

Date of Hearing: May 5, 2025

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Avelino Valencia, Chair

AB 1507 (Committee on Banking and Finance) – As Introduced February 27, 2025

**SUBJECT:** Financial institutions

**SUMMARY:** This is the omnibus Assembly Banking Committee bill.

Specifically, **this bill:**

- 1) Updates the mailing address for the Department of Financial Protection and Innovation (DFPI) to which consumers may direct complaints regarding money transmission activity, as required to be included in the notice posted at each branch office.
- 2) Deletes a report on the implementation of the California Deferred Deposit Transaction Law (CDDTL) to the Governor and Legislature on December 1, 2007.

**EXISTING LAW:**

- 1) Provides the Money Transmission Act, administered by the Department of Financial Protection and Innovation (DFPI), which requires licensure of persons engaged in the business of money transmission, unless the person is exempt. (Financial Code Section 2000 et seq.)
- 2) Defines “money transmission” as any of the following: selling or issuing payment instruments, selling or issuing stored value, or receiving money for transmission. (Financial Code Section 2003(q))
- 3) Establishes the California Deferred Deposit Transaction Law (CDDTL) that provides for DFPI (formerly Department of Corporations) to license and regulate those engaged in the business of negotiating deferred deposit transactions. (Financial Code, Section 23000 et seq.)
- 4) Requires DFPI (formerly Department of Corporations) on December 1, 2007, to report to the Governor and the Legislature on its implementation of the Deferred Deposit Transit (DDT) law. (Financial Code, Section 23057.)

**FISCAL EFFECT:** This bill is keyed non-fiscal.

**COMMENTS:**

1) Money Transmission Law

California’s Money Transmission Act (2010) replaced older laws to regulate electronic and digital money movement. Since then, amendments and regulatory interpretations have expanded its scope, especially in response to cryptocurrency and fintech platforms.

*Background.* State law requires any entity issuing or selling payment instruments (such as a check or money order), stored value, or money to become a licensed money transmitter. DFPI licenses and regulates more than 100 companies through its Money Transmitter

Division. These licensees range from brick-and-mortar businesses offering money transfer services, such as Intermex Wire Transfer, to online or mobile payment companies like Square, Inc., or Apple Cash. As part of the licensure process, a money transmitter must submit an audited financial statement - an Anti-Money Laundering or Bank Secrecy Act policy detailing sample documents such as transaction receipts, organizational charts, a business plan, and a surety bond.

Money transmitters must also comply with a number of disclosure and transparency requirements. For example, a licensee must include a receipt with specified information informing the customer of their right to a refund and how to contact DFPI to make a complaint.

Historically, a typical “money transmitter” was a money-wiring service with physical retail locations like Western Union. However, as technology has evolved and smartphones have become more commonplace, money transmitters increasingly include non-bank mobile payment applications (apps) such as PayPal’s Venmo and Square’s Cash App. These mobile apps have grown in popularity and make up a rising share of money transmission licensees.

- 2) Deferred Deposition Transactions. The DFPI (formerly Department of Corporations) was required to report to the Governor and the Legislature on implementing the California Deferred Deposit Transaction Law. The report was required to include information on the demand, growth, business practices of deferred deposit transactions, and potential legislation to protect Californians. The commissioner may recommend adjusting fees, loan terms, and transaction limits or introducing installment loans as an alternative.<sup>1</sup>

The 2007 Payday Loan Study was delivered in February 2008. While almost 20 years have passed, many of the same issues persist. From the Study:

Although the overwhelming majority of lenders operate according to the guidelines established in the Financial Code that governs payday lending, there is an immediate need for the establishment of a real time information network that allows lenders to identify borrowers who have more than one account and/or more than one open loan at any given period.

Findings show that more than two thirds of borrowers have engaged in multiple site borrowing, which by their own account creates a situation where deferred deposit transaction activities no longer provide a solution to short term financial challenges, but becomes an additional factor in their monthly debt issues. Although most borrowers report turning to payday lenders as a one-time solution to an immediate financial need, most report that the establishment of a payday loan account opens the door to a repetitive cycle of borrowing that is difficult if not impossible to end.

Although all lenders report that they provide responsible borrowing information to their clients when loans are made, additional efforts to inform borrowers of long-term borrowing costs may be needed to assist in the prevention of payday loan abuse and industry losses associated with unpaid loans.<sup>2</sup>

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<sup>1</sup> Assembly Banking Analysis of AB 2156 (Reyes, Chapter 312, Statutes of 2004).

<sup>2</sup> <https://dfpi.ca.gov/wp-content/uploads/sites/337/2019/05/PDLStudy07.pdf>

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

None on file.

**Opposition**

None on file.

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