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beneficial state foundation

Lawmakers Pass Landmark Bill Protecting Californians From Unfair Lending Practices

Serves as Model for States to Protect Consumers

Sept. 1, 2020 (Sacramento) - California legislators approved a landmark bill on Monday that will protect consumers and small businesses by enforcing laws prohibiting financial companies from engaging in unfair, abusive, and deceptive practices. If AB 1864 is signed into law by Governor Gavin Newsom, California will have its own well-equipped financial watchdog that can serve as a model for other states to create robust consumer protection agencies of their own.

“This is an important step forward for protecting Californians in the financial marketplace,” said Richard Cordray, former director of the Consumer Financial Protection Bureau (CFPB). “Now there will be more hard work ahead to make sure these changes in the law achieve their intended goal of improving life for consumers in California.”

In the final hours of the California legislative session, both the Assembly and Senate passed bills intended to strengthen protections for those most vulnerable to financial fraud and abuse: AB 1864, authored by Assemblywoman Monique Limón, and SB 908, introduced by Senator Robert Wieckowski.

The New California Consumer Financial Protection Law (CCFPL) comes at a critical moment when the Coronavirus pandemic has thrown nearly eight million California workers into first-time unemployment, millions of renters have lost their income, and have thousands of dollars due in back rent. Consumer complaints to the CFPB have increased by 50%, yet enforcement activity has plunged by 80% since 2015, and restitution paid to defrauded consumers has dropped by 96%. Meanwhile, the California Department of Business Oversight (DBO) has reported a 40% increase in consumer complaints, calls and inquiries since March.

Since the Trump administration began systematically paralyzing and inhibiting enforcement actions at the CFPB, a broad coalition of consumer and small business advocates have rallied to strengthen regulations against the worst excesses in the financial system. Coalition partners include the Office of Kat Taylor, California Low Income Consumer Coalition (CLICC), Consumer Federation of California, NextGen California, Consumer Reports, Berkeley Law at UC Berkeley, California Reinvestment Coalition, National Consumer Law Center, Public Counsel, CDC Small

Business Finance, Small Business Majority, California Women's Business Centers, Center for Responsible Lending, Beneficial State Foundation, Bet Tzedek, Consumer Action, Student Borrower Protection Center, and Consumer Attorneys of California.

"California's leadership in consumer protection comes at a time when the pandemic has created a waterfall of opportunities for scammers, debt collectors, and other predatory financial actors," said Kat Taylor, a member of the coalition and Co-Founder and Board Chair of Beneficial State Bank, a Community Development Financial Institution with more than \$1 billion in assets. "As someone who has run a bank for over a decade, co-founded on the eve of the Great Recession, good-faith financial actors should welcome a robust consumer watchdog that can give consumers a fighting chance to navigate the complex world of often-opaque financial products. This is an unabashed win for the people of California."

The CCFPL will restructure the DBO into the new Department of Financial Protection and Innovation (DFPI). The new DFPI will hold broader powers to monitor fraudulent actors and enforce the law, and provide the unique technical expertise and staff to research a rapidly-evolving fintech industry in the digital era

"This proposal was vitally needed even before COVID, but it is even more critical now," stated Robert Herrell, Executive Director of the Consumer Federation of California. "When economic times get bad scam artists come out of the woodwork. They particularly prey on low-income communities and communities of color living on a financial precipice. We need a strong and nimble financial regulator like the proposed Department of Financial Protection and Innovation to help consumers who have been taken advantage of, make them whole and avoid massive financial fraud in the future."

With the Trump administration's shameful regulatory changes at the federal level and Congress's failure to extend unemployment benefits along with job losses and the threat of evictions, more U.S. households are vulnerable to being drawn into a spiral of debt. California's new agency will serve as a model for other states to follow suit.

"Given weak oversight at the federal level, we are pleased that California is filling the gap and stepping up their efforts to stop financial fraud and abuse," said Suzanne Martindale, senior policy counsel and western states legislative manager at Consumer Reports. "This proposal should serve as a model for other states seeking to strengthen financial industry oversight so that consumers are treated fairly when they pay their bills, can manage their debts, and build family wealth and security."

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About the Office of Kat Taylor

Kat Taylor is active in a variety of social enterprises, public benefit and philanthropic ventures. Concurrently, she serves as Co-founder and Board Chair of Beneficial State Bank, a Community

Development Financial Institution, whose mission is to bring beneficial banking to under-resourced communities in an economically and environmentally sustainable manner. Taylor is also the owner of TomKat Ranch, a cattle ranch that uses environmentally beneficial practices and research to demonstrate, inspire, and teach the adoption of regenerative agriculture. Taylor serves and has served on many nonprofit boards, including CuriOdyssey, Ecotrust, Good Samaritan Family Resource Center, the Harvard Board of Overseers, Insight Prison Project, KQED, ProPublica and Yerba Buena Center for the Arts.