

Date of Hearing: April 1, 2024

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Timothy Grayson, Chair

AB 2422 (Grayson) – As Amended March 20, 2024

**SUBJECT:** Department of Financial Protection and Innovation: online resources: financial abuse: domestic violence victims

**SUMMARY:** Requires, by January 1, 2027, the Department of Financial Protection and Innovation (DFPI) to make available to financial institutions and the general public online resources on specified topics related to financial abuse of victims of domestic violence.

Specifically, **this bill:**

- 1) Requires DFPI to make available to financial institutions and the general public online resources related to financial abuse of victims of domestic violence for the purpose of protecting survivors' assets and resources. DFPI must first make these resources available no later than January 1, 2027, and DFPI must then annually review and update those resources.
- 2) Requires the online resources to include at least the following:
  - a) Information on the nexus between domestic violence and financial security.
  - b) Information on the prevalence and impacts of financial abuse as it related to domestic violence and survivors employment and credit history.
  - c) Information regarding the heightened need to protect the privacy and to respect the integrity of each individual survivor customer of a financial institution.
  - d) Information regarding the heightened need to respect the autonomy an agency of each individual survivor customer.
- 3) Authorizes the department to use existing resources and materials from state government departments, nonprofit organizations, and community groups.

**EXISTING LAW:**

- 1) Establishes the Elder Abuse and Dependent Adult Civil Protection Act to makes all officers and employees of financial institutions, as defined, mandated reporters of suspected financial abuse of an elder or dependent adult (Welfare and Institutions Code Section 15630.1).
- 2) Provides that "suspected financial abuse of an elder or dependent adult" occurs when a mandated reporter observes or has knowledge of behavior or unusual circumstances or transactions, or a pattern of behavior or unusual circumstances or transactions, that would lead an individual with like training or experience, based on the same facts, to form a reasonable belief that an elder or dependent adult is the victim of financial abuse, as defined (Welfare and Institutions Code Section 15630.1).
- 3) Creates a new section of law, separate from but based on the section currently applicable to banks and credit unions, which makes broker-dealers, as defined in Section 25004 of the

Corporations Code, and investment advisors, as defined in Section 25009 of the Corporations Code mandated reporters of suspected financial abuse of an elder or dependent adult. Requires reporting when a broker-dealer or investment advisor observes or has knowledge of an incident that reasonably appears to be financial abuse or when the person reasonably believes the existence of that abuse.

**FISCAL EFFECT:** Unknown. This bill is keyed Fiscal by Legislative Counsel.

**COMMENTS:**

1) **Purpose.**

According to the author:

Financial insecurity is a leading obstacle to safety for survivors of interpersonal violence. A less visible and far too common form of abuse that survivors of IPV are often victimized by is financial abuse. Economic independence is a major key for survivors to be able to successfully leave an abusive relationship. AB 2422 would require DFPI to make available to financial institutions and the public, an online resource page relating to financial abuse of victims of domestic violence for the purpose of protecting the survivors' assets and resources.

2) **Background: Economic or financial abuse of domestic violence victims.**

Intimate partner violence (IPV) is abuse or aggression that occurs in a romantic relationship.<sup>1</sup> "Intimate partner" refers to both current and former spouses and dating partners. IPV can vary in severity but it remains a common occurrence today. According to the Center for Disease Control, about 1 in 4 women and nearly 1 in 10 men have reported some form of IPV-related impact, and over 43 million women and 38 million men have reported physiological aggression by an intimate partner in their lifetime.<sup>2</sup>

The personal and societal harm from IPV is well-documented, but the role that economic or financial abuse plays in fostering or perpetuating IPV is less understood. In a 2018 poll conducted by the Allstate Foundation, just 22% of respondents reported being familiar with financial abuse as a form of domestic violence.<sup>3</sup>

This lack of awareness is especially important given how common it is for an IPV survivor to endure some type of correlated financial economic abuse. In a 2011 study of IPV survivors participating in a financial literacy program, 94% experienced some form of economic abuse, which also correlated highly with other forms of IPV. In that same study, 79% of survivors experienced economic exploitative behaviors, and 78% experienced employment sabotage.<sup>4</sup>

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<sup>1</sup> IPV is the term used in this analysis, though AB 2422 uses the term domestic abuse. These terms are often used interchangeably, though domestic violence may also include abuse or aggression from non-intimate partners in the household, such as from a sibling.

<sup>2</sup> "Preventing Intimate Partner Violence," Center for Disease Control and Prevention (Updated November 2021), available at <https://www.cdc.gov/violenceprevention/intimatepartnerviolence/fastfact.html>.

<sup>3</sup> "2018 National Poll on Domestic Violence and Financial Abuse," Allstate Foundation (March 2018), available at [https://allstatefoundation.org/wp-content/uploads/2020/03/2018-Research-Deck\\_Final.pdf](https://allstatefoundation.org/wp-content/uploads/2020/03/2018-Research-Deck_Final.pdf).

<sup>4</sup> Judy Postmus et al, "Understanding Economic Abuse in the Lives of Survivors," *Journal of Interpersonal Violence* (2011), available at <https://journals.sagepub.com/doi/10.1177/0886260511421669>.

In some situations, a survivor takes on coerced debt, meaning a debt that an abusive partner has taken out in the survivor's name either without their knowledge or under threat. In other situations, the abuse partner engages in simple and outright theft.<sup>5</sup> These tactics leave survivors in a financially vulnerable situation, often with damaged credit and little ability to be financially independent. This can leave a survivor financially reliant on the abusive partner.

### 3) **Background: Elder and dependent adult financial abuse.**

AB 2422 follows decades of efforts to prevent the financial abuse of seniors and dependent adults. These efforts can help inform future legislative work aiming to prevent financial abuse of IPV survivors.

Elder and dependent adult financial abuse can materialize in different ways, such as through the improper use of funds through fraud, falsifying records, or manipulation or coercion. Elder financial abuse is alarmingly prevalent, with older individuals often falling victim to financial exploitation perpetrated by family members or other parties, such as contractors. This susceptibility may arise from their possession of substantial assets or home equity, coupled with factors like social isolation or health-related vulnerabilities.

While a myriad of federal and state laws exist to prohibit elder financial abuse, recent policy initiatives have increasingly focused on early prevention by empowering or mandating intervention by financial institutions. Some states have mandated reporter laws, which require financial institutions to report to law enforcement instances of elder abuse.<sup>6</sup> In California, the Elder Abuse and Dependent Adult and Civil Protection Law includes mandatory reporting provisions.<sup>7</sup> Federally, the Senior Safe Act of 2018 grants certain immunity to employees of financial institutions who report instances of exploitation against senior citizens, provided they undergo specified training.<sup>8</sup>

Mandated reporting has been a key component of the policy response to elder financial abuse, but its efficacy has recently been called into question. For one, there appears to be a widening gap between the number of cases being reported by financial institutions and the capacity of local adult protective service agencies or law enforcement agencies to follow up. Second, advocates argue that financial institutions are in the best position to stop the fraud or abuse before it even happens, and state policy needs to harness this opportunity for the protection of seniors. For example, under Minnesota law, a financial institution is required to temporarily hold a transaction if the state regulator determines that the transaction is the result of financial abuse.

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<sup>5</sup> A.E. Adams et al, "The Frequency, Nature, and Effects of Coerced Debt Among a National Sample of Women Seeking Help for Intimate Partner Violence," *Violence Against Women* (2019), available at <https://doi.org/10.1177/1077801219841445>.

<sup>6</sup> See a list of relevant federal statutes here: <https://www.justice.gov/elderjustice/prosecutors/statutes>

<sup>7</sup> As an example, see <http://hss.sbcounty.gov/DAAS/docs/ElderFinancialAbusePowerPoint.ppt>; The CDSS also provides a generalized elder abuse training module that local agencies can use: [https://cdss.ca.gov/MandatedReporting/story\\_html5.html](https://cdss.ca.gov/MandatedReporting/story_html5.html)

<sup>8</sup> See fact sheet here: <https://www.investor.gov/senior-safe-act-fact-sheet>

#### 4) **Coerced debt**

The Legislature has started to pay closer attention to the impact of financial abuse on IPV survivors, and recent legislation (SB 975 (Min), Chapter 989, Statutes of 2021) creates a non-judicial process by which survivors can be relieved of liability for debts they were coerced into entering. Specifically, under SB 975, a survivor may submit to a claimant, such as a lender or debt collector, documentation supporting a statement that the debt is coerced, thereby initiating a review by the claimant during which collection is ceased.

In writing in support of the measure, the Little Hoover Commission argued:

...many survivors of abuse face overwhelming amounts of debt from credit cards and loans taken out in their name without their permission, and consequently struggle to establish a life away from their abuser. Helping survivors establish economic independence is essential to their ability to successfully leave an abusive relationship.

#### 5) **Previous legislation.**

AB 1841 (Grayson), of the 2021-22 Legislative Session, would have required DFPI to implement and administer an online training program for officers and employees of financial institutions regarding the economic abuse of domestic violence victims. AB 1841 was held on Assembly Appropriation Committee's Suspense File.

#### 6) **Support.**

AB 2422 is sponsored by FreeFrom, a Los Angeles-based nonprofit that creates pathways to financial security and safety for IPV survivors. FreeFrom writes:

AB 2422 would require Department of Financial Protection and Innovation (DFPI) to make available to financial institutions online resources related to financial abuse of domestic violence survivors with the purpose of protecting survivors' assets and resources. Access to resources can equip financial institutions with the information they need to better understand and serve their survivor customers. California can be leader in taking steps to better support survivors in building financial security and protecting their money and assets so they can heal, rebuild, and thrive. AB 2422 is a step in this direction.

The California Credit Union League also writes in support, writing that "AB 2422 is an important step that California can take to provide resources for both financial institutions and victims of financial abuse."

### **REGISTERED SUPPORT / OPPOSITION:**

#### **Support**

Freefrom (Sponsor)  
California Credit Union League

#### **Opposition**

None on file.

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