

# Lenders and Credit Officers Conference

2018

## State Legislative Update

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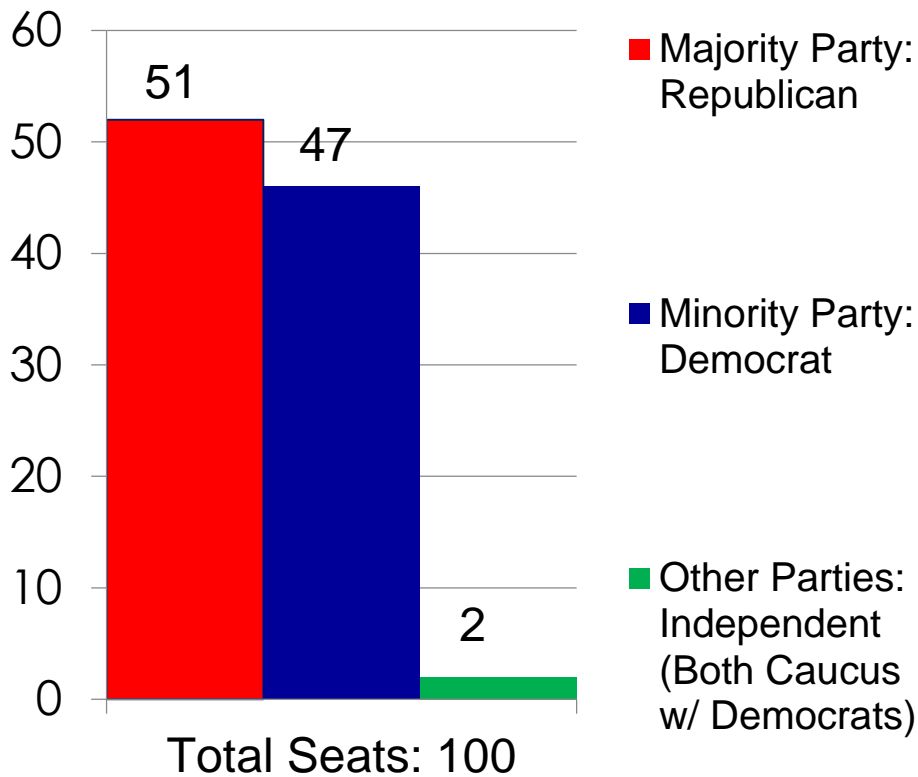
# CBA's STATE ADVOCACY

- **We are the only banking trade association in California with a full-time state legislative advocacy team dedicated to protecting our members' interests. We are in the Capitol every day talking with legislators, key staff, policy committee consultants, regulators and executives in the governor's office.**
- **CBA's state advocacy is multi-faceted. We submit comment letters and deliver testimony on measures that our members have identified as priorities. We build coalitions with other entities that share our view.**
- **CBA's direct involvement with pending measures provides our members a unique view on the intent and meaning of adopted public policies, how particular proposals came to be and how the association's role affected the final content of measures impacting the industry.**

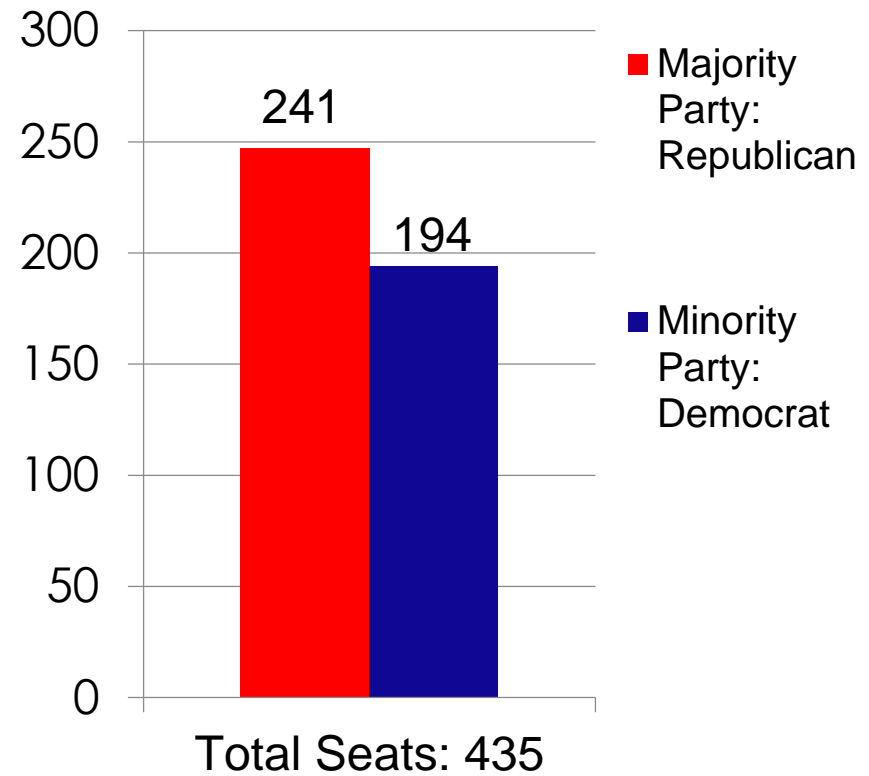
# TODAY'S DISCUSSION

- The contrast between the federal and state government
- How tension is influencing public policy
- Trend lines and what to watch for in upcoming elections
- Pending state legislation of interest to banks

# 115<sup>th</sup> CONGRESS (2017 – 2018)



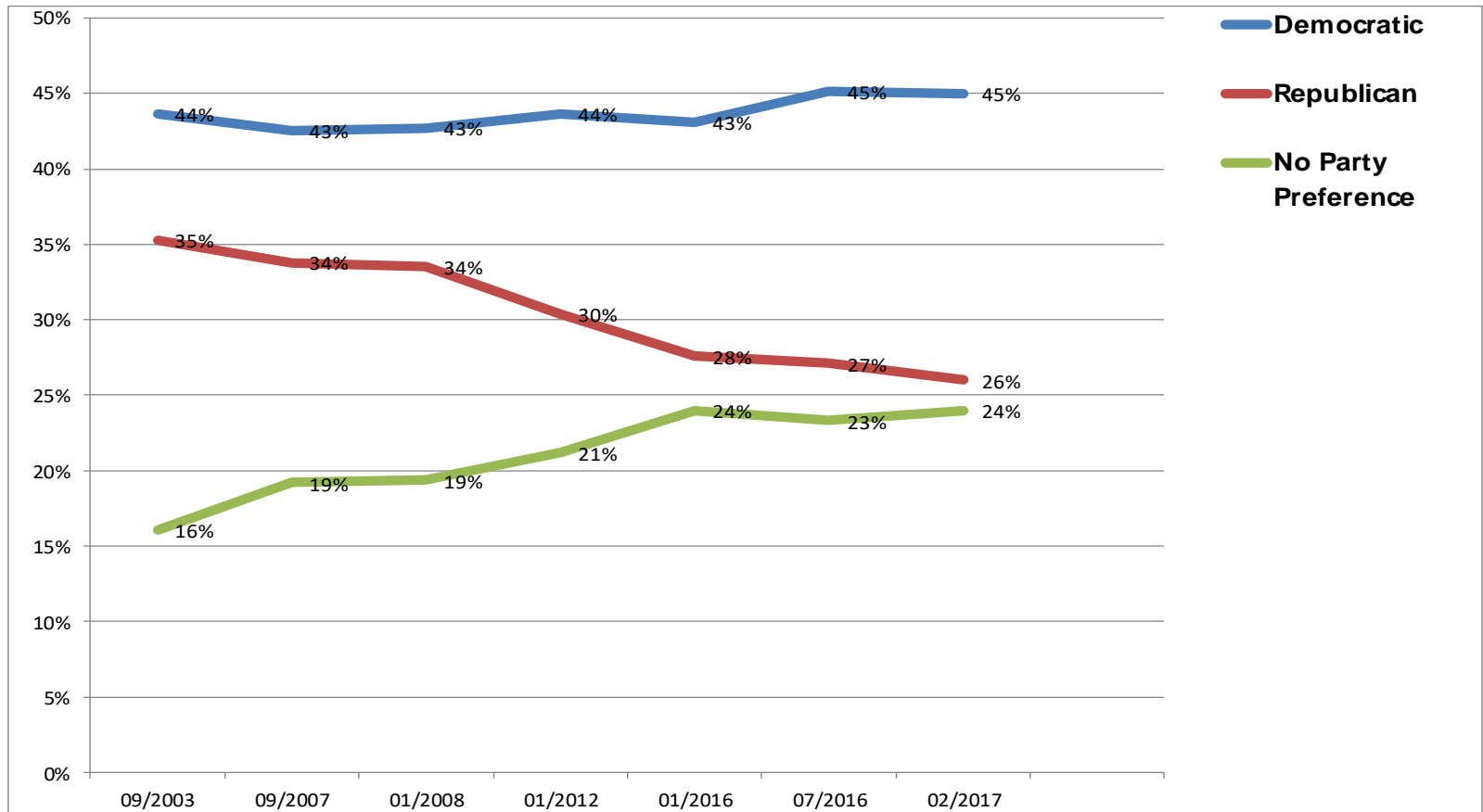
U.S. Senate



U.S. House of Representatives

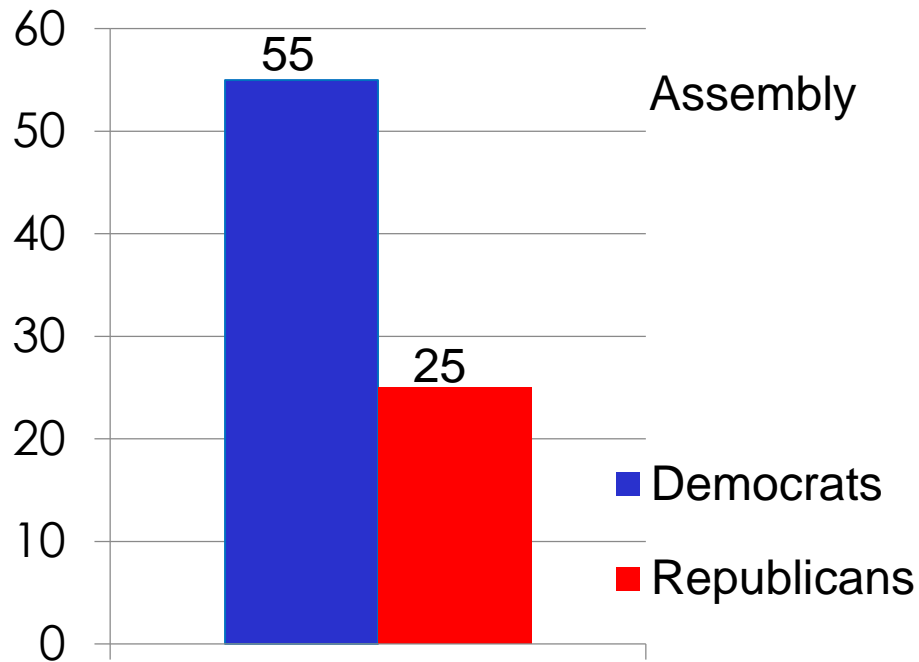
# CALIFORNIA VOTER REGISTRATION

As of February 2017, there are 19.4 million Californians registered to vote equaling nearly 78 percent of all eligible voters

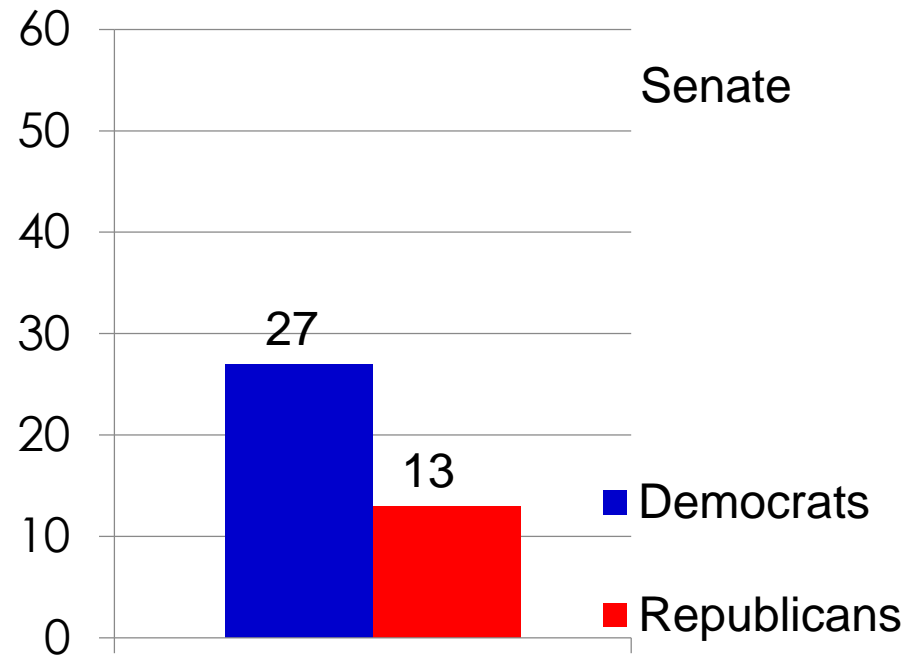


# CALIFORNIA LEGISLATURE (2017 – 2018)

## Supermajorities In Both Houses



Number to supermajority = 54



Number to supermajority = 27

# TENSION BETWEEN THE STATE AND FEDS

- **Optimism at the federal level for businesses**
  - **Taxation**
  - **Regulation**
- **California establishes itself as the “resistance”**
- **Policy gets momentum due to fear of federal government action**
- **Confrontation between California and the federal government**
  - **Climate change**
  - **Healthcare**
  - **Immigration**
  - **Consumer protection**
  - **And more...**

# WHY SUPERMAJORITIES MATTER

- Urgency legislation
- Taxes
- Ballot initiatives



# CALIFORNIA INITIATIVE PROCESS

- The Legislature may place constitutional amendments, bond measures and proposed changes in law on the ballot
- California voters can place an initiative or a referendum on the ballot by gathering enough signatures
  - Initiative that amends a California statute:  
365,880 signatures = five percent of the total votes cast for governor in the last election
  - Initiative that amends the California Constitution:  
585,407 signatures = eight percent of the total votes cast for governor in the last election

# GUBERNATORIAL ELECTION AHEAD

- **All state constitutional officers, all Assembly seats, half of the state Senate seats, all congressional seats and one U.S. Senate seat on the ballot**
- **Various initiatives will also be considered**
  - **Primary election on Tuesday, June 5, 2018**
  - **General election on Tuesday, November 6, 2018**

# 2018 State Legislative Key Dates

- **February 16 – Bill introduction deadline**
- **June 1 – Last day to pass bills out of house of origin**
- **July 6 – Last day for policy committees to meet**
- **August 31 – Last day for each house to pass bills**

# Overarching Public Policy Themes

- Affordable housing
- Lending
- Cybersecurity and privacy
- Marijuana
- Tax reform

# California Banking Issues in 2018

- **Affordable housing**
  - **Fifteen bill package enacted last year**
  - **Innovative ways to achieve housing goals (ADU)**
  - **Starting a conversation over redevelopment agencies 2.0**

# California Banking Issues in 2018

- **Lending**
  - **Increased access to credit for all borrowers**
  - **Enhanced protections for borrowers**
  - **Efficiencies achieved through technology**
  - **Loss mitigation remains topical**

# California Banking Issues in 2018

- **Commercial lending**
  - **Emerging concern for small business borrower**
  - **Statutory model disclosure requirements**
  - **Enhanced transparency of terms and conditions**

# California Banking Issues in 2018

- **Property-assessed lending**
  - **Climate change versus consumer protections**
  - **New disclosure requirements and licensing and regulatory oversight**
  - **Rulemaking forthcoming**



# California Banking Issues in 2018

- **Residential mortgage lending**
  - **Has the pendulum swung too far**
  - **Mixed messages from the Legislature**
  - **Opportunity to achieve homeownership**
  - **Ongoing interest in foreclosure procedure and underwriting reform**

# California Banking Issues in 2018

- **Small dollar and online platforms**
  - **Tension between promoting and regulating**
  - **Regulatory oversight**
  - **Product limitations**

# California Banking Issues in 2018

- **Cybersecurity and privacy**
  - **Integrity of systems**
  - **Emerging technologies**
  - **Adequacy of breach notices**
  - **Consumer remedies**

# California Banking Issues in 2018

- **Marijuana**
  - **Recreational use became effective January 1**
  - **U.S. DOJ rescinds Cole Memo – rule of law**
  - **Establishment of a public bank**
  - **Federal law remains supreme**

# California Banking Issues in 2018

- **Tax reform**
  - **Federal tax reform adopted**
  - **State pursues offsets to protect taxpayers**
  - **Taxes for businesses experiencing “windfalls”**