



DRE expenditures for the first eleven months of fiscal year 1986-87 totaled \$18.3 million. This reflected an increase of 4% over 1985-86, attributed to the rental of off-site examination facilities, staff overtime, and equipment purchases. The DRE's budget for fiscal year 1987-88 is \$22.2 million, as compared to \$22 million for fiscal year 1986-87.

Continuing Education Requirements. Governor Deukmejian approved SB 24 (Montoya) on September 9 (Chapter 463, Statutes of 1987). SB 24, which was sponsored by CAR, removes the "sunset" provisions from DRE's existing continuing education requirements, thereby extending them indefinitely. The DRE supported SB 24 after reviewing results of an extensive study of its continuing education program, completed by Arthur Young and Company of Sacramento and funded from the DRE Education and Research Fund.

LEGISLATION:

The following is a status update on bills discussed in detail in previous issues of the *Reporter*:

AB 1214 (Hughes), *AB 486 (Frazee)*, and *AB 1310 (Lancaster)* have been dropped by their authors.

SB 1370 (Seymour), *SB 376 (Maddy)*, and *SB 1465 (Keene)* will not be pursued by their authors.

AB 2482 (Hauser) died in the Senate.

RECENT MEETINGS:

At the October 9 meeting of the Advisory Commission, Thomas Hensley gave a report on real estate education. Mr. Hensley stated that the DRE has provided funding to real estate education programs in several California universities and community colleges. This funding is provided through the Real Estate Education and Research Fund.

Representatives of recipient institutions then reported to the Commission on how they are utilizing the DRE monies. Representing the University of California at Berkeley's Center for Real Estate and Urban Economics (Center) was Bob Edelstein. The Center promotes research in real estate finance and construction, land use, and urban and regional development. It serves as a practical forum for academics, government officials, and business leaders. It also sponsors creative and thoughtful academic research and executive education programs with the goal of promoting understanding and encouraging innovation in the field of real estate. The Center prepares a Quarterly Report with support from the DRE.

Representing Housing, Real Estate, and Urban Land Studies at the University of California at Los Angeles was Kathleen Connell. Donald Fletcher reported on the California State University Real Estate and Land Use Institute, while the California community colleges were represented by Rebecca Singleton and George Bairey.

FUTURE MEETINGS:

To be announced.

DEPARTMENT OF SAVINGS AND LOAN

Commissioner: William J. Crawford
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The Department of Savings and Loan (DSL) is headed by a commissioner who has "general supervision over all associations, savings and loan holding companies, service corporations, and other persons" (Financial Code section 8050). DSL holds no regularly scheduled meetings, except when required by the Administrative Procedure Act. The Savings and Loan Association Law is in sections 5000 through 9001 of the California Financial Code. Departmental regulations are in Title 10, Chapter 2, of the California Administrative Code.

MAJOR PROJECTS:

Proposed Regulation Changes. In early December, the commissioner declared that DSL's existing advertising regulations in Subchapter 4, Article 1, Chapter 2, Title 10 of the California Administrative Code, do not accurately reflect the changes in the law effected by Chapter 1091, Statutes of 1983. The 1983 statutory change added section 6523 to the Financial Code, authorizing an association to use advertising which is accurate and not misleading; authorizing the commissioner to require that the text of any advertising be filed prior to its use; and prohibiting associations from using advertising after notice in writing from the commissioner.

Section 6653 of the Financial Code prohibits an association from indirectly or directly distributing giveaways for the opening or increasing of an account, and authorizes the commissioner to impose by regulation restrictions on the distribution and advertising of giveaways, equivalent to those imposed on federal associations doing business in California. Section 7100 of the Financial Code, also enacted in 1983, permits

associations to offer demand accounts, which were not allowed under the previous Savings Association Law.

In order to conform its regulation with the 1983 statute, the DSL proposed minor changes to numerous provisions of its Title 10 advertising regulations. Following a comment period which ended on January 18, the DSL submitted the proposed amendments to the Office of Administrative Law (OAL) for approval.

The DSL has also forwarded to OAL its proposed amendments to sections 107.600-107.603, Subchapter 7, Article 6, Title 10 of the California Administrative Code. These regulatory changes are also necessary because of the repeal and/or modification of various sections of the Financial Code; in particular, section 7650 of the Code now authorizes broad salvage authority to an association "to invest its funds,...or take any other action over whatever period of time may reasonably be necessary to avoid loss on a loan or investment...."

Proposed section 107.600 clarifies the scope and purpose of Article 6; section 107.601 establishes guidelines for approving or disapproving an insurer to underwrite insurance pursuant to Article 6; section 107.602 allows an association to advance credit to a borrower for payment of insurance premiums in connection with an unsecured loan; section 107.603 establishes conditions which an association must meet before it may accept an assignment by a borrower of a life or disability insurance policy on the borrower, as additional security for a loan made.

Notice Regarding Proper Evaluation of Borrowers' Creditworthiness. On November 13, the commissioner issued a notice and finding of unacceptable business practice representing a violation of Financial Code section 7450(a). Many federal and state-chartered institutions have recently advertised that they are willing to grant new loans on the basis of loan to value ratios only (the amount of the loan is in proportion to the value of security), and without evaluation of the borrower's creditworthiness. The law states that an association making a loan shall determine the provisions of the loan "in relation to the borrower's resources and credit standing...." Associations have been advised that compliance will be verified during field examinations. Commissioner Crawford has urged management of each institution to "assure itself that borrowers' creditworthiness is effectively evaluated in all loan transactions."



Lender/Broker Alert. On October 14, the DSL released an alert concerning the provision of refinancing or second trust deed secured loans to purchasers of housing produced by the Century Freeway Housing Program (CFHP). The CFHP housing at issue is located in various cities and the County of Los Angeles, and is generally within a six-mile radius of the proposed interstate 105 freeway. The units were made available at below market sales price to those displaced by the "Century Freeway" now under construction between Los Angeles International Airport and the City of Norwalk. As a condition of making the below market sales, the purchasers have entered into and recorded agreements which prohibit any refinancing or further encumbrances without the express written consent of the State Department of Housing and Community Development (HCD). Approval of additional encumbrances may be approved by HCD only for limited amounts and only for purposes of repairing or maintaining the properties.

The DSL has asked all lenders and brokers to be alert for references to these agreements with HCD and to refrain from approving loans without the approval of HCD. The Department has warned that failure to obtain the required approval may subject the lender to a significant monetary loss.

Report on "Stripped Securities". Pursuant to the provisions of section 8151 of the Financial Code, DSL will prepare a report ascertaining the extent of association investments in "stripped securities." The Department required completion of a special reporting form by all state-chartered associations by November 30, 1987.

A "stripped security," often a U.S. Government obligation, results from separation of the principal and interest portion of the security. The holder of a "stripped security" has the right to receive either the principal balance at maturity or the periodic interest payments. These securities have limited marketability and are among the most volatile, interest-rate-sensitive investments in the market today.

LEGISLATION:

SB 1465 (Keene), a two-year bill regarding creation of a task force to examine the state's financial regulatory system, will not be pursued during this session.

H.R. 27. The federal Competitive Equality Banking Act of 1987 (H.R. 27), enacted August 10, 1987, has estab-

lished adjustable rate mortgage caps effective December 10, 1987. H.R. 27 requires that adjustable rate mortgages include a limitation on the maximum rate of interest applicable to the loan. It applies only to loans secured by a lien on a one-to-four-family dwelling unit made by persons who regularly extend credit for personal, family, or household purposes. A family dwelling unit may be a condominium or cooperative housing unit or a mobile home.

Rulemaking authority under the new statute is delegated to the Federal Reserve Board. Violations will be enforced by the primary regulators of each type

of financial institution and by the Federal Trade Commission. Each of the agencies may use its administrative enforcement powers to enforce the legislation and may, under the Truth-in-Lending Act, adjust finance charges where erroneously disclosed. Under the Truth-in-Lending Act's enforcement provisions, creditors failing to comply with the provisions of this legislation may be held civilly liable to individuals for actual damages and to classes for up to \$500,000.

(For further discussion of H.R. 27, see *supra* agency report on STATE BANKING DEPARTMENT.)



DEPARTMENT OF INDUSTRIAL RELATIONS

CAL-OSHA

Director: Ronald T. Rinaldi
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California's Occupational Safety and Health Administration (Cal-OSHA) is part of the cabinet-level Department of Industrial Relations (DIR). The agency administers California's programs ensuring the safety and health of government employees at the state and local levels.

Cal-OSHA was created by statute in October 1973 and its authority is outlined in Labor Code sections 140-49. It is approved and monitored by, and receives some funding from, the federal OSHA.

The Occupational Safety and Health Standards Board (OSB) is a quasi-legislative body empowered to adopt, review, amend, and repeal health and safety orders which affect California government employers and employees. Under section 6 of the Federal Occupational Safety and Health Act of 1970, California's safety and health standards must be at least as effective as the federal standards within six months of the adoption of a given federal standard. Current procedures require justification for the adoption of standards more stringent than the federal standards. In addition, OSB may grant interim or permanent variances from occupational safety and health standards to employers who can show that an alternative process would provide equal or superior safety to their employees.

The seven members of the OSB are appointed to four-year terms. Labor Code section 140 mandates the composition of the Board, which is comprised of two members from management, two from labor, one from the field of occupational health, one from occupational safety, and one from the general public.

The duty to investigate and enforce the safety and health orders rests with the Division of Occupational Safety and Health (DOSH). DOSH issues citations and abatement orders (granting a specific time period for remedying the violation), and levies civil and criminal penalties for serious, willful, and repeated violations. In addition to making routine investigations, DOSH is required by law to investigate employee complaints and any accident causing serious injury, and to make follow-up inspections at the end of the abatement period.

The Cal-OSHA Consultation Service provides on-site health and safety recommendations to employers who request assistance. Consultants guide employers in adhering to Cal-OSHA standards without the threat of citations or fines.

The Appeals Board adjudicates disputes arising out of the enforcement of Cal-OSHA's standards.

MAJOR PROJECTS:

Initiative to Restore Cal-OSHA Private Sector Enforcement. Regardless of the outcome of litigation currently pending before the California Supreme Court (see *supra* LITIGATION), the California