

ASSEMBLY THIRD READING

AB 2425 (Chen)

As Amended April 16, 2026

Majority vote

SUMMARY

- 1) This bill requires the Department of Financial Protection and Innovation (DFPI) to provide information about the aggregate totals for the subcategories of income that comprise non-exam revenue for specified licensee.
- 2) Requires DFPI to include the method of determining the pro rata basis on which to collect assessments and charges for each applicable division.

Major ProvisionsSpecifically, *this bill*:

- 1) Pertains to the following licensees: Broker/Dealers and Investment Advisors (BDIA), Franchise Investments, Mortgage Bankers, California Finance Lenders, Escrow, Deferred Deposit transactions, Banks, Money Transmitters, New Covered Persons, Debt Collectors
- 2) Requires the (DFPI) to provide aggregate total subcategory information for non-exam revenue, including annual assessment revenue, application and licensing fees, renewal fees, fingerprint fees, penalties and settlement revenue, income from the Surplus Money Investment Fund (SMIF), investigation fees, delinquent fees, and cost recovery.
- 3) Requires DFPI to include the method of determining the pro rata basis on which to collect assessments and charges for each applicable division.

COMMENTS1) *Background*

The DFPI is California's primary regulator for financial services, products, and professionals. The Department was formed by expanding the then existing Department of Business Oversight in 2020. The DFPI expanded its programmatic responsibilities due to the following legislative mandates:

- 1) California Consumer Financial Protection Law, 2021 (CCFPL), Chapter 157, Statutes of 2020 (AB 1864); effective January 1, 2021, gives the DFPI new regulatory responsibilities to protect consumers from unfair, deceptive, or abusive practices committed by previously unlicensed regulated entities. These may include industries that currently exist unregulated in California or new products or services that may enter the market in the future.
- 2) Debt Collectors Licensing Act, 2022, Chapter 163, Statutes of 2020 (SB 908); effective January 1, 2022, gives the DFPI new regulatory responsibilities to provide licensure, regulation, and oversight of California debt collection practices.

- 3) Digital Financial Assets Law, 2023 Chapters 792 and 871, Statutes of 2023 (AB 39 and SB 401); effective July 1, 2025, gives the DFPI new regulatory responsibilities to provide licensure, regulation, and oversight of digital asset activities in California.

The convergence of these additional programmatic mandates and historical stagnancy in fee and assessment rates significantly strained the Department's fiscal solvency. In an effort to ensure long-term fiscal sustainability, the DFPI engaged an external consultant for a comprehensive fiscal and cost allocation plan analysis; subsequently, the Crowe study was produced. According to the Crowe study, DFPI's FY 2024-25 total budget is covered by the following sources:

- 1) Financial Protection Fund covers approximately \$159.4 million (89.5%) of the DFPI's total budget and supports the Investment, Lender-Fiduciary, Licensing and Supervision of Banks and Trust Companies, Money Transmitters, California Consumer Financial Protection, Debt Collectors, and Digital Financial Assets Programs.
- 2) Credit Union Fund covers approximately \$14.5 million (8.1%) of the DFPI's total budget and supports the Credit Unions Program.
- 3) Financial Empowerment Fund covers approximately \$2.3 million (1.3%) of the DFPI's total budget and supports the CalMoneySmart Program.
- 4) Local Agency Deposit Security Fund covers approximately \$0.6 million (0.4%) of the DFPI's total budget and supports the Administration of Local Agency Security Program.
- 5) Reimbursements covers approximately \$1.3 million (0.7%) of the DFPI's total budget and provides limited support for the Licensing and Supervision of Banks and Trust Companies and Credit Unions Programs.¹

Although DFPI receives funding from four special funds, in a typical year the overwhelming majority of the department's funding (85 to 90%) comes from one special fund, the Financial Protection Fund. Most of the Financial Protection Fund's revenues are generated by licensing and registration fees, program assessments (charges levied on regulated entities to cover oversight costs), and examination fees (to cover costs associated with specific audits or inspections).

2) Results

The findings regarding established programs from the Crowe study are:

"The DFPI requires an additional \$80.4 million through FY 2027-28 to support its programmatic needs for the Investment, Lender-Fiduciary, Banking, and Money Transmitters Programs.

- 1) The Investment Program's needs total \$25.0 million. This includes \$18.6 million for the Broker Dealers Investment Advisers subprogram and \$6.4 million for Franchise Investment subprogram.
- 2) The Lender-Fiduciary Program's needs total \$33.3 million. This includes \$12.7 million for Mortgage

¹ Crowe (2024, November 18) "Fiscal and Cost Allocation Plan Analysis" pp.8

- 3) Bankers, \$6.3 million for California Finance Lenders, \$11.2 million for Escrow, and \$3.1 million for
- 4) Deferred Deposit Transaction subprograms.
- 5) The Banking Program's needs total \$21.5 million.
- 6) The Money Transmitters Program's needs total \$0.5 million.
- 7) The DFPI does not currently require additional resources to support the Administration of Local

Agency Security, Credit Unions, and CalMoneySmart Programs."²

4) *Recommendations from the Crowe Study*

The *Broker-Dealers Investment Advisers (BDIA)* subprogram required an additional \$18.6 million through FY 2027-28, a 35% fee increase.³ As renewal fees account for approximately 80% of BDIA's projected revenue from FY 2025-26 through FY 2027-28, the Department could consider implementing a 44% increase to BDIA's renewal fees for broker dealer agents and investment adviser representatives as an alternative to implementing a uniform 35%.

The *Franchise Investment* subprogram required \$6.4 million in additional revenue through FY 2027-28, which could be met by increasing its fees by 176%.

The *Lender-Fiduciary Program* required an additional \$33.3 million through FY 2027-28. Of this amount, the Mortgage Bankers subprogram required \$12.7 million, the California Finance Lenders subprogram required \$6.3 million, the Escrow subprogram required \$11.2 million, and the Deferred Deposit Transaction subprogram required \$3.1 million.⁴

The study recommended "In FY 2025-26, the Mortgage Bankers subprogram requires a 158% cumulative adjustment to its fees, the California Finance Lenders subprogram requires a 24% cumulative adjustment to its fees, the Escrow subprogram requires an 84% cumulative adjustment to its fees, and the Deferred Deposit Transaction subprogram requires a 65% cumulative adjustment to its fees. These cumulative adjustments include revenue from SMIF and enforcement actions."⁵

The *California Finance Lenders* subprogram required \$6.3 million in additional revenue through FY 2027-28. The California Finance Lenders subprogram's needs could be met by increasing its fees by 26%.⁶ As an alternative, the study recommended that the pro rata assessment accounts for approximately 80% of California Finance Lenders' projected revenue from FY 2025-26 through FY 2027-28. The DFPI could consider implementing a 28% increase to the pro rata

² Crowe pp. 21

³ *Id.* at 27. The study notes that the proposed fee increase excludes revenue from SMIF and enforcement actions.

⁴ *Id.*

⁵ *Id.* at 28

⁶ *Id.* at 31 This fee increase excludes revenue from SMIF and enforcement actions.

assessment as an alternative to implementing a uniform 26% increase to the assessment and all fees (except exam fees).⁷

The *Escrow* subprogram required \$11.2 million in additional revenue through FY 2027-28. The Escrow subprogram's needs could be met by increasing its fees by 88%. This proposed fee adjustment would generate an additional \$10.4 million in assessments, \$139 thousand in application fees, and \$35 thousand in fingerprint fees. In addition, the 26% increase to the Escrow exam fee to \$120 per hour beginning in FY 2024-25 would generate an additional \$629 thousand through FY 2027-28.

As an alternative, the study provided that the Escrow subprogram's annual license fee and special assessment account for roughly 80% of its projected revenue from FY 2025-26 to FY 2027-28. The DFPI could consider implementing a 158% increase to its annual license fee as an alternative to implementing a uniform 88% increase to the special assessment and all fees (except exam fees).

The *Deferred Deposit Transaction* subprogram required \$3.1 million in additional revenue through FY 2027-28. The Deferred Deposit Transaction subprogram's needs could be met by increasing its fees by 68%. The proposed fee adjustment would generate an additional \$3.0 million in assessments, and minimal amounts in application fees and fingerprint fees. In addition, the 50% increase to the Deferred Deposit Transaction exam fee to \$120 per hour beginning in FY 2024-25 would generate an additional \$63 thousand through FY 2027-28. The study also recommended that the Department may want to consider delaying assessment changes until pending legislation (AB 3148) is finalized.⁸

5) *Calls for Transparency*

One group of licensees that did not face increases but raised serious concerns over high assessments was Debt Collectors. In April 2026, Receivables Management Association International (RMAI) and other impact licensees filed a class action lawsuit against the Department alleging, among other causes, violation of due process and unconstitutional taxes in response to the increased assessments.⁹ The plaintiffs are representatives impacted by the Debt Collection Licensing Program. In pertinent part, the lawsuit alleges that the total to be recovered exceeds the reasonable cost of regulation. Specifically, it alleges that "DFPI has developed program costs for 7,000 licensees but currently licenses 1,243 businesses. Rather than recalibrate its fees once it learned of the actual costs of the licensing tasks for the smaller group of licensees, it set unreasonable and disproportionate fees based on inaccurate information." Debt settlement, deferred deposit, and escrow licensees have made similar calls to understand their pro rata share after receiving their most recent annual assessment. The Department has refuted the Debt Collectors' claim, citing a revised budget change proposal based on half the number of licensees.

The Department provides assessments for some licensees on a pro rata basis to equitably distribute program costs. Pro rata distribution can be based on size of the licensees, number of

⁷ *Id.* at. 32

⁸ *Id.* at 33

⁹ Receivables Management Association International, et al. vs. State Of California Department et al., Superior Court of San Francisco Case Number: CPF26519661.

locations, volume of business, or other factors as determined by the relevant statute. Confusion exists as to how pro rata calculations are made see AB 2028.

6) *What this bill does*

AB 2425 requires the Department to provide the aggregate totals for the subcategories that make the non-exam revenue portion of the totals reported for licensees as required under AB 102. It also requires the Department to include the method by which it determines pro rata distribution for licensees when applicable. While the likelihood that the licensees will be satisfied with their respective assessment increases by providing transparency of the subtotals that comprise the non-exam revenue of programs, it may reduce confusion and implied claims of mismanagement.

According to the Author

"AB 2425 increases transparency by requiring the Department of Financial Protection and Innovation (DFPI) to publish data on its revenues and expenditures, while also clarifying the methodology used to determine certain assessments and charges. This bill brings greater transparency to the DFPI by ensuring that licensees can clearly understand how funds are allocated, and how fees are justified."

Arguments in Support

None received. Last certified 5/11/26.

Arguments in Opposition

None received. Last certified 5/11/26.

FISCAL COMMENTS

Minor and absorbable costs to DFPI to produce the annual report. However, since the primary purpose of this bill is to create a report, this bill qualifies for this committee's suspense file pursuant to this committee's rules and custom and practice.

VOTES

ASM BANKING AND FINANCE: 9-0-0

YES: Valencia, Chen, Dixon, Fong, Krell, Michelle Rodriguez, Blanca Rubio, Schiavo, Harabedian

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

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