of the Senate's Internet Web site.

February 22, 2023 JOINT OVERSIGHT HEARING WITH ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Harmful Innovation: What FTX's Collapse Means for Consumers and California's Approach to Crypto

In 2022, the crypto industry experienced a series of high-profile bankruptcies that negatively affected California consumers, in addition to the seemingly constant stream of hacks, scams, and frauds that plague this relatively new industry. The purpose of the hearing was to review the state's recent actions in regulating the crypto industry and to examine how the state can act in the future to better protect Californians from financial harm perpetrated by the crypto industry. Witnesses included the general counsel of the Department of Financial Protection and Innovation, an expert from a private law and consulting firm, a consumer advocate, and a representative of the crypto industry.

May 10, 2023 JOINT OVERSIGHT HEARING WITH ASSEMBLY COMMITTEE ON BANKING AND FINANCE

The Failure of Silicon Valley Bank: Where Regulation and Supervision Fell Short

In March 2023 Silicon Valley Bank (SVB) collapsed, sparking a relatively brief period of financial concern related to the health of regional banks. This period of elevated stress also saw the failure of First Republic and the winding down of Silvergate Bank. All three banks held a charter from the state of California. The hearing was convened to examine the adequacy of banking regulations and the effectiveness of banking supervision, with a focus on the roles of federal and state bank supervisors, the specific activities undertaken by the Department of Financial Protection and Innovation (DFPI) in the months leading up to the failure of SVB, and potential policy responses to the SVB failure. Witnesses were exclusively from the DFPI.