

CONCURRENCE IN SENATE AMENDMENTS

AB 2559 (Bauer-Kahan)

As Amended August 4, 2020

Majority vote

SUMMARY:

Authorizes the Department of Business Oversight (DBO) to seek ancillary relief for consumers through administrative action related to violations of the California Financing Law.

The Senate Amendments:

Technical and clarifying in nature.

COMMENTS:

One objective of regulating financial services activity is to establish a more efficient and equitable marketplace between borrowers and lenders. In many instances, providers of financial services have more information about the legal structure and financial risks associated with financial products than their customers have. Providers of financial products often retain attorneys and financial experts to design and offer their products, while consumers and small businesses may only have a simple working knowledge of basic financial principles. This information asymmetry may create economic inefficiencies and unfair outcomes if financial services activity is permitted to occur without government oversight.

The California Financing Law (CFL) regulates the activity of nondepository lenders (meaning lenders that are neither banks nor credit unions) and the brokers that serve as intermediaries between potential borrowers and lenders. Oftentimes, CFL lenders make loans to borrowers that cannot access credit at the lower rates provided by banks or credit unions due to a variety of factors, such as the borrower's credit score, income, net worth, or loan size. The CFL provides a licensure and regulatory framework that allows the state to provide basic protections for borrowers and routine oversight of the activities of CFL licensees.

Under current law, DBO has the authority to take a range of enforcement actions for violations of the CFL, including issuing an administrative order to pay a penalty and refrain from illegal actions. The law requires that the State retains the penalty funds and does not permit the State to require reimbursement or other compensation to be paid to the borrower that is actually harmed by the illegal act. Under current law, the CFL incentivizes good behavior by providing authority to fine illegal acts, but the CFL fails to provide a direct mechanism for harmed consumers to be made whole. This bill rectifies that lack of authority.

According to the Author:

This bill will make enforcement of regulations against non-bank lenders more fair and more efficient. Consumers should be able to have quick access to restitution for losses caused by business who have been found to be in violation of the law.

Arguments in Support:

Consumer Action, writing in support, argues that this bill "will increase DBO efficiency by streamlining the process by which consumers can receive monetary restitution."

Arguments in Opposition:

None received.

FISCAL COMMENTS:

According to the Assembly Appropriations Committee, ongoing savings to DBO in the range of \$350,000 annually.

VOTES:**ASM BANKING AND FINANCE: 10-0-2**

YES: Limón, Chen, Bauer-Kahan, Cervantes, Fong, Gabriel, Grayson, Mark Stone, Weber, Wicks

ABS, ABST OR NV: Burke, Choi

ASM APPROPRIATIONS: 18-0-0

YES: Gonzalez, Bigelow, Bauer-Kahan, Bloom, Bonta, Calderon, Carrillo, Chau, Megan Dahle, Diep, Eggman, Fong, Gabriel, Eduardo Garcia, Petrie-Norris, McCarty, Robert Rivas, Voepel

ASSEMBLY FLOOR: 76-0-3

YES: Aguiar-Curry, Arambula, Bauer-Kahan, Berman, Bigelow, Bloom, Boerner Horvath, Bonta, Brough, Burke, Calderon, Carrillo, Cervantes, Chau, Chen, Chiu, Choi, Chu, Cooley, Cooper, Cunningham, Megan Dahle, Daly, Diep, Eggman, Flora, Fong, Frazier, Friedman, Gabriel, Gallagher, Cristina Garcia, Eduardo Garcia, Gipson, Gloria, Gonzalez, Gray, Grayson, Holden, Irwin, Jones-Sawyer, Kalra, Kamlager, Kiley, Lackey, Levine, Limón, Maienschein, Mathis, Mayes, McCarty, Medina, Mullin, Nazarian, O'Donnell, Obernolte, Patterson, Petrie-Norris, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Smith, Mark Stone, Ting, Voepel, Waldron, Weber, Wicks, Wood, Rendon

ABS, ABST OR NV: Low, Muratsuchi, Quirk

SENATE FLOOR: 39-0-1

YES: Allen, Archuleta, Atkins, Bates, Beall, Borgeas, Bradford, Caballero, Chang, Dahle, Dodd, Durazo, Galgiani, Glazer, Lena Gonzalez, Grove, Hertzberg, Hill, Hueso, Hurtado, Jackson, Leyva, McGuire, Melendez, Mitchell, Monning, Moorlach, Morrell, Nielsen, Pan, Portantino, Roth, Rubio, Skinner, Stern, Umberg, Wieckowski, Wiener, Wilk

ABS, ABST OR NV: Jones

UPDATED:

VERSION: August 4, 2020

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