

**SENATE COMMITTEE
ON BANKING AND FINANCIAL
INSTITUTIONS**

2019 – 2020 LEGISLATIVE SUMMARY

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*The COVID-19 pandemic resulted in the closure of the State Capitol for several weeks during 2020, significantly reducing the length of time in which bills could be heard. For that reason, bill authors were strongly encouraged to move only the most urgent pieces of legislation. The category “bills not acted upon due to COVID-19” includes bills that were analyzed by this Committee before the pandemic closed the Capitol and which would have been heard by the Committee, but for the pandemic.

UNSECURED LENDING AND SERVICING

BILLS SIGNED INTO LAW

AB 376 (Stone), Chapter 154, Statutes of 2020

Co-sponsored by the California Federation of Teachers, Consumer Reports, NexGen California, Student Borrower Protection Center, Student Debt Crisis, and Young Invincibles. Imposes extensive new requirements on student loan servicers doing business in California and places responsibility with the Department of Business Oversight (DBO) for administering these requirements; provides judicial enforcement mechanisms for violations of the aforementioned requirements by student loan servicers; requires DBO to collect information about and report on the activities of student loan servicers in this state; and requires DBO to designate a Student Loan Ombudsman, as specified. Virtually all of the bill's provisions are added to the Civil Code, and the bill moves several definitions and almost all substantive provisions of the Student Loan Servicing Act out of the Financial Code and into the Civil Code.

AB 539 (Limon), Chapter 708, Statutes of 2019

Sponsored by the Los Angeles County Board of Supervisors. Imposes an interest rate cap and minimum and maximum loan lengths on loan amounts between \$2,500 and \$9,999 that are made under the California Financing Law (CFL) and prohibits prepayment penalties, as specified, under that law. Caps interest rates on loan amounts between \$2,500 and \$9,999 at 36% plus the Federal Funds rate. Requires lenders making installment loans between \$2,500 and \$9,999 under the CFL to report borrower payment performance to at least one nationwide credit reporting agency and to offer each borrower a credit education program at no cost to the borrower.

AB 2196 (Gonzalez), Chapter 174, Statutes of 2020

Author-sponsored. Extends the sunset date on the Pilot Program for Increased Access to Responsible Small-Dollar Loans from January 1, 2023 to January 1, 2028.

AB 2559 (Bauer-Kahan), Chapter 160, Statutes of 2020

Author-sponsored. Increases DBO's enforcement authority under the CFL by authorizing the Commissioner of DBO (commissioner) to include a claim for ancillary relief as part of a desist and refrain order or as part of a citation and fine. This ancillary relief may include, but need not be limited to refunds, restitution or disgorgement, or damages on behalf of the persons injured by the act or practice of the person engaging in the violation. Allows the commissioner to categorize citations and fines as disciplinary actions. Adds specificity to the procedures that a court must follow when the commissioner applies to a court for a judgment in the amount of an administrative fine and an order compelling the person cited to comply with the commissioner's order. Places additional requirements on persons to whom a citation and fine is issued, who wish to challenge the issuance of a judgment and order by a court.

BILLS VETOED

None

BILLS ACTED UPON BY THE COMMITTEE, WHICH FAILED TO REACH THE GOVERNOR

AB 642 (Limon), 2019

Author-sponsored. Would have required lead generators to obtain CFL broker licenses in order to legally offer lead generation services for compensation in connection with CFL loans. Would have imposed specified requirements on brokers acting as lead generators for CFL lenders and on CFL lenders wishing to compensate CFL brokers acting as lead generators. Would also have required DBO to examine all CFL licensees (both lenders and brokers) at least once every 48 months.

Held on the Senate Appropriations Committee Suspense File.

SB 482 (Hueso), 2019

Author-sponsored. Would have added several consumer protections to the CFL applicable to consumer loans, other than loans secured by real property. These protections included requirements that lenders conduct ability-to-pay underwriting, provide their borrowers with specified disclosures, notify their borrowers at least two days before each payment due date, provide their borrowers with specified financial education materials, and allow their borrowers to cancel their loan contracts at no cost within three calendar days of loan consummation. The bill would also have prohibited CFL lenders from imposing prepayment penalties and from immediately selling or assigning delinquent debt to an independent third party authority. Finally, the bill would have prohibited a CFL lender from repossessing a motor vehicle securing a consumer loan made under the CFL, if the borrower made a full installment payment on that loan within the prior 30 calendar days.

After the bill was amended in the Senate Banking and Financial Institutions Committee to strengthen its underwriting and consumer education provisions, the author declined to take it up in the Senate Judiciary Committee.

BILLS NOT HEARD DUE TO COVID-19

None

SECURED LENDING AND SERVICING, FORECLOSURE PREVENTION, REAL ESTATE

BILLS SIGNED INTO LAW

AB 1186 (Medina), Chapter 189, Statutes of 2019

Sponsored by the California Pawnbrokers Association. Increased the maximum amount of some of the fees and charges that pawnbrokers may impose, including the loan setup fee, handling and storage charges, the firearms processing charge, and the fee that may be charged to prepare a specified loan expiration notice.

AB 1551 (Arambula), Chapter 156, Statutes of 2020

Sponsored by the California Association of Realtors. Prohibits prepayment penalties in connection with Property Assessed Clean Energy (PACE) assessments, prohibits the use of PACE on properties with reverse mortgages, and makes provision of a hard copy (versus electronic delivery) the default manner in which the PACE Financing Estimate and Disclosure (FED) is provided to a homeowner. Provides, however, that a homeowner who wishes to obtain the FED electronically may continue to do so.

BILLS VETOED

AB 412 (Quirk-Silva)

Sponsored by the Escrow Institute of California. Would have allowed Escrow Law licensees to exclude liabilities derived from operating lease obligations when calculating their current liabilities by providing that, for purposes of the requirement that an Escrow Law licensee's current assets must exceed his or her current liabilities by at least \$25,000, current liabilities do not include liabilities derived from operating lease obligations.

In his veto message, which also referred to a similar bill applicable to underwritten title companies, the Governor stated, "These bills would allow for the exclusion of operating lease obligations from the balance sheets of escrow companies, including independent escrow companies and underwritten title companies, when calculating financial liquidity requirements.

"These exemptions deviate from the new standards adopted by the Financial Accounting Standards Board. These standards were created to measure a company's ability to meet its short-term financial obligations, which in turn helps protect consumer funds.

"For standards to be standard, they need to apply equally to everyone. When a customer works with an escrow or title company, it is often when they are making one of the biggest financial transactions of their lives. The consequences of insolvency could jeopardize a home or business purchase and cost consumers thousands of dollars. For the health of the industry and protection

of consumers' hard earned savings, these companies should adhere to the new national standards published in 2016, which provided years to plan for compliance.”

BILLS ACTED UPON BY THE COMMITTEE, WHICH FAILED TO REACH THE GOVERNOR

AB 1384 (O'Donnell), 2019

Sponsored by the California Mortgage Association. Would have defined a consumer credit transaction, for purposes of California's Covered Loan Law, as a loan made to, or an obligation incurred by, a natural person in which the money loaned, or the property delivered or service rendered under the obligation, is primarily for personal, family, or household purposes. After passing the Senate Banking and Financial Institutions Committee, the bill was not taken up in by its author in the Senate Judiciary Committee.

SB 1447 (Bradford), 2020

Author-sponsored. Would have expanded Homeowner Bill of Rights (HBOR) protections to homeowners who rent their properties out to tenants, as specified; re-enacted a provision of California's advance fee ban that had been allowed to sunset; and expanded California's foreclosure consultant law to cover actions taken to prevent foreclosure prior to a mortgage delinquency. To qualify for HBOR relief, the property would have had to meet the following requirements: 1) owned by an individual who owns no more than three residential real properties, each of which contains no more than four dwelling units; 2) occupied by a tenant pursuant to a lease entered into pursuant to an arm's length transaction, prior to and in effect on March 4, 2020 (the date of the State of Emergency declared by Governor Newsom in response to the novel coronavirus); and 3) the tenant occupying the property must have been unable to pay rent due to a reduction in income resulting from the novel coronavirus. HBOR relief would have been available to the homeowner as long as the property remained the principal residence of a tenant pursuant to a lease entered into in an arm's length transaction

The bill passed the Senate but was gutted and amended on the Assembly Floor into a bill authorizing tax credits for small businesses. It was signed into law in its amended form. The HBOR provision previously contained in SB 1447 was amended into AB 3088 (Chiu et al., Chapter 37, Statutes of 2020) and signed into law. The other two mortgage-related provisions of SB 1447 remain outstanding.

BILLS NOT HEARD DUE TO COVID-19

None

SECURITIES LAW AND CORPORATE GOVERNANCE

BILLS SIGNED INTO LAW

AB 979 (Holden et al.), Chapter 316, Statutes of 2020

Author-sponsored. Requires publicly held corporations to fill their board seats with a minimum number of directors from underrepresented communities. Defines a director from an underrepresented community as an individual who self-identifies as Black, African-American, Hispanic, Latino, Asian, Pacific Islander, Native American, Native Hawaiian, or Alaska Native or as gay, lesbian, bisexual, or transgender. No later than the close of the 2021 calendar year, requires a publicly held domestic or foreign corporation whose principal executive offices are located in California to have a minimum of one director from an underrepresented community on its board. No later than the close of the 2022 calendar year, requires a publicly held domestic or foreign corporation whose principal executive offices are located in California to have the following minimum number of directors from underrepresented communities on its board: at least three, if the corporation has nine or more total directors; at least two, if the corporation has five to eight total directors; and at least one, if the corporation has four or fewer total directors. Requires the Secretary of State (SoS) to issue reports summarizing compliance with the bill and authorizes the SoS to impose penalties for noncompliance, as specified.

SB 496 (Moorlach), Chapter 272, Statutes of 2019

Author-sponsored. Adds broker-dealers and investment advisors to the categories of persons who are mandated reporters of suspected abuse of an elder or dependent adult; allows mandated reporters who report suspected abuse to notify a trusted contact person previously designated by the elder or dependent adult for that purpose, as specified; and allows mandated reporters to temporarily delay requested account transactions and disbursements of elder or dependent adults, as specified. If imposed, a temporary delay expires the earlier of either of the following: 1) a determination by the mandated reporter that the disbursement or transaction will not result in financial abuse of the elder or dependent adult, provided that the mandated reporter first consults with the local county adult protective services agency, local law enforcement agency, and DBO and receives no objection from those entities or 2) fifteen business days after the date on which the mandated reporter first delayed the disbursement or transaction, unless the local adult protective services agency, local law enforcement agency, or DBO requests that the mandated reporter extend the delay.

SB 522 (Hertzberg), Chapter 361, Statutes of 2020

Sponsored by the Secretary of State. Deletes the previous naming requirements for corporations and replaces them with a “distinguishable in the records of the SoS” standard; removes exceptions under the Uniform Limited Partnership Act of 2008 and the California Revised Limited Liability Company Act that allow a limited partnership (LP) or a limited liability company (LLC) to have the same name as another LP or LLC registered with the SoS; prohibits the name of an LP from being one that is likely to mislead the public, as determined by the SoS; authorizes the enjoining of the use of a name by an LP or an LLC in violation of the naming

requirements, notwithstanding registration by the SoS; and requires general filings with the SoS to contain the corporate name and number as they appear in the SoS's records.

SB 540 (Jones), Chapter 250, Statutes of 2019

Author-sponsored. Allows nonprofit corporations to offer split-dollar life insurance policies as compensation when secured by the cash value *or* death benefit, instead of both the cash value *and* death benefit.

BILLS VETOED

None

BILLS ACTED UPON BY THE COMMITTEE, WHICH FAILED TO REACH THE GOVERNOR

AB 913 (Limon)

Author-sponsored. Would have modified the annual renewal statement of information filing deadline for finders under the Corporate Securities Law of 1968 to require submission on or before December 31 following the anniversary of a finder's initial statement of information filing. Would have given the commissioner authority to require finders to include on that statement of information any information the commissioner reasonably determines is necessary.

After reaching the Senate Floor, AB 913 was gutted and amended into a bill regarding electrical corporations, authored by Assemblyman Ian Calderon. It was signed into law in its amended form.

AB 2150 (Calderon)

Author-sponsored. Would have required DBO to conduct a study to investigate the feasibility of enacting a California measure equivalent to Proposed Securities Act Rule 195 – Time Limited Exemption for Tokens, as proposed by Securities and Exchange Commissioner Hester Peirce. Would have required the report to include all of the following, at a minimum, and to be submitted to the Legislature by January 1, 2022: 1) recommendations to the Legislature for enacting the exemption in California; 2) definitions of key terms necessary for the successful enactment of the exemption in California; 3) identification of concerns with the proposed exemption; and 4) suggestions for regulatory frameworks that allow innovation and growth in blockchain and cryptocurrency technology while preserving consumer protection.

Held on the Senate Appropriations Committee Suspense File.

BILLS NOT HEARD DUE TO COVID-19

SB 870 (Jones)

Sponsored by the Corporations Committee of the Business Law Section of the California Lawyers Association. Would have provided a way for corporations to ratify or courts to validate prior corporate actions that were not in compliance with the General Corporation Law or the corporation's articles or bylaws when they were originally taken.

SB 913 (Jones)

Sponsored by the Corporations Committee of the Business Law Section of the California Lawyers Association. Would have established procedures for use by domestic corporations wishing to convert into business entities organized under the laws of another state. Would have deleted fee authority from the Corporations Code that is duplicative of fee authority in the Government Code.

SB 1142 (Jackson)

Sponsored by the Secretary of State. Would have clarified provisions of SB 826, Jackson, Chapter 954, Statutes of 2018 (the law requiring corporations to have a minimum number of women on their boards of directors).

FINANCIAL SERVICES LAW ADMINISTRATION, MISCELLANEOUS

BILLS SIGNED INTO LAW

AB 857 (Chiu and Santiago), Chapter 442, Statutes of 2019

Sponsored by the California Public Banking Alliance. Authorizes local agencies to form public banks, subject to approval from DBO and the Federal Deposit Insurance Corporation (FDIC), as specified. Requires a local agency to conduct a study to assess the viability of a proposed public bank before it may submit an application to organize and establish that bank. Requires the aforementioned study to be presented to and approved by the governing body of the local agency that commissioned the study. Requires the governing body of the local agency that commissioned the study to affirmatively vote to move forward with an application for a public banking charter, at a public meeting, before the local agency may submit an application for a public bank charter. Provides that, before a local agency other than a charter city may submit an application to form a public bank, the motion to move forward is subject to voter approval at the next regularly scheduled election held at least 180 days following the vote of the governing body.

Requires a public bank to obtain a certificate of authorization to transact business as a bank pursuant to Division 1.1 of the Financial Code before it engages in business and to obtain and maintain FDIC deposit insurance. Authorizes a public bank to engage in local agency banking, infrastructure lending, wholesale lending, and participation lending, as defined, and to engage in retail activities, as defined, that are not offered or provided by local financial institutions in the jurisdiction of the local agency or agencies that own the public bank.

Limits the commissioner's ability to issue licenses (i.e., certificates of authorization) to public banks, as follows: 1) The commissioner may not issue more than two public bank licenses in a calendar year, nor more than ten in total; 2) The commissioner may not issue a public bank license more than seven years after promulgating regulations to administer laws applicable to public banks. Requires the commissioner to conduct a study of public banking in California within two years after issuing the tenth public bank license.

AB 945 (McCarty), Chapter 619, Statutes of 2019

Sponsored by the California Bankers Association. Deletes the January 1, 2021 sunset date on local agencies' ability to invest surplus funds in non-CD deposits at depository institutions that use private sector entities to assist in the placement of deposits. Increases, from 30% to 50%, until January 1, 2026, the cap on the total amount of surplus funds that local agencies may invest in deposits at depository institutions that use private sector entities to assist in the placement of deposits.

Requires placement agencies to ensure that each local agency which deposits its money in a depository institution that uses a private sector placement agency be provided, on a monthly basis, with an inventory of all depository institutions in which deposits have been placed on that local agency's behalf. Requires placement agencies to establish policies and procedures intended to ensure that they do not place additional deposits from a particular local agency with a depository institution, when such additional deposits would result in that local agency's total amount on deposit at that depository institution exceeding the FDIC or National Credit Union Association insurable limit.

AB 2524 (Wicks), Chapter 159, Statutes of 2020

Sponsored by the California Low-Income Consumer Coalition. Deletes provisions of the Check Sellers, Bill Payers and Proraters Law (Proraters Law) that limited the issuance of a license to corporations organized under the laws of California and that prohibited Proraters Law licensees from engaging in licensed activity at a location or locations outside of California.

AB 1525 (Jones-Sawyer), Chapter 270, Statutes of 2020

Author-sponsored. Provides that a bank, savings association, industrial bank or industrial loan company, credit union, trust company, money transmitter, or armored car service, which receives deposits, extends credit, conducts fund transfers, transports cash or financial instruments, or provides other financial services does not commit a crime under California law, solely by virtue of the fact that the person receiving the benefit of those services engages in commercial cannabis activity as a licensee under Division 10 of the Business and Professions Code. Provides that an individual or firm, which practices public accounting pursuant to specified provisions of California law, does not commit a crime under California law solely by providing professional accounting services to persons licensed to engage in commercial cannabis activity pursuant to Division 10 of the Business and Professions Code.

Authorizes a person licensed to engage in commercial cannabis activity pursuant to Division 10 of the Business and Professions Code to request in writing that a state or local licensing authority, state or local agency, or joint powers authority share that person's application, license, and other regulatory and financial information with a financial institution of the person's designation and requires the written request to be accompanied by a waiver authorizing the sharing of that information and waiving any confidentiality or privilege that applies to the information. Limits the disclosure of information by a state or local licensing authority, state or local agency, or joint powers authority to a financial institution to only that which is reasonably necessary to facilitate the provision of financial services for the licensee making the request.

SB 251 (Committee on Banking and Financial Institutions), Chapter 143, Statutes of 2019

Author-sponsored. Makes several technical and corrective, nonsubstantive changes to financial services and corporate securities laws.

SB 455 (Bradford and Chang), Chapter 478, Statutes of 2019

Sponsored by the Mission Asset Fund. Establishes the Financial Empowerment Fund (FEF), as specified, and authorizes DBO to award grants from that fund to nonprofit organizations that offer financial education and financial empowerment programs and services to at-risk populations in California. Appropriates \$4 million from the State Corporations Fund to the FEF, plus an amount necessary for DBO to administer the grant program. Caps individual grants at \$100,000 per organization annually and caps the total amount of grant funding at \$1 million annually. Requires organizations that receive grant funding to submit specified reports to DBO, which DBO is required to summarize and post on its web site. Sunsets the program on January 1, 2025 and transfers any money remaining in the FEF following the sunset from the FEF to the State Corporations Fund.

SB 908 (Wieckowski), Chapter 163, Statutes of 2020

Author-sponsored. Establishes a new licensing law applicable to debt collectors and debt buyers, administered by DBO, effective January 1, 2022. Requires all persons subject to the Rosenthal Fair Debt Collection Practices Act (Rosenthal Act; Civil Code Section 1788 et seq.) and the Fair Debt Buying Practices Act (FDBPA; Civil Code Section 1788.50 et seq.) to be licensed under the new licensing law. With limited exceptions, the bill does not impose new requirements on debt collectors and debt buyers beyond those required as a condition of licensure; instead, the measure places a regulatory framework administered by DBO on top of the Rosenthal Act and the FDBPA and authorizes DBO to examine and bring administrative enforcement actions against licensees who violate the Rosenthal Act or the FDBPA.

BILLS VETOED

None

BILLS ACTED UPON BY THE COMMITTEE, WHICH FAILED TO REACH THE GOVERNOR

ACR 115 (Kamlager)

Author-sponsored. Would have resolved that the Legislature urge banks with which the State of California has a business relationship to evaluate their relationships with gun manufacturers and consider the repercussions of gun violence, and urge all banks to discuss their lending practices with their shareholders, adopt lending practices that mirror the people of California's values of protecting citizens before profit, and commit to strengthening their gun policies or exiting the gun sector.

Never taken up on the Senate Floor.

SB 51 (Hertzberg)

Sponsored by State Treasurer Fiona Ma. Would have authorized the creation of limited-purpose, special charter banks and credit unions to provide limited banking services to cannabis businesses and required any entity wishing to establish a special-purpose, limited charter depository to obtain approval from DBO, as specified. Would have allowed cannabis businesses to open accounts at these special purpose depositories and authorized the special purpose depositories to issue special purpose checks for limited purposes. Special purpose checks drawn on accounts at the special purpose depositories could only be used by a cannabis business account holder to: 1) pay fees or taxes to the state or a local jurisdiction; 2) pay rent on property that is leased by or on behalf of the account holder's cannabis business; 3) pay a vendor physically located in California for expenses related to goods and services associated with the account holder's cannabis business; or 4) purchase bonds or interest-bearing notes or warrants backed by the full faith and credit of the state, or bonds or warrants of any local jurisdiction. Would have clarified that no entity to whom a special purpose check is issued is required to accept that check.

Passed the Senate and reached the Assembly Floor but was gutted and amended in the Assembly to authorize a tax credit. Was signed into law in its amended form.

SB 472 (Caballero)

Sponsored by PayActiv. Would have established a framework for the regulation of earned income access service providers by DBO. When it passed the State Senate, the bill envisioned a registration scheme, imposed certain requirements on and applied certain prohibitions to earned income access service providers, and included a private right of action to enforce the bill's provisions. The bill was significantly amended in the Assembly to add additional required and prohibited acts and to require licensure in lieu of registration. The amended bill passed Assembly policy and fiscal committees, but was re-referred to the Assembly Banking Committee pursuant to assembly Rule 77.2 and was not taken up by its author following that re-referral.

SB 528 (Hueso)

Sponsored by the Democracy Collaborative. As it passed the Senate Banking and Financial Institutions Committee, would have created a task force with a membership knowledgeable about relevant state and federal banking regulations, bank formation and management, state and local government infrastructure needs, bond financing, and the current management and operations of the California Infrastructure and Economic Development Bank (I-Bank), to study the potential cost and estimated timeframe to transition the I-Bank into a depository institution that would accept deposits from state and local governments and lend money to local governments for their infrastructure needs.

Held on the Senate Appropriations Committee Suspense File.

SB 619 (Hueso)

Sponsored by the Credit Builders Alliance. Would have required landlords of large (fifty unit or more) rental housing developments within each of California's four Promise Zones to offer their tenants the chance to have the tenants' rental payment history reported to a nationwide consumer reporting agency. Would have required DBO to contract with a third party to analyze the effect of rent reporting on tenants' credit scores.

Passed the Senate but was not taken up in the Assembly Banking and Finance Committee.

BILLS NOT HEARD DUE TO COVID-19

SB 877 (Committee on Banking and Financial Institutions)

Sponsored by the State Treasurer. Would have reduced, from 110% of the amount deposited, to 100% of the amount deposited, the required value of a Federal Home Loan Bank letter of credit that a credit union or a savings and loan association could use as security for a deposit of state funds by the State Treasurer into that credit union or savings and loan association.

SB 1031 (Portantino)

Sponsored by the California Credit Union League. Would have updated provisions of the California Credit Union Law and increased parity between state law applicable to state-chartered credit unions and federal law applicable to federally-chartered credit unions. The bill's seven provisions would have: 1) allowed DBO to use the results of an examination made by the National Credit Union Administration, as specified; 2) added members of the audit committee to the list of persons prohibited from receiving any compensation for their services as a member of that committee; 3) authorized credit union directors to delegate the power to expel members for cause to a membership committee or an executive committee, as specified; 4) added abusive, threatening, or harassing behavior toward credit union staff, volunteers, or members, or the abuse of credit union systems or property to the list of reasons for which the directors of a credit union may expel a member; 5) clarified notice and appeal rules applicable to credit union members who are expelled; 6) allowed state-chartered credit unions to accept deposits from non-member credit unions; and 7) made other technical and clarifying changes.

2019–2020 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.

AUGUST 15, 2020, SACRAMENTO, CA: JOINT HEARING WITH THE SENATE BUDGET COMMITTEE ON THE GOVERNOR’S PROPOSAL TO CREATE A DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AND ENACT THE CALIFORNIA CONSUMER FINANCIAL PROTECTION LAW

As part of his January budget, Governor Newsom proposed to rename the Department of Business Oversight as the Department of Financial Protection and Innovation; give the department additional authority over entities offering or providing consumer financial products and services in California, including the authority to require these newly covered persons to register with the department; give the department authority to bring enforcement actions against existing licensees and newly covered persons for engaging in unfair, deceptive, or abusive acts or practices; and expand and restructure the department and its main funds. On August 15, 2020, the Senate Budget Committee and Senate Banking and Financial Institutions Committee met jointly to review the proposal, which had been extensively revised relative to the Governor’s initial proposal. Witnesses at the hearing included representatives from the Department of Finance, Department of Business Oversight, and Legislative Analyst’s Office, as well as consumer advocates and representatives of financial institution. The version of the proposal heard by on August 15th is described in detail in the background paper prepared for the hearing.

The final version of the proposal was enacted as AB 1864 (Limon), Chapter 157, Statutes of 2020 and AB 107 (Committee on Budget), Chapter 264, Statutes of 2020.

NOVEMBER 23, 2020, SACRAMENTO, CA: JOINT HEARING WITH THE SENATE GOVERNANCE AND FINANCE COMMITTEE ON CREATION OF A STATE PUBLIC BANK

Legislation proposing a state-run public bank was introduced during 2019 (see SB 528, Hueso, described on page 13 of this report) and 2020 (AB 310, Santiago). Although SB 528 was double-referred to the Senate Governance and Finance Committee and Senate Banking and Financial Institutions Committee, AB 310 was single-referred to the Senate Governance and Finance Committee due to the truncated timeframe for committee hearings following shutdown of the State Capitol due to COVID-19. After the Governance and Finance Committee held AB 310 without a vote, the Chair of that Committee committed to the bill’s author and key proponents that he would convene an informational hearing during the fall to take detailed testimony regarding the creation of a state-run public bank. That hearing was jointly held on November 23, 2020 by the two committees with jurisdiction over the topic.

During the hearing, the Committees heard testimony regarding the potential benefits of a state public bank, barriers to its successful creation and operation, and the manner in which its balance sheet could be capitalized, its deposits collateralized, and its operations funded. Witnesses

included several public banking advocates, State Treasurer Fiona Ma, State Controller Betty Yee, Department of Financial Protection and Innovation Commissioner Manuel Alvarez, Director of the California Infrastructure Development Bank Scott Wu, and advocates representing banks, credit unions, community development financial institutions, and county treasurer-tax collectors. Testimony provided during the hearing is expected to be used by public banking advocates when developing legislation they hope to introduce in 2021 and by the legislative committees which review that legislation.