

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2674 (Schiavo) – As Amended April 23, 2026

Policy Committee:	Banking and Finance	Vote:	7 - 1
	Judiciary		10 - 0

Urgency: No                      State Mandated Local Program: No                      Reimbursable: No

**SUMMARY:**

This bill requires a depository institution to take certain actions to help protect customers from financial abuse and deception.

Specifically, this bill:

- 1) Requires a depository institution to provide, when new information is available but no less often than once every six months, a customer-interacting employee current information about new patterns, modes, and basis for financial abuse or deception and training to recognize the signs of financial abuse or deception in customers.
- 2) Requires a depository institution to maintain and execute procedures to intervene to eliminate or mitigate harm in a suspect transaction and employ certain preventative measures when the depository institution suspects financial abuse or deception with respect to an in-person suspect transaction, including encouraging the customer to contact a fraud hotline to help determine if the situation is harmful.
- 3) Requires a depository institution to, at a minimum, prominently provide a specified warning message to the customer in the customer’s preferred language when the depository institution suspects financial abuse or deception with respect to a suspect transaction that is not made in person and not expedited.
- 4) Prohibits a depository institution that complies with these provisions from being held liable for harm related to financial abuse or deception resulting from the suspect transaction and provides that a depository institution that denies a suspect transaction may do so without employing otherwise required preventative measures.

**FISCAL EFFECT:**

- 1) Minor and absorbable costs to the Department of Financial Protection and Innovation to update informational materials and examinations to reflect required training, interventions, and warnings a licensee must follow.
- 2) Ongoing cost pressures of an unknown amount, potentially in excess of \$150,000, to the courts in additional workload by creating new requirements for a depository institution enforceable under the Unfair Competition Law (UCL) (General Fund (GF) or Trial Court Trust Fund (TCTF)). A claim under the UCL may be brought by either a public prosecutor or a person who lost money or property as the result of the unlawful conduct. It is unclear

how many civil actions may be filed statewide and how much court time may be needed to resolve each case, but it generally costs approximately \$1,000 to operate a courtroom for one hour. Although courts are not funded on the basis of workload, increased pressure on staff and the TCTF may create a demand for increased court funding from the GF. The state budget provides annual GF backfills to the TCTF to offset revenue reductions, totaling approximately \$117.3 million in fiscal year 2025-26.

## COMMENTS:

### 1) **Purpose.** According to the author:

Today's scams often use tactics like impersonating trusted individuals, creating a sense of urgency, or even using artificial intelligence to sound convincing, which can lead to devastating and irreversible financial losses. This bill requires banks and financial institutions to better train their employees to recognize these scams, step in when something seems suspicious, and clearly warn customers before money is sent. By taking these simple but important steps, AB 2674 makes it easier to stop fraud before it happens.

### 2) **Background. *Financial Abuse.*** Financial abuse occurs when someone takes or assists in taking the property of an elder or dependent adult for a wrongful use or with intent to defraud. However, courts have inconsistently interpreted whether a person can be liable for assisting in abuse if the person is not part of the fraud but plays an essential part in the fraud's success, such as when a bank employee allows a transaction to be completed even if they knew the transaction is likely the result of fraud.

***Preventing Elder Financial Abuse.*** The Elder Abuse and Dependent Adult Civil Protection Act (Act) requires certain employees of entities that counsel, care for, or handle the finances of seniors and dependent adults to serve as "mandated reporters" who report suspected abuse to the authorities, with a civil penalty of up to \$1,000 for failure to report and \$5,000 for willful failure to report. The penalty must be paid by the financial institution employing the mandated reporter, to the party bringing the civil action. Nevertheless, financial institutions often struggle to convince a customer that a requested transaction stems from a scam or fraud.

Although this bill does not do so by expanding requirements under the Act, thus sidestepping the Act's enforcement framework, this bill requires a depository institution to provide training to customer-interacting employees to recognize signs of financial abuse or deception and deploy certain customer interventions to prevent financial abuse or deception when the depository institution identifies a suspect transaction. This bill also protects a depository institution that implements the preventative measures from liability for any harm that arises from a suspect transaction.

### 3) **Support and Opposition.** This bill is supported by a labor organization and senior citizen groups, with the California Alliance for Retired Americans arguing, "By establishing clear, uniform standards in state law, AB 2674 helps shift the burden away from victims and toward a system where financial institutions use the tools they already possess to meaningfully protect seniors."

This bill is opposed by a coalition of financial services and business organizations, led by the California Bankers Association, which argues this bill “does not align with how fraud detection actually occurs” and “could delay payments and reduce consumer access to services.”

- 4) **Related Legislation.** AB 871 (Stefani) requires a financial institution to provide annual training on certain topics to its mandated reporters under the Act and requires a financial institution that discovers suspected financial abuse of an elder or dependent adult within 48 hours of a transaction to share information on reporting mechanisms with the impacted elder or adult, but provides that a violation of this information sharing requirement is not subject to the Act’s civil penalties. AB 871 is pending referral by the Senate Rules Committee.

AB 909 (Schiavo) increases civil penalties for financial abuse against an elder or dependent adult under the Act and enacts various provisions to protect an elder or dependent adult from a fraudulently induced transaction. AB 909 was not set for hearing in the Assembly Banking and Finance Committee.

- 5) **Prior Legislation.** SB 278 (Dodd), of the 2023-24 Legislative Session, would have required a financial institution to establish an emergency financial contact program for an elder or dependent adult accountholder and would have subjected a financial institution to liability for certain violations. SB 278 was vetoed by Governor Newsom, who stated:

The mandatory three-day hold on transactions suspected of abuse could lead to unintended consequences, such as delaying legitimate transactions and restricting access to funds, thereby undermining the financial independence of affected account holders. Furthermore, the proposed enforcement provisions need further review to ensure they are legally sound and minimize the risk of costly litigation – a burden that would ultimately fall on taxpayers and diminish the overall effectiveness of the bill.

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