
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 866 (Ortega) - Student loan servicing

Version: February 19, 2025

Urgency: No

Hearing Date: August 18, 2025

Policy Vote: B. & F.I. 7 - 0, JUD. 13 - 0

Mandate: Yes

Consultant: Janelle Miyashiro

Bill Summary: AB 866 specifies that a student loan servicer is a person for purposes of the Unfair Competition Law (UCL), and specifies that a student loan is a debt and a transaction giving rise to a student loan is a consumer credit transaction for purposes of the Rosenthal Fair Debt Collection Practices Act (Rosenthal Act).

Fiscal Impact:

- The Department of Justice (DOJ) reports costs of approximately \$229,000 in Fiscal Year (FY) 2025-26 and \$406,000 in FY 2026-27 and annually ongoing to address increased enforcement workload (Unfair Competition Law Fund).
- The Department of Financial Protection and Innovation (DFPI) anticipates absorbable costs to update staff guidance and trainings on the expansion of the Rosenthal Act and to respond to questions regarding the changes proposed by this bill (Financial Protection Fund).
- Unknown ongoing fiscal impact for DFPI for potential increased enforcement activities. While the total fiscal impact of this bill is unknown at this time, any impact on enforcement workload to the DFPI would depend on numerous factors, including the volume of complaints received and complexity of any subsequent investigations. To the extent that this workload is significant, there may be enforcement cost pressures to DFPI.
- Unknown, potentially significant workload cost pressures to the state funded trial court system to adjudicate any civil cases filed as a result of this bill (Trial Court Trust Fund, General Fund). The fiscal impact of this bill to the courts will depend on many unknowns, including the number of cases filed and the factors unique to each case. An eight-hour court day costs approximately \$10,500 in staff in workload. If court days exceed 10, costs to the trial courts could reach hundreds of thousands of dollars. While the courts are not funded on a workload basis, an increase in workload could result in delayed court services and would put pressure on the General Fund to fund additional staff and resources and to increase the amount appropriated to backfill for trial court operations.

Background: The UCL prohibits unlawful, unfair, or fraudulent business acts or practices, including deceptive advertising, and allows for civil penalties (in enforcement actions brought by the Attorney General and other public prosecutors), injunctive relief, and restitution.

The Rosenthal Act seeks to protect consumers and small business owners from unfair and deceptive practices by a person collecting consumer debt or certain forms of commercial debt. The law prohibits or restricts a variety of activities designed to intimidate or annoy, such as calling a debtor in the middle of the night; letting a phone ring incessantly; threatening actions that the debt collector cannot or does not plan to take; threatening or using violence; contacting a debtor's friends, employers, or extended family to notify them of the debtor's debt; and using obscene or threatening language. The law also prohibits various false representations, unfair practices, and improper use of judicial proceedings.

Proposed Law:

- Specifies a student loan servicer is a person for purposes of the UCL.
- Specifies a student loan is a debt for purposes of the Rosenthal Act.
- Specifies a transaction giving rise to a student loan is a consumer credit transaction for purposes of the Rosenthal Act.

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