

Date of Hearing: April 7, 2014

ASSEMBLY COMMITTEE ON BANKING AND FINANCE
Roger Dickinson, Chair
AB 2742 (Banking & Finance) – As Introduced: February 27, 2014

SUBJECT: Business: corporations and financial services.

SUMMARY: Updates code sections within the jurisdiction of the Assembly Banking & Finance Committee stemming from changes made from the Federal Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

EXISTING STATE LAW requires every licensee of the Department of Business Oversight (DBO) under the Financial Institutions Law to file with the DBO commissioner one copy of all material filed by the licensee with any applicable federal financial institution regulatory agency, law enforcement agency, or other federal agency. [Financial Code, Section 459]

EXISTING FEDERAL LAW enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), among other things, created the federal Consumer Financial Protection Bureau (CFPB). The CFPB was granted rule-making authority under the Real Estate Settlement Procedures Act of 1974 (RESPA) and the Truth in Lending Act (TILA) and was tasked with harmonizing the rules under RESPA and TILA. In 2013, the CFPB reissued the implementing regulations for RESPA (Regulation X) and TILA (Regulation Z). This reissuance changed the references for Regulation X and Regulation Z in the Code of Federal Regulations (CFR). The Dodd-Frank Act abolished the Office of Thrift Supervision (OTS), and transferred its supervisory powers and responsibilities for federally-chartered thrift institutions to the Office of the Comptroller of the Currency (OCC), the national bank regulator.

FISCAL EFFECT: None.

COMMENTS:

The Assembly Banking and Finance Committee bill provides technical corrections and conforming language for various California code sections related to:

- 1) SB 664 (Committee on Banking and Financial Institutions, Chapter 243, Statutes of 2011), which reorganized and renumbered all Financial Code sections related to banks, trust companies and money transmitters;
- 2) Revised federal regulations issued by the Consumer Financial Protection Bureau under authority of the Dodd-Frank Act; and,
- 3) Clarifying material that licensees are required to file with the commissioner.

SB 664 completely renumbered sections of the Financial Code related to banking, trust company and money transmitter licensees of the Department of Financial Institutions (DFI). As a result, various statutes contain inaccurate references to sections of the Financial Code that were renumbered. Subsequent legislation has addressed some, but not all, of these incorrect references. AB 2742 corrects the remaining inaccurate references.

There are a number of references to federal Regulation X and Regulation Z in California statutes which should be corrected to avoid confusion and enhance enforcement of California consumer protection laws that reference RESPA, TILA and the implementing regulations. Additionally, since the OTS was abolished, references to the OTS in California codes should be eliminated.

SB 664 inadvertently removed the citation language for the Banking Law from the Financial Code. This proposal would add Sec. 1001 to Division 1.1 of the Financial Code to provide a citation for the Banking Law.

AB 2742 also would provide updated information for consumers regarding how to contact a HUD-approved housing counseling agency in the “Home Ownership Counseling Notice” required by Section 4973 of the Financial Code.

In addition, this measure would clarify existing law and reduce the regulatory burden on licensees by limiting the materials that must be filed with DBO.

AB 2742 would correct erroneous references to the OTS, which was abolished by the Dodd-Frank Act; the Federal Reserve System and HUD, whose rule-making authority under RESPA and TILA were transferred to the CFPB by the Dodd-Frank Act; and federal Regulations X and Z (implementing RESPA and TILA), which were reissued by the CFPB under different Code of Federal Regulations citations.

Incorrect references in the codes creates confusion for state employees who must administer the laws, for persons doing business in California under a license issued pursuant to an affected code, and for California consumers doing business with licensed persons.

PREVIOUS LEGISLATION

SB 664 (Committee on Banking and Financial Institutions, Chapter 243, Statutes of 2011) renumbered sections of the Financial Code related to banking, trust company and money transmitter licensees of DFI.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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