THE CALIFORNIA CONSUMER FINANCIAL PROTECTION LAW

COVID-19 Response Must Include Strong Protections For California's Most Vulnerable Consumers

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THE ISSUE

In the wake of the Great Recession and the economic devastation caused by predatory financial products, widespread fraud, and irresponsibility among financial institutions, Congress and the Obama Administration created the federal Consumer Financial Protection Bureau (CFPB). The CFPB was created under the Dodd-Frank Act to promote fairness and transparency in often poorly understood financial products, including mortgages, loans, and credit cards.

The Trump Administration has gutted the CFPB. The Trump Administration's CFPB has: 1) cratered the number of public enforcement cases by a jaw-dropping 80% between 2015 and 2018; 2) reduced the average monetary relief for victims by a grotesque 96%; 3) stripped enforcement powers from the office designed to protect minority populations from financial discrimination; 4) asked Congress to appropriate zero – yes, zero – money to fund it; 5) shut down the key watchdog for protecting America's 44 million student loan borrowers; and 6) become very friendly to the payday lending industry, a large contributor to Trump's campaign.

Dodd-Frank encourages state regulators like California's Department of Business Oversight (DBO) to oversee and enforce its protections against unfair and abusive financial practices. Some states have already done just that. It is time for California to step forward in lockstep with leaders like New York, accept the Dodd-Frank invitation, and provide the resources the DBO needs to enforce protections that create enduring benefit for California consumers, and California businesses.

STRENGTHENING CONSUMER PROTECTIONS IS AN ESSENTIAL PART OF COVID-19 RECOVERY

While prosperous for some, California's crisis of affordability and financial inequality is intense in both big cities and the central valley. This unprecedented COVID-19 pandemic is rapidly widening this inequality gap, and unemployment in California is rapidly approaching Great Depression levels. Predatory lending increases dramatically after a recession, and currently, millions of Californians find themselves on the brink of financial ruin. We must protect vulnerable consumers during this strenuous time. The world's fifth largest economy deserves its own world-class financial enforcement agency. Such enforcement and oversight is especially important for vulnerable populations at the forefront of this inequality who are commonly and ambitiously targeted by unscrupulous financial businesses, such as veterans, communities of color, seniors, students, and new Californians.

THE SOLUTION

Governor Newsom's 2020-21 budget proposes enactment of the California Consumer Financial Protection Law (CCFPL). Just as the Departments of Insurance, Managed Health Care, and Public Health enforce laws against particular industries not relying solely on Attorney General lawsuits, Newsom's budget proposal, similar to New York's model, would permit the California's state agency currently devoted to financial oversight (DBO) to actually enforce current state and federal consumer protection laws; laws every financial services company must already obey.

DETAILS OF THE CALIFORNIA CONSUMER FINANCIAL PROTECTION LAW

The Governor is proposing that the newly named Department of Financial Protection and Innovation receive $44.3 million between 2020-2023 to fund 90 positions to implement the CCFPL. The proposed law would authorize DFPI to:

- ➢ Bring actions against financial product providers who commit unfair, deceptive, abusive acts or practices as already long prohibited under Dodd-Frank and current California law;
- ➢ Engage in specialized monitoring and research;
- ➢ Provide consumers with expanded outreach to targeted groups, including veterans, communities of color, seniors, students, and new Californians; and
- ➢ Establish a new Financial Technology Innovation Office in San Francisco to encourage innovative financial products and services.