



STATE OF CALIFORNIA

Department of Business Oversight

GOVERNOR **Gavin Newsom** • COMMISSIONER **Manuel P. Alvarez**

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Contact: Mark Leyes
(916) 576-4984

Stronger Financial Protections on the way for California Consumers

*Department of Business Oversight Prepares to Become
Department of Financial Protection and Innovation*

SACRAMENTO –With [Governor Gavin Newsom’s signing](#) of [AB 1864](#), the California’s Department of Business Oversight (DBO) expands its authority as a premier financial regulator and national model for consumer protection.

The DBO will be re-named the California Department of Financial Protection and Innovation. Under the new California Consumer Financial Protection Law (CCFPL) the department will have expanded enforcement powers to protect California consumers from pandemic-inspired scams, promote innovation, clarify regulatory hurdles for emerging products and increase education and outreach for vulnerable groups. Signed today, the sweeping changes enacted in AB 1864 will go into effect on Jan. 1, 2021.

“This is a landmark law to protect all Californians,” said Business, Consumer Services and Housing Agency Secretary Lourdes Castro Ramírez. “It is now even more important with the financial challenges faced by many individuals and households impacted by the economic losses caused by the COVID-19 pandemic and the recent wildfires. We are ready and committed to supporting the success of the Department of Financial Protection and Innovation as they expand their mission and oversight to protect our most vulnerable Californians.”

“We have already seen an increase in predatory financial lending and scams as the most vulnerable in our state try to weather the economic downturn induced by the COVID-19 pandemic,” DBO Commissioner Manuel P. Alvarez said. “This legislation will allow us to increase consumer protections without imposing undue burdens on honest and fair operators.

“In addition, it will help us cultivate financial innovation, and allow the department to track and regulate emerging financial products so we can serve consumers and licensees in a more meaningful and efficient way.”

The new law creates an Office of Financial Technology Innovation that will engage with new industries and consumer advocates to encourage consumer friendly innovation and job creation in California.

Starting January 1, 2021, the department will have new regulatory powers to protect consumers from unfair, deceptive or abusive practices committed by currently unlicensed financial services or products, including credit reporting bureaus and credit repair agencies.

The new authority will extend to financial services not currently subject to the department's regulatory oversight, including industries that currently exist unregulated in California or new products or services that may enter the market in the future.

A new Division of Consumer Financial Protection will also be established, featuring a market monitoring and research arm to keep up with emerging financial products. And consumer outreach to target vulnerable populations, such as students, new Californians, military servicemembers and senior citizens will be expanded.

The department's expansion includes 90 additional employees to be hired over three years to focus on the new activities, representing a 13 percent increase in staffing. The department will immediately begin the process of adding staff and meeting with stakeholders to engage in a public education campaign as it prepares for its expanded regulatory oversight.

AB 1864's lead author was Assemblywoman Monique Limón (D-Santa Barbara), who was instrumental in negotiating final details of the package that passed with the support of consumer advocates as well as many financial services providers. An Assembly Budget Committee measure, AB 107, will enact financial details of the plan and will immediately change the DBO's name to the Department of Financial Protection and Innovation once it is signed into law.

The DBO licenses and regulates financial services, including state-chartered banks and credit unions, money transmitters, securities broker-dealers, investment advisers, nonbank installment lenders, payday lenders, mortgage lenders and servicers, escrow companies, PACE (Property Assessed Clean Energy) program administrators, and franchisors.

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