



August 6, 2020

The Honorable Monique Limón
 Chair, Assembly Committee on
 Banking & Finance
 State Capitol, Room 6031
 Sacramento, CA 95814

The Honorable Phil Ting
 Chair, Assembly Budget Subcommittee 6
 State Capitol, Room 6026
 Sacramento, CA 95814

RE: Department of Financial Protection and Innovation - SUPPORT

Dear Chairwoman Limón and Chairman Ting:

We write in strong support of the proposal to revamp the Department of Business Oversight (DBO) and create the Department of Financial Protection and Innovation (DFPI), an agency dedicated to consumer financial protection at a time when that mission is more essential than ever.

This matter is urgent. The COVID-19 crisis has thrown huge numbers Californians out of work – more than 7 million of us have filed unemployment claims since March. While the pandemic continues, Californians are piling on debt, all too often from high-interest lenders who target their loans specifically to low-income communities and communities of color. In some counties, aggressive debt collectors have used the pandemic as an opportunity to *increase* the number of lawsuits they file, against Californians who have lost their source of income. Both consumers and small businesses are being victimized.

The current DBO does not have the authority or the resources it needs to stop these abuses.

California urgently needs an enhanced agency with the mission and the ability to protect consumers and small businesses proprietors. That is precisely what the budget trailer bill provides.

The trailer bill would rename DBO the Department of Financial Protection and Innovation (DFPI) and establish the DFPI as a regulator with comprehensive oversight of the financial industry. It would ensure that the agency has the necessary tools to monitor everyone from debt collectors to fintech companies offering consumers quick cash. It would offer security and relief to the tens of millions of Californians who now find ourselves too close to the financial edge. And it would establish California as a national leader in protecting consumers, small businesses, and communities struggling to recover financially from the pandemic.

The Legislature could provide these protections immediately, without impacting the General Fund. The proposal would unlock existing funds at DBO from past enforcement actions to increase the Department's operating budget through 2023. Indeed, while there will be no cost to the General Fund if the trailer bill is enacted into law, there could be negative consequences for the General Fund if it is *not* enacted. Many consumers now teetering just above the safety net will require additional supports and services if they are not protected from immediate threats of financial harm.

Any policy designed to effectively address the many offshoots of the COVID-19 pandemic must include better state tools to oversee the financial industry and protect vulnerable Californians. The financial shock that people are experiencing now will only deepen in the coming months. It will take years for Californians to recover – and they will have a harder time recovering if the Legislature fails to act now. In the aftermath of the last financial meltdown in 2008, consumers were subjected to debt relief scams, predatory lending, and aggressive debt collection actions. These kinds of abusive financial practices can push people into bankruptcy and poverty – but they can be stopped if we have an effective consumer watchdog.

The depths of this crisis are rapidly eclipsing what we saw in 2008, and are expected to continue disrupting our daily lives over at least the next three years. If we fail to act now, we may create a vicious downward spiral in which unscrupulous actors go unchecked and take advantage of consumers and small businesses, who, in turn, could fall further behind and be unable to fully participate in our eventual economic recovery.

For all these reasons, an overhaul of DBO into a new mission-driven, consumer-focused agency is urgently needed this year so the agency will be in place during the worst of the coming downturn – when the desperation of low-income Californians will be at its height, and the swindlers who prey upon them most ruthless.

We offer our collective knowledge and experience to continue to refine the details of the trailer bill so that California's consumer protection laws and agencies are sufficient to meet the needs of the coming moment. We look forward to continuing to work with the Legislature to enact this proposal as a crucial part of California's 2020-2021 budget.

Sincerely,

Beneficial State Foundation
Berkeley Center for Consumer Law & Economic Justice
CalPIRG
California Low-Income Consumer Coalition
California Reinvestment Coalition
Californians for Auto Reliability and Safety
Center for Responsible Lending
Consumer Action
Consumer Attorneys of California
Consumer Federation of Aer
Consumer Federation of California
Consumer Reports
Consumer Watchdog
Elder Law & Advocacy
National Consumer Law Center (on behalf of its low-income clients)
NexGen California
Office of Kat Taylor
Public Counsel
Public Law Center
Richard Cordray, former CFPB Director
Student Borrower Protection Center
Western Center on Law & Poverty

Cc: Hon. Manuel Alvarez, Commissioner of Business Oversight