

Date of Hearing: April 15, 2021

ASSEMBLY COMMITTEE ON BANKING AND FINANCE
Timothy Grayson, Chair
AB 447 (Grayson) – As Introduced February 8, 2021

SUBJECT: California Consumer Financial Protection Law: annual report

SUMMARY: This bill requires the Department of Financial Protection and Innovation (DFPI) to report annually on the department’s activity under the California Consumer Financial Protection Law (CCFPL) related to the registration of newly covered persons, including the number of persons registered by year.

EXISTING LAW:

- 1) Pursuant to the CCFPL, authorizes DFPI to require covered persons to register with the department (Financial Code Section 90009).
- 2) Defines “covered person” as a person that engages in offering or providing a consumer financial product or service to a resident of this state and affiliates or service providers, as specified (Financial Code Section 90005(f)).
- 3) Requires DFPI to publish an annual report on the following activities of the department pursuant to the CCFPL (Financial Code Section 90018):
 - a) rulemaking, enforcement, oversight, consumer complaints and resolutions, education, and research.
 - b) the activities of the Financial Technology Innovation Office.

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

COMMENTS:

1) PURPOSE

According to the author:

Last year, the Legislature and the Governor expanded the responsibility of the Department of Financial Protection and Innovation (formerly, Department of Business Oversight) and enacted the California Consumer Financial Protection Law to better protect consumers and provide oversight of unlicensed providers of financial services. As DFPI implements the new law over the next several years, the Legislature must play an active role to ensure the law works as intended. One important piece of the CCFPL is providing authority to DFPI to register providers of consumer financial products and services that were previously unlicensed. This bill will ensure that the Legislature and the public receive information annually about the DFPI’s progress in registering these companies.

2) CCFPL IMPLEMENTATION

DFPI is the new name of the department previously known as the Department of Business Oversight (DBO). In 2020 the Governor proposed the name change and a budget enhancement beginning in Fiscal Year (FY) 2020-21, along with trailer bill language that expanded the department's oversight authority to include financial services companies that were previously not required to be licensed under laws administered by DBO. The department's additional budget resources will step-up over the next three fiscal years, resulting in a 15% increase in FY 2022-23 relative to FY 2019-20.

The additional budget resources are required for the department to implement the new CCFPL, AB 1864 (Limón), Chapter 157, Statutes of 2020. Pursuant to the CCFPL, the department will increase its activity in several areas, including:

- Oversight of unlicensed financial services companies, including the establishment of registration programs,
- Consumer research, outreach, education, and market monitoring, and
- Market research and outreach to emerging financial services companies through the Financial Technology Innovation Office.

One of the primary purposes of the CCFPL is to authorize DFPI to oversee providers of consumer financial products or services that are not licensed by the department. DFPI will conduct this oversight using a range of tools familiar to the department: reviewing applications for registration and investigating backgrounds of key officers of the applicant, examining books and records of the company on a routine or ad hoc basis, and bringing enforcement actions when consumer protection laws have been violated.

DFPI is in the early stages of implementing the CCFPL. During legislative hearings in 2020, the Commissioner testified that the first year of implementation would be focused on hiring key staff and the registration of newly covered persons would likely commence in FY 2022-23. According to the department's website, the department intends to file the proposed registration rulemaking package with the Office of Administrative Law by the end of 2021.

Registration activities will provide the department and the Legislature with better information about the population and nature of financial service providers operating in California. Registration activities are also important to the fiscal condition of the department, as the expanded budget is predicated on the department receiving annual registration fees. This bill will provide important information about DFPI's annual registration activity, helping the Legislature and the public track the department's progress.

REGISTERED SUPPORT / OPPOSITION:

Support

California Advocates for Nursing Home Reform

Opposition

None

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