



STUDENT BORROWER
PROTECTION CENTER



beneficial state foundation



May 21, 2020

The Honorable Holly Mitchell
Chair, Senate Budget Committee
State Capitol, Room 5019
Sacramento, CA 95814

The Honorable Anna Caballero
Chair, Senate Budget Subcommittee 4
State Capitol, Room 5052
Sacramento, CA 95814

SUBJECT: Department of Financial Protection and Innovation - SUPPORT

Our organizations are in strong **SUPPORT** of Governor Newsom's proposal to revamp the Department of Business Oversight (DBO) into a strong consumer protection agency.

This matter cannot wait another year. Due to the COVID-19 crisis, 4.7 million Californians have filed unemployment claims – resulting in an unemployment rate of almost 25%. Unscrupulous financial service providers are already marketing risky loans and aggressively collecting debts, adding insult to injury for desperate families. In many cases, DBO does not have the authority it needs to stop these abuses.

The Governor's proposal 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 new DFPI has the necessary tools to monitor everyone from debt collectors to fintech companies offering fast cash to consumers. The Governor's proposal would position California as a national leader in protecting consumers, small businesses, and communities struggling to recover financially from the COVID-19 pandemic.

Californians need financial protection now more than ever – and the Legislature can provide those protections immediately, *without* impacting the General Fund. The proposal would unlock existing funds at DBO from past enforcement actions to increase its operating budget through 2023. Indeed, while there is no General Fund consequence to enacting the proposal, there will be negative consequences for the General Fund if it is not enacted this year. Many consumers now teetering just above the safety net will require additional supports and services if they are not protected from immediate threats of 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 many Californians to recover – and they will have a harder time recovering if we fail 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 expected to continue disrupting our daily lives over the next 18 months. If we fail to act now, we may create a vicious cycle 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-facing agency is urgently needed this year so it will be in place during the worst of the upcoming downturn – when the desperation of low-income Californians will be at its height, and the swindlers who prey upon them most brazen. We offer our collective knowledge, experience, and capacity to work with DBO to refine the details so that our consumer protection laws are strong in order to meet the needs of the moment. We look forward to continuing to work with the Governor’s Office and the Legislature to enact this proposal as a part of California’s 2020-2021 budget.

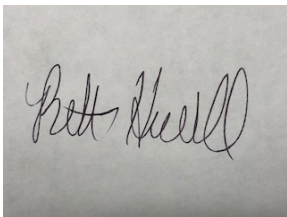
Sincerely,



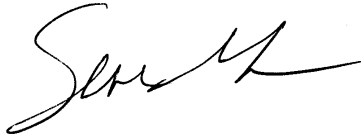
Richard Cordray
Former Director of the U.S. Consumer Financial Protection Bureau



Emma Guttman-Slater
Policy Advocacy & Fielding Building Director
Beneficial State Foundation



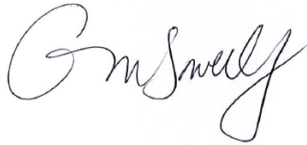
Robert Herrell
Executive Director
Consumer Federation of California



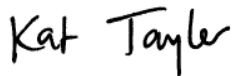
Suzanne Martindale
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Ted Mermin
Executive Director
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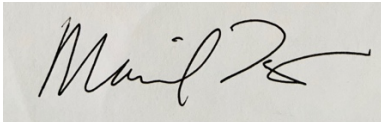
Arnold Sowell, Jr.
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The Office of Kat Taylor

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Former Student Loan Ombudsman of the U.S. Consumer Financial Protection Bureau

Lea Ann Tratten
Consumer Attorneys of California



Marisabel Torres
Director, California Policy
Center for Responsible Lending

A handwritten signature in blue ink that reads "Alegra Howard". The signature is written in a cursive style and is positioned above a thin horizontal line.

Alegra Howard
Policy Advocate
Consumer Action

Cc: Hon. Manuel Alvarez, Commissioner of Business Oversight