

CALIFORNIANS
— for —
ECONOMIC
JUSTICE

March 26, 2020

Hon. Gavin Newsom, Governor
State of California
California State Capitol
Sacramento, CA 95814

Dear Governor Newsom:

Californians for Economic Justice – a diverse coalition of nonprofit community and faith-based organizations working to advance economic justice for all in California¹ – writes to urge your administration to take immediate action, as recommended below, to address critical consumer protection needs resulting from the COVID-19 pandemic.

Though this is a national public health crisis, the economic harm it has already caused and will unfortunately continue to cause millions of Californians cannot be overstated. Job loss, reduced income, and the resulting financial strain on households makes those who are currently financially vulnerable even more exposed to financial shocks they likely will not be able to sustain without targeted and thoughtful policy interventions.

As a coalition that represents communities who have been subject to predatory lending, aggressive pursuit of debt collection, and overrepresentation within the criminal justice system, we have identified the following areas as needing immediate action from your administration to help stave off economic devastation to the millions of Californians who will be affected by the pandemic.

Interventions during the state of emergency to prevent further financial harm

While the entire state is under a state of emergency and subject to a shelter in place order, Californians' ordinary lives have been upended in a number of ways. We agree that these orders are necessary to protect public health. During this extenuating circumstance, people need the government to intervene to address the economic impacts that households are experiencing as a result. With millions of bills coming due at the start of the month, many people find themselves suddenly without an income – and sadly, most simply do not have enough savings or other resources to rely upon to make ends meet.

A massive new debt crisis is now upon us – and the state will need to work with local governments and industry actors to stem it.

¹ For more information about our work, please visit www.californiansforeconomicjustice.org.

We appreciate your efforts to date to prevent financial shocks through executive action to authorize local governments to halt evictions, foreclosures, and utility shutoffs through at least May 31. We urge you to build upon that work by using statewide tools to proactively stop debt payments and debt collection activities to the fullest extent possible, so that Californians have a better chance to weather the crisis.

The administration should work with the courts, local governments, industry actors, and other stakeholders to achieve the following:

- For a minimum of 90 days, or until the state of emergency is lifted (whichever is longer), suspend any and all required debt payments to the state. This includes, but is not limited to, taxes, state-held educational loans (including Dream Loans), and criminal legal fines and fees. The state should also waive interest accrual during this period.
- For a minimum of 90 days, or until the state of emergency is lifted (whichever is longer), suspend all collections activity on severely delinquent or defaulted debts. This includes, but is not limited to, assigning delinquent cases to private collection companies and/or the Franchise Tax Board; selling charged-off debt to debt buyers seeking default judgments; bank levies, or wage garnishments through the courts; seeking foreclosures, auto tows, or repossessions; seeking offsets of tax refunds and unemployment insurance; and any other collection activity related to the seizure of income that deprives Californians the full use or benefit of wages, government benefits or assistance, bank accounts, cars, and other household assets.

Interventions during the recovery to protect communities from abusive and opportunistic lending

Undoubtedly, many individuals and small business owners will be in need of substantial financial assistance in the coming months and years as we recover from the current crisis. However, this cannot be an excuse for lenders to take advantage of borrowers and exploit their financial vulnerability for economic gain.

To address this in the near-term, we ask that your administration provide guidance to all licensed lenders and loan servicers in the state, strongly recommending a reduction in fees, interest rates, and other costs to borrowing – as well as developing longer-term plans for loan modification programs, particularly for people with auto loans, mortgages, and student loans. Moreover, any evidence of exploitative behavior by licensees should be cause for immediate suspension or revocation of a license to do business in California.

Californians for Economic Justice recently pushed for, and your office signed into law, AB 539 that secured a 36% rate cap (plus the federal funds rate) on loans between \$2,500 and \$10,000 where there previously was no rate cap. Although payday and other high-cost lenders that fall outside of the purview of AB 539 may argue they are an “essential business,” the reality is that these loans will simply drive families deeper into debt. High-cost loans are never a good option, and certainly not during the current crisis. What communities need now is increased access to government-provided benefits and access to low- or no-cost financial services. Going forward, we ask that your office champion legislation that permanently reduces the costs of borrowing for Californians.

Furthermore, it is now more important than ever to ensure that our regulators have the tools and resources necessary to protect communities and vigorously enforce consumer protection laws to stop unfair, deceptive, and abusive practices in the financial industry. We urge the administration to dedicate budgetary resources to strengthen the capabilities of the Department of Business Oversight, and to work with the Legislature in the coming months and years to strengthen our consumer financial laws, so that communities across the state have a fair chance to recover their finances and achieve greater economic security.

Our communities are resilient and determined – and we all do better when we work together with common purpose. We seek to partner with your administration to implement these recommended policy interventions and to engage in ongoing dialogue, as we all learn more about the impacts the COVID-19 crisis creates across the state. To that end, we request that you provide our coalition and the public with structured opportunities to submit further input on these matters – for example, through online town hall events or comment submissions to an official task force or single point of contact during the state of emergency. We hope to hear from your office at your earliest convenience about the feasibility of such options.

We appreciate your consideration of our views. Please do not hesitate to reach out to Suzanne Martindale (suzanne.martindale@consumer.org) with questions.

Sincerely,

Californians for Economic Justice