



STUDENT BORROWER  
PROTECTION CENTER



beneficial state foundation

April 17, 2020

The Honorable Gavin Newsom  
Governor, State of California  
State Capitol  
Sacramento, CA 95814

The Honorable Toni Atkins  
President Pro Tempore, California State Senate  
State Capitol, Room 205  
Sacramento, CA 95814

The Honorable Anthony Rendon  
Speaker, California State Assembly  
State Capitol, Room 219  
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, more than two million Californians have filed unemployment claims – and some experts warn that by this summer, unemployment rates will likely mirror the Great Depression. 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.

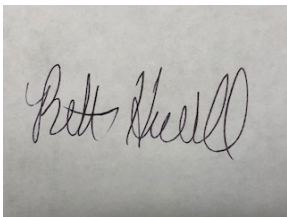
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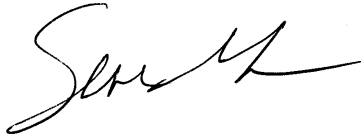
Richard Cordray  
Former Director of the U.S. Consumer Financial Protection Bureau



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



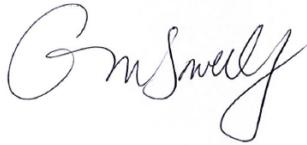
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Consumer Attorneys of California

Cc: Hon. Holly Mitchell, Chair, Senate Budget Committee  
Hon. Anna Caballero, Chair, Senate Budget Subcommittee 4  
Hon. Phil Ting, Chair, Assembly Budget Committee  
Hon. Jim Cooper, Chair, Assembly Budget Subcommittee 4  
Hon. Manuel Alvarez, Commissioner of Business Oversight