

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2025-2026 Regular Session

AB 801 (Bonta)
Version: June 4, 2026
Hearing Date: June 30, 2026
Fiscal: Yes
Urgency: No
AWM

SUBJECT

Financial institutions: California Community Reinvestment Act

DIGEST

This bill, as currently in print, establishes the California Fair Lending Examination Act, which requires the Commissioner of the Department of Financial Protection and Innovation (DFPI) to examine, at least quadrennially, the books, records, and documents of banks, credit unions, and residential mortgage lenders in the state to assess compliance with applicable nondiscrimination laws, as specified.

EXECUTIVE SUMMARY

Despite state and federal efforts, California's communities of color continue to face disparities in access to credit, particularly mortgages, which prevents the accumulation of wealth at the same rate as white Californians. Now, the Trump Administration has made enforcement even harder, by pulling back on fair lending examinations of covered financial institutions and eliminating enforcement of lending practices that result in a disparate impact, where there's no legitimate business justification for the practice.

This bill is intended to help close the regulatory gap left by the Trump Administration by establishing the California Fair Lending Examination Act (Act). Under the Act, the Commissioner of the DFPI must examine, at least quadrennially, the books, records, and documents of banks, credit unions, and residential mortgage lenders in the state to assess compliance with applicable nondiscrimination laws, as specified. The Commissioner must report its findings to the financial institution and ensure that the institution takes appropriate action to correct any violations of applicable antidiscrimination laws.

In the Senate Banking and Financial Institutions Committee, the author made a commitment to clarify that the bill applies to mortgage lending activities, not all

financial activities engaged in by the covered financial entities. Due to the timing of the hearings, the author has not yet made those changes. In response to concerns from this Committee, the author has agreed to amend the provisions relating to the antidiscrimination laws covered by the bill.

This bill is sponsored by The Greenlining Institute and is supported by over 20 organizations, including housing and consumer advocates, and two individuals. This bill is opposed by a number of organizations, including bank and credit union organizations. The Senate Banking and Financial Institutions Committee passed this bill with a vote of 5-2.

PROPOSED CHANGES TO THE LAW

Existing federal law:

- 1) Establishes the Community Reinvestment Act, which requires federal bank supervisors to use their examination authority to encourage banks to help meet the credit needs of the local communities in which they are chartered. (12 U.S.C., ch. 30, §§ 2901 et seq.)
- 2) Establishes the Equal Credit Opportunity Act (ECOA), which prohibits creditors from discriminating against credit applicants on the basis of race, color, national origin, and other specified factors. (15 USC, ch. 41, subch. IV, §§ 1691 et seq. 12 CFR Part 1002.)
- 3) Establishes the Fair Housing Act (FHA), which prohibits discrimination by direct providers of housing, as well as financing of housing by lenders, based on specified protected classes. (42 U.S.C. §§ 3601 et seq.)

Existing state law:

- 1) Establishes the DFPI as the state agency responsible for licensing, regulating, and supervising a range of financial services companies that provide products or services to California consumers, including, but not limited to, certain banks and credit unions, finance lenders and brokers, residential mortgage lenders, and persons offering or providing consumer financial products or services. (Fin. Code, div. 1, ch. 3, §§ 300 et seq.)
- 2) Prohibits a person or business entity from engaging in the following businesses without a certificate of authorization, as specified, issued by the DFPI:
 - a) Banking and trust. (Fin. Code, div 1.1, ch. 3, §§ 1040 et seq.)
 - b) Money transmission, including the selling or issuing of stored value. (Fin. Code, div. 1.2, ch. 3, §§ 2030 et seq.)
 - c) Credit union. (Fin. Code, div. 5, ch. 2, art. 2, §§ 14150 et seq.)

- d) Residential mortgage lender. (Fin. Code, div. 20, ch. 2, §§ 50120 et seq.)
- 3) For purposes of 2)(b), defines “stored value” as monetary value representing a claim against the issuer that is stored on an electronic or digital medium and evidenced by an electronic or digital record, and that is intended and accepted for use as a means of redemption for money or monetary value or payment for goods or services; “stored value” does not include a credit card voucher, letter of credit, or any stored value that is redeemable by the issuer for goods or services provided by the issuer or its affiliate, except to the extent required by applicable law to be redeemable in cash for its cash value. (Fin. Code, § 2003(x).)
- 4) Authorizes the Commissioner of the DFPI (Commissioner) to examine the books, records, and accounts of any person or business authorized or engaged in a business described in 2). (Fin. Code, §§ 500, 2120, 14250, 50302.)
- 5) Authorizes the Commissioner to take action to enforce state laws relating to the businesses listed in 2) and the federal Consumer Financial Protection Act of 2010 (12 U.S.C. §§ 5481 et seq.). (Fin. Code, § 326.)
- 6) Establishes the Unruh Civil Rights Act, which provides that all persons in California are free and equal, and regardless of a person’s actual or perceived sex, race, color, religion, ancestry, national origin, disability, medical condition, genetic information, marital status, sexual orientation, citizenship, primary language, or immigration status, everyone is entitled to the full and equal accommodations, advantages, facilities, privileges, or services in all business establishments. (Civ. Code, § 51.)

This bill:

- 1) Establishes the California Fair Lending Examination Act (the Act).
- 2) Requires the Commissioner, at least quadrennially, to examine the books and records of banks, credit unions, and residential mortgage lenders under the examination authority of the DFPI, for compliance with applicable nondiscrimination laws, including the ECOA, FHA, and Unruh Civil Rights Act.
 - a) The Commissioner may examine the financial institution’s books, records, and documents, and may examine the financial institution’s officers, directors, employees, or agents under oath regarding the financial institution’s operations.
 - b) The Commissioner may cooperate with any agency of the state or federal government, other states, agencies, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation, and the Commissioner may accept an examination conducted by any of those in place of an examination by the Commissioner under the Act.

- c) The Commissioner shall provide a written statement of findings of any examination conducted under the Act, issue a copy of that statement to the financial institution's principals, officers, or directors, and take appropriate steps to ensure correction of any violation of applicable nondiscrimination law, including a disparate impact related to a characteristic listed in the Unruh Civil Rights Act that is not attributable to a legitimate business interest of the financial institution.
- 3) Provides that a statement of findings under 2)(c) shall not be disclosed to anyone other than the financial institution, law enforcement officials, or other state or federal regulatory agencies for further investigation and enforcement.
- 4) Provides that an affiliate of the financial institution is subject to examination of the Commissioner on the same terms as the financial institution, if a report from, or examination of, the financial institution provides documented evidence of unlawful activity between a bank and an affiliate benefitting, affecting, or arising from the activities regulated by the Act.
- 5) Provides that the Commissioner shall assess a fee to the financial institution for the purpose of covering the costs of an examination in 2) that does not exceed the reasonable expenses of the examination.
- 6) Provides that a violation of an applicable nondiscrimination law is a violation of the licensing law that governs the financial institution, and that the DFPI may use its existing authority to bring an enforcement action against the financial institution based on the violation.

COMMENTS

1. Author's comment

According to the author:

Homeownership is the primary vehicle for building family wealth in America, yet California's communities of color continue to face documented disparities in access to credit. Since 2015, Black and Latino borrowers have received conventional mortgage originations at roughly half the rate of white borrowers in California, and the Black-white homeownership gap today is approximately what it was before the Fair Housing Act passed in 1968. The California Task Force to Study and Develop Reparation Proposals for African Americans has called on this Legislature to take structural action addressing the continuing economic harm of housing discrimination, and I introduced this bill as part of that response. The need is more urgent now than ever: in April 2026, the Consumer Financial Protection Bureau (CFPB) finalized a rule eliminating

disparate impact as a liability theory under the Equal Credit Opportunity Act (ECOA), the U.S. Department of Housing and Urban Development's (HUD) fair housing enforcement staff has been cut by 65 percent, and the U.S. Department of Justice (DOJ) has dropped pending redlining prosecutions. I believe California has both the authority and the responsibility to ensure that federal retreat does not become an excuse for diminished accountability here at home.

AB 801 would require the Department of Financial Protection and Innovation (DFPI) to examine every lender under its jurisdiction, state-chartered banks, credit unions, and independent mortgage companies, for compliance with fair lending laws at least once every four years, so that this recent federal retreat from fair lending enforcement does not translate into reduced accountability for California's lenders, particularly for communities of color who continue to face documented disparities in access to credit. This is a consumer protection bill that shows California's willingness to lead even when the federal government will not.

2. Background on disparities in access to financial services and existing antidiscrimination laws

As explained by the Senate Banking and Financial Institution Committee's analysis of this bill:

Disparities in access to financial services among income groups and along racial and ethnic categories have persisted for decades. As outlined in a speech by a top federal financial regulator during the Biden Administration, Black and Hispanic households are five times as likely as White households to be unbanked; the wealth gap between Black and White Americans in modern times is roughly the same as it was before the passage of the Civil Rights Act of 1964; and Black-owned businesses are more likely to be denied credit even after controlling for differences in creditworthiness.¹

Furthermore, the gap in the homeownership rate between Black and White Americans is now the same as it was before the passage of the Fair Housing Act in 1968.

Federal and state law establish bedrock prohibitions against discrimination that apply to certain financial services transactions. The federal Fair Housing Act (FHA) prohibits, among other things, discrimination in housing-related activities, including the making of loans to buy, build, repair, or improve homes. The federal Equal Credit Opportunity Act (ECOA) prohibits discrimination in credit transactions more broadly, including credit cards, personal loans, car financing, and retail sales financing, as well as mortgages. State law provides additional protections from

¹ <https://www.ots.treas.gov/news-issuances/speeches/2022/pub-speech-2022-15.pdf>

discrimination through the Fair Employment and Housing Act, the Holden Act, and the Unruh Civil Rights Act.

Existing nondiscrimination laws that apply to financial services have various enforcement mechanisms. At the federal level, public agency enforcement may be conducted by the Office of Fair Housing and Equal Opportunity within the U.S. Department of Housing and Urban Development (HUD), U.S. Department of Justice, or Consumer Financial Protection Bureau (CFPB), depending on the nature of the complaint. At the state level, public enforcement typically occurs through the Civil Rights Department. In lieu of public enforcement, victims of discrimination may file a lawsuit in federal or state court, with existing law providing a variety of remedies that may be awarded to a prevailing plaintiff.

To assist regulators with monitoring for discriminatory practices in mortgage markets, the Home Mortgage Disclosure Act (HMDA) was enacted in 1975. HMDA requires many financial institutions to maintain, report, and publicly disclose loan-level information about mortgages. On its own, the HMDA dataset is insufficient to prove discrimination, but financial regulators can use the dataset to target institutions for closer examination, wherein the regulator can examine loan files that contain borrower-specific information not reported under HMDA.

In the second Trump Administration, the federal government has sharply curtailed its efforts to ensure equal opportunity in access to financial services. In 2025, President Trump issued an executive order that eliminates the use of disparate-impact liability under federal law, including the FHA, to the maximum degree possible;² this prohibits federal regulators from halting practices that have a disparate impact on members of different groups, without evidence of intentional discrimination, but which have no business justification. Also in 2025, federal agencies slowed the rate of, or stopped conducting altogether, fair lending examinations, which leaves many theoretically regulated agencies without oversight. This year, the Consumer Financial Protection Bureau announced regulations to eliminate disparate impact claims under the ECOA.³

3. This bill authorizes the DFPI to conduct examinations of financial institutions licensed in the state to assess compliance with antidiscrimination laws

This bill is intended to help close the regulatory gap left by the Trump Administration. To do so, this bill requires the Commissioner of the DFPI to conduct a fair lending exam of covered licensees—banks, credit unions, and California Residential Mortgage Lending Act (CRMLA) licensees—once every four years. The purpose of the exam is to determine compliance with any applicable nondiscrimination law, including ECOA, FHA, and the Unruh Civil Rights Act. Upon completion of the exam, the DFPI must provide a written statement of findings, issue a copy of that statement to the financial

² Exec. Order No. 14281, 90 Fed. Reg. 17537 (Apr. 23, 2025).

³ Equal Credit Opportunity Act (Regulation B) 91 Fed. Reg. 21620 (Apr. 22, 2026).

institution, and take appropriate steps to ensure correction of any violation of applicable nondiscrimination law, including a disparate impact for any category of persons specified in the Unruh Civil Rights Act. This report shall remain confidential, except that it may be shared with law enforcement or state and federal regulators as necessary for further investigation and enforcement. The bill provides that a violation of any applicable nondiscrimination law is a violation of the licensing law to which the financial institution is subject.

The Senate Banking and Financial Committee, which passed this bill with a vote of 5-2, considered this bill from a financial policy standpoint. That Committee's analysis raised concerns relating to implementation of the bill and the bill's scope. At the hearing, the author committed to clarify that the scope of the bill applies to mortgage lending activities, not all of the covered entities' financial activities. Due to the timing of the hearings, the author has not yet been able to make those changes.

For purposes of this Committee's jurisdiction, namely, the antidiscrimination issue, the bill requires the Commissioner, following the issuance of a post-examination report, to ensure that the financial institution takes appropriate steps to correct violations of nondiscrimination law, including a disparate impact related to a characteristic listed under the Unruh Civil Rights Act that is not attributable to a legitimate business interest of the credit union. The Unruh Civil Rights Act does not, however, prohibit disparate impact discrimination—only intentional discrimination is covered.⁴ The bill also does not include, within the scope of the statutes covered by the examination, two of California's important antidiscrimination statutes: the FEHA and the Holden Act.

To ensure that the examination in this bill is effective at uncovering all forms of prohibited discrimination in mortgage lending, the author has agreed to amend each section of the bill to (1) add the FEHA and the Holden Act to the list of antidiscrimination laws covered by the bill's examination, (2) delete the reference to disparate impact under the Unruh Act, and (3) add a provision requiring a covered entity to take appropriate action where the DFIP finds a violation of the FEHA, including a discriminatory effect that is not attributable to a legitimate business interest of the institution.

4. Arguments in support

According to The Greenlining Institute:

The need for AB 801 is urgent. The federal government has sharply curtailed fair lending enforcement: the CFPB eliminated disparate impact as a liability theory under ECOA, the Department of Housing and Urban Development (HUD) proposed repealing its Fair Housing Act disparate-impact rule, and HUD's fair

⁴ E.g., *Koebke v. Bernardo Heights Country Club* (2005) 36 Cal.4th 824, 853.

housing staff was cut by 65%. California cannot rely on federal oversight that no longer exists.

AB 801 fills this gap by establishing a mandatory 48-month examination cycle covering every DFPI-regulated lender: banks, credit unions, and independent mortgage companies. It expressly covers both intentional discrimination and lending practices with unjustified disparate impacts on protected classes, preserving California's standard even as federal protections have been rolled back. Critically, independent mortgage companies, the primary source of mortgage credit for borrowers of color in California, are included for the first time in a structured, recurring examination requirement.

This bill does not create new substantive obligations. It ensures that existing fair lending laws are actually examined and enforced. Without an examination structure, California's fair lending protections exist on paper but not in practice.

5. Arguments in opposition

According to the California Bankers Association and the California Community Banking Network:

AB 801 would require additional examinations and reporting obligations covering many of the same issues already evaluated through existing supervisory processes. Although the bill contemplates consideration of examinations performed by other regulators, it does not eliminate the possibility of duplicative reviews, conflicting findings, or repetitive requests for information.

Community banks, in particular, operate with limited compliance resources. Redirecting personnel and financial resources toward overlapping examinations may reduce the capacity of these institutions to focus on serving customers, expanding access to credit, and investing in their local communities. Adding additional complexity to the mortgage lending environment -- especially in this high-interest rate environment -- risks driving up costs for consumers already struggling to afford a home.

SUPPORT

The Greenlining Institute (sponsor)

ASIAN, Inc.

Asset Plus Capital

AnewAmerica Community Corporation

Asian Business Association, Inc.

Asian Business Association of Silicon Valley

Asian Pacific Islander Small Business Collaborative

California Democratic Renters Council
California Public Banking Alliance
California YIMBY
CAMEO Network
Center for Responsible Lending
Consumer Action
Consumer Federation of California
End Poverty in California
Enterprise Community Partners
Housing and Economic Rights Advocates
Multi-faith ACTION Coalition
National Alliance to End Homelessness
Public Counsel
Southern California Black Chamber of Commerce
The Unity Counsel
Ventures
Two individuals

OPPOSITION

African-American Credit Union Coalition
America's Credit Unions
California Bankers Association
California Building Industry
California Chamber of Commerce
California Community Banking Network
California Credit Union League
California Mortgage Bankers Association
Defense Credit Union Council
Electronic Transactions Association
TechNet

RELATED LEGISLATION

Pending legislation: None known.

Prior legislation: SB 1176 (Limón, 2022) would have established the California Community Reinvestment Act and was substantially similar to this bill before it was amended on June 4, 2022. SB 1176 was amended, prior to its first committee hearing, to instead require the DFPI to conduct a peer group analysis of mortgage-related activities of certain of its licensees. SB 1176 died in the Assembly Banking and Finance Committee.

PRIOR VOTES:

Senate Banking and Financial Institutions Committee (Ayes 5, Noes 2)

Assembly Floor (Ayes 45, Noes 15)

Assembly Appropriations Committee (Ayes 11, Noes 2)

Assembly Banking and Finance Committee (Ayes 5, Noes 1)
