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2024 California Chapter Laws

All Acts take effect on January 1, 2025, unless otherwise noted.

Consumer Credit Operations

<i>Bill #</i>	<i>Chapter Law #</i>	<i>Statutes Affected</i>	<i>Summary of Provisions</i>	<i>Comments</i>
SB 1096	20	Civil Code § 1770(a)(28)	2023 legislation added a requirement to the Consumer Legal Remedies Act that a disclosure statement be provided in any mail solicitation to a consumer for a consumer financial product or service by a Covered Person who is not exempt from the CCFPL: “THIS IS AN ADVERTISEMENT. YOU ARE NOT REQUIRED TO MAKE ANY PAYMENT OR TAKE ANY OTHER ACTION OR RESPONSE TO THIS OFFER.” This bill adds a new requirement that the solicitation disclosure also appear in at least 16-point bold type on the envelope containing the solicitation.	Exempt entities include banks, credit unions, CFL’s, and the other usual suspects.
SB 1524	43	Civil Code § 1770(a)(29)	Adds a new subsection to the Consumer Legal Remedies Act To the effect that it is an unfair competitive practice and an unfair or deceptive act or practice to advertising, display, or offer a price for a good or service that does not include all mandatory fees or charges other than certain excluded items. This new rule does not apply to entities that are provide disclosures in accordance with the various federal alphabet soup regulations such as Regulation Z and Regulation E.	This seems to be a tree-killer bill that addresses something that is probably already actionable under the general unfair business practices law.
AB 1900	89	New Civil Code § 1748.50(28)	Provides that any provision in a consumer agreement that conditions a refund to a consumer upon an agreement from the consumer not to publish or make statements about the business is void as contrary to public policy.	Yelp can continue its evil ways.
144	AB 1854	Mil & Vet C § 800	A military service member who is called to active duty may defer payments on certain obligations, including credit cards, retail installment accounts or contracts, mortgage loans, certain vehicle loans, etc., for the period of active duty, upon request to the holder of the obligation. This bill requires such request to be submitted not later than 90 days following the commencement of the period of the active duty upon which the request is based.	Hearty thanks to Assembly Member Schiavo for this bill!

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Consumer Credit Operations (cont'd)

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520	SB 1061	Civil C. §§ 1785.3, 1785.13, 1788.14, 1786.18, 1785.20.6, 1785.27; (plus Sections of H&S C .and Ins. C. N/A to consumer credit)	<p>Contains numerous detailed provisions pertaining to “medical debt,” as defined. Of primary interest to consumer lenders is a prohibition upon any entity either reporting medical debt to a credit reporting agency, or basing a credit decision upon a consumer’s payment performance pertaining to medical debt.</p> <p>Also prohibits a consumer reporting agency from including medical debt confirmation in a consumer credit report. It prohibits a user of a consumer credit report in connection with the credit transaction from using medical debt listed on the report as a negative factor in a credit decision.</p> <p>Prohibits any person from furnishing information regarding a medical debt to a consumer reporting agency, and makes a medical debt void and an enforceable if any person knowingly violates this provision by furnishing information regarding the medical debt to a consumer credit reporting agency.</p> <p>Effective July 1, 2025, any contract creating a medical debt must include a term describing these requirements.</p> <p>A violation of these rules by a person holding a license or permit issued the state is deemed to be a violation of the law license or permit.</p> <p>(Other provisions affect hospitals’ charity care and recordkeeping requirements, collection of non-insured medical care costs, and insurance company billings.)</p>	<p>This is part of a nationwide trend. Unfortunately, there is little consistency among the various states’ enactments, and with the CFPB’s proposed regulation, in this area. However, unlike many such efforts, this bill does at least contain a relatively clear definition of “medical debt.”</p>

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Residential Mortgage Lending

<i>Bill #</i>	<i>Chapter Law #</i>	<i>Statutes Affected</i>	<i>Summary of Provisions</i>	<i>Comments</i>
AB 2424		Civil Code §§ 2932.2, 2923.5, 2923.55, 2924f	<p>Requires a lender to notify a defaulting borrower in their initial contact and subsequent due diligence letter that a third party, such as a family member, U.S. Department of Housing and Urban Development (HUD)-certified housing counselor, or attorney, may record a request to receive copies of a future notice of default and notice of sale so the third party may assist the borrower in avoiding foreclosure. Such written disclosure must also be provided to a borrower before signing the mortgage or deed of trust.</p> <p>Prohibits a foreclosure sale until 60 days after recording of the notice of sale if the borrower lists the house for sale in a publicly available multiple listing service and provides the lender and beneficiary with the listing agreement. If the borrower provides the foreclosure trustee and beneficiary with a copy of a purchase agreement for the sale of the listed property, the trustee must postpone the foreclosure sale by at least 45 days from the date of the purchase agreement.</p> <p>Prohibits a trustee from selling a property at the initial sale date for less than 75% of the property’s fair market value. If the property remains unsold, the property may be sold to the highest bidder at the trustee’s second sale.</p>	Part of the legislative trend to protect defaulting home borrowers. Will increase the cost and procedural burden of foreclosure, which is its intent.
AB 3108	517	Fin.C. § 4973 Penal C. § 532f	Seeks to end the practice of hard money lenders inducing consumer borrowers to certify that a consumer mortgage loan is a commercial-purpose loan. It makes it a felony for a mortgage broker or mortgage loan originator to intentionally instruct or otherwise deliberately cause a consumer borrower to sign documents that assert that (1) a loan that the Borrower intends to use the loan proceeds primarily for personal, family or household use is for business, commercial or agricultural purposes or (2) such a loan is a bridge loan, with knowledge that the loan proceeds will not be used to acquire or construct a new dwelling. A “bridge loan” is defined as a temporary loan, having a maturity of one year or less, for the purpose of acquisition or construction of a dwelling intended to become the consumer’s principal dwelling.	Seeks to eliminate the common fraudulent practice that prevents Borrowers from obtaining the protections intended by consumer laws. May also prevent straitened borrowers who cannot qualify for FHA, VA, or conventional loans from obtaining unconventional loans to avoid foreclosure.

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Residential Mortgage Lending (cont'd)

Bill #	Chapter Law #	Statutes Affected	Summary of Provisions	Comments
AB 295	142	Civil C. §§ 2924, 2924c, 2924h, 2924m, 2924.21, 3273.10	Makes several technical amendments to trustees' duties pertaining to foreclosures. It also provides that no one may contact, solicit, or initiate communication with a former homeowner to claim the surplus funds from a foreclosure sale of a residence before 90 days after the trustee's deed has been recorded.	This bill took effect on an urgency basis on July 18, 2024.
SB 1146	601	Civil Code §§ 2923.7, 2924.15, 2924.18, 2924c, 2924g, 2924h, 2924m	Makes several technical cleanup amendments to AB 296, which took effect earlier this year on an urgency basis. Makes technical and clarifying changes to laws related to mortgage servicing and non-judicial foreclosure processes. It makes minor 6 changes to clarify the trustee sale procedures, how bids are made payable, when to automatically postpone a trustee's sale, and clarifies whether certain the Homeowners Bill of Rights reporting and other rules apply to very small entities which make so few loans that they are not required to be licensed.	See also: Commercial Credit Operations

Pawnbroker Law

Bill #	Chapter Law #	Statutes Affected	Summary of Provisions	Comments
SB 1198	186	Fin. C. §§ 21200.6, 21200.9, 21201.2	The Pawnbroker Law is amended to increase the amount of storage fees; to permit a charge to collect a remote transaction fee for a replacement loan or loan redemption effected electronically; and to charge a \$7 fee for providing the notice required to a customer who fails to redeem any pawned item during the loan term.	The pawnbroker magic in Sacramento continues!

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Commercial Credit Operations

<i>Bill #</i>	<i>Chapter Law #</i>	<i>Statutes Affected</i>	<i>Summary of Provisions</i>	<i>Comments</i>
SB 1286	522	Civil C. §§ 1788.1, 1788.2, 1788.10, 1788.11, 1788.12, 1788.13, 1788.14, 1788.14.5, 1788.15, 1788.16, 1788.17, 1788.18, 1788.20, 1788.21, 1788.22; Fin. C. §§ 100001	<p>This bill extends the substantive and procedural protections of the Rosenthal Fair Debt Collection Practices Act to covered commercial financing debts as defined:</p> <ul style="list-style-type: none"> • Money due or owing or alleged to be due or owing from a natural person to a lender or other commercial financing provider, or to a debt buyer, by reason of covered commercial credit transactions, where the total amount of all covered commercial debt due and owing by the same person the same financing provider or debt buyer is no more than 500,000; • Covered transactions are accounts receivable purchases, factoring, asset-based lending, commercial loans, commercial open-end credit plans, and lease financing; • The coverage amount for a financing provider is determined as of when the transaction is first entered into includes the maximum amount that is set forth in an open-end credit agreement. • The coverage amount for a debt buyer is the amount owing or alleged to be owing to the debt buyer when the debt buyer acquires the rights of the financing provider in the <p>The bill specifies that a license under the Debt Collector Licensing Act is not required for collection of covered commercial financing debts</p>	<p>The bill is effective July 1, 2025. It is a major change in the California law pertaining to commercial lending. For a more detailed summary and compliance guidance, please see https://www.womblebondnickinson.com/us/insights/alerts/california-expands-scope-states-fair-debt-collection-practices-act-certain .</p>

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Commercial Credit Operations (cont'd)

<i>Bill #</i>	<i>Chapter Law #</i>	<i>Statutes Affected</i>	<i>Summary of Provisions</i>	<i>Comments</i>
SB 1521	194	Civil C. § 1799.302	The obligee in a purported commercial financing transaction may assess a fee for monitoring a small business's collateral in an asset-based loan or factoring transaction, so long as the fee is expressed as a dollar amount or percentage of an identifiable base, and the commercial financing transaction is delinquent for more than 60 days.	We are starting to see regulation of non-loan commercial financing transactions, such as this, creep into the California statutes.
SB 1146	601	Civil C. 1916.1	Clarifies that a statutory exemption from state usury law applies to a forbearance of a real estate loan arranged by a licensed real estate broker who differs from the broker who previously made or arranged the loan. It thus overrules a recently decided unpublished decision in which a Bankruptcy Court found that the real estate broker-arranged exemption in the state usury law does not apply to a mortgage loan modification that is arranged by a real estate broker who was not the same real estate broker who arranged the purchase of the property.	The lending industry breathes a sigh of relief. See also: Residential Mortgage Lending

Financial Literacy

<i>Bill #</i>	<i>Chapter Law #</i>	<i>Statutes Affected</i>	<i>Summary of Provisions</i>	<i>Comments</i>
AB 1871	810	Educ. C. §§ 51220	Adds personal financial literacy to the required courses of study to be offered for grades 7 to 12, inclusive.	No implementing funding or specifics, so nothing will happen. Too bad it isn't a required course for the staffs of the Legislature and the state regulatory agencies.

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Digital Financial Assets Law

<i>Bill #</i>	<i>Chapter Law #</i>	<i>Statutes Affected</i>	<i>Summary of Provisions</i>	<i>Comments</i>
AB 1934	945	Fin. C. §§ 3201, 3303, 3509, 3603, 3605, 3907	Implements revisions to the Digital Financial Assets Law enacted in 2023: <ul style="list-style-type: none"> • Postpones effective date of licensing requirement under the Act for one year, until July 1, 2026 • Requires monthly reports on activities • Clarifies coverage of the Act to stablecoin 	The Crypto Council for Innovation looks forward to continuing conversations on DFAL issues and the implementation of DFAL, as well as the pending introduction of further clean-up legislation. That will doubtless benefit us all.
SB 1458	799	Probate C. §§ 871, 872, 879.1, 879.2, 879.3, 880, 881	Enacts various technical amendments to the Revised Uniform Fiduciary Access to Digital Assets Act.	The substance of the Act and the amendments are less important than the fact that the Act has been incorporated into California law to provide for the disposition of digital assets after the death or incompetency of an owner of such assets.

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Privacy

<i>Bill #</i>	<i>Chapter Law #</i>	<i>Statutes Affected</i>	<i>Summary of Provisions</i>	<i>Comments</i>
AB 1828	940	Civil Code §§ 1798.100, 1798.120, 1798.121, 1798.139, 1798.185	Prohibits the collection of personal information of a consumer if the business has actual knowledge that the consumer is less than 18 years of age, unless the consumer is at least 13 years of age and less than 18 years of age and the consumer’s parent or guardian has affirmatively authorized the collection of the consumer’s personal information. Provides that a business that willfully disregards the consumer’s age shall be deemed to have had actual knowledge of the consumer’s age, and that a business must treat a consumer as under 18 years of age if the consumer, through a platform, technology, or mechanism, transmits a signal indicating that the consumer is less than 18 years of age. Specifically provides that it does not prohibit short-term, transient use of personal information that is necessary and proportional to the purpose for which it is used, and is not used, disclosed, or retained for any other purpose, including to build a profile regarding the consumer.	Covered entities should review their policies and procedures to comply with the new rules applicable to age.
SB 1223	887	Civil Code § 1798.120	A business to which another business transfers a consumer’s personal information as an asset that is part of a merger, acquisition, bankruptcy, or other transaction in which the transferee assumes control of all of, or part of, the transferor must comply with a consumer’s direction to the transferor as to their information under the CCPA Raises the age of consumers as to whom information may not be sold or shared from 16 to 18.	Bear in mind in connection with asset purchases.
AB 1008	802	Civil Code § 1798.140	Expanded the scope of personal information and clarified that personal information can exist in “abstract digital formats” including “compressed or encrypted files, metadata, or artificial intelligence systems that are capable of outputting personal information.”	
AB 3286	121	Numerous Civil Code §§ See ->	Moves the responsibility to adjust the CCPA’s monetary thresholds from the California Attorney General’s Office to the California Privacy Protection Agency and ties those adjustments to the Consumer Price Index. Civil Code §§ 1798.106, 1798.121, 1798.130, 1798.135, 1798.140, 1798.150, 1798.155, 1798.160, 1798.185, 1798.199.25, 1798.199.40, 1798.199.45, 1798.199.90, 1798.199.9	Will this be better or worse? Time will tell.

Thanks to Genevieve Walser-Jolly, our privacy law expert at Womble Bond Dickinson, for her assistance with this section.

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Other Pending Legal/Regulatory/Risk Management Issues

There are several other impending issues of which financial service providers should be aware:

<i>Topic</i>	<i>Jurisdiction</i>	<i>Summary of Provisions</i>	<i>Comments</i>
Bad Boy Registration Rule	CFPB	<p>Entities that have been the subject of a state given enforcement action or consent order must register with the CFPB. The entities' names and the subject of the action will be posted on the CFPB's web site.</p> <p>There are three upcoming registration deadlines:</p> <ul style="list-style-type: none"> ➤ Larger Participant CFPB-Supervised Covered Nonbanks: until January 14, 2025 ➤ Other CFPB-Supervised Covered Nonbanks: between January 14, 2025 and April 14, 2025 ➤ All Other Covered Nonbanks: between April 14, 2025 and July 14, 2025 	<p>This is the CFPB's way of demonstrating that anyone who is accused of something must be guilty; should be held up to public ridicule; and should be placed at a competitive disadvantage, regardless of the actual facts and circumstances of each matter or its resolution. The negative impact of this requirement is probably mitigated by the fact that few, if any, consumers, investors, or counterparties will pay any attention to it. However, failure to register is in itself another violation of CFPB regulation.</p>
Medical Debt Collection and Credit Reporting	CFPB & States	<p>The CFPB has issued a proposed regulation, limiting credit reporting and specific collection activities as to medical debt, which it does not define.</p> <p>Several states, including California, have enacted legislation in the same area. The states' statutes vary wildly so, so financial service providers need to review the specific requirements of each state in which they are conducting business operations</p>	<p>The financial services regulatory community's response to the scandalous nature of the US healthcare system is to seek to force medical service providers and their assignees to absorb all of the costs for medical services provided to patients who cannot or will not pay themselves. This seeks to resolve the deficiencies of the system by making such care cost-free to patients, without funding it. Providers who are working in the medical debt space, and adjacent spaces: beware!</p>

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Other Pending Legal/Regulatory/Risk Management Issues (cont'd)

<i>Topic</i>	<i>Jurisdiction</i>	<i>Summary of Provisions</i>	<i>Comments</i>
Customer Demographic Information Collection (Dodd-Frank Act § 1071)	CFPB	<p>Covered financial institutions (“CFI’s”) must collect and report data on small business credit applications. Applies to CFI’s with 100 “covered credit transactions” in the previous fiscal year: loans, lines of credit, credit cards, and merchant cash advances to small businesses (annual gross revenues of ≤ \$5 million).</p> <p>The compliance dates have been extended to:</p> <ul style="list-style-type: none"> > “Tier 1” - July 18, 2025 for a CFI that originated ≥ 2,500 covered credit transactions in <i>both</i> calendar years 2022 and 2023. The first filing deadline is June 1, 2026. > “Tier 2” - January 16, 2026 (first filing due June 1, 2027) for a CFI that: <ul style="list-style-type: none"> - Originated ≥ 500 covered credit transactions in both 2022 and 2023; <i>and</i> - Did not originate 2,500 or more covered credit transactions in both 2022 and 2023; <i>and</i> - Originated ≥ 100 covered credit transactions in 2024. > “Tier 3” - October 18, 2026 (first filing due June 1, 2027) for a CFI that originated ≥ 100 covered credit transactions in both 2024 and 2025. <p>Numerous data points are required, including information about the demographics of the applicant’s principal owners (minority-owned business status, women-owned business status, LGBTQI+-owned business status, and the ethnicity, race, and sex of the applicant’s principal owners).</p>	Implementation was been delayed due to litigation as to the CFPB’s authority, but the dates shown here re now effective.

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<i>Topic</i>	<i>Jurisdiction</i>	<i>Summary of Provisions</i>	<i>Comments</i>
Corporate Transparency Act Registration	FinCEN	As part of the part of the 2021 Corporate Transparency Act (the “CTA”), entities doing business in the U.S. are required to register with and provide information about themselves and their beneficial owners to FinCEN by January 1, 2025. There are numerous exceptions, but each entity should review whether any of the exception supply to it and, if not, complete the registration procedure.	This CTA registration requirement was little noted by the business community and has the potential to be weaponized as to each entity at the worst possible moment. Wolters-Kluwer has an upcoming webinar on this requirement on December 17, 2024: https://event.on24.com/wcc/r/4784596/EF96E99B09C6BED966DAE6B7E9D16361 . <i>This just in:</i> On December 3, 2024, the U.S. District Court for the Eastern District of Texas issued a nationwide preliminary injunction, prohibiting enforcement of the reporting obligations under the CTA nationwide, and staying the CTA’s January 1 compliance deadline, “pending further order of the Court.” However, this is an actively developing matter that may be subject to change, and similar litigation active in other federal district courts is also proceeding. Therefore, covered entities should prepare for compliance by <i>either</i> (1) registering with FinCEN, <i>or</i> (2) documenting their basis for exemption, <i>or</i> (3) preparing to register immediately if the injunction is lifted by the court or an appellate court.

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<i>Topic</i>	<i>Jurisdiction</i>	<i>Summary of Provisions</i>	<i>Comments</i>
Commercial Disclosure Requirements	States	Several states have enacted or have pending requirements for early disclosures of the terms of commercial financing, including commercial lending, factoring, and merchant cash advance products. Currently: CA, NY, UT, VA, FL, GA, KS, and CT, with bills pending in other states.	Each state's rules are different, although it is possible to develop a combined disclosure form. The various state rules apply to different types of and different amounts: none greater than \$500,000
Payments Rule	CFPB	After years of litigation, the Fifth Circuit Court of Appeals has held that this rule will take effect on March 30, 2025. The Rule applies to: (1) consumer loans with a term of 45 days or less; balloon-payment loans with a term of greater than 45 days and where one or more payments is twice as large as another payment; and (3) longer-term loans with an APR of greater than 36% where the lender can initiate transfers from the consumer's account without further action by the consumer. The rule (1) prohibits lenders from attempting to withdraw payment for a covered loan from a borrower's account after two consecutive attempts have failed due to lack of sufficient funds, unless the borrower specifically provides new authorization to do so; and (2) requires lenders to give consumers certain notices, such as advance notice before attempting to withdraw a payment for the first time and notice of the consumer's rights when two consecutive payment attempts fail.	Covered lenders: the time to set up compliant systems is now!