



LOS ANGELES COUNTY

# CONSUMER & BUSINESS AFFAIRS

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September 17, 2021

Sandra Sandoval

Department of Financial Protection and Innovation

300 S. Spring Street, Suite 15513

Los Angeles, CA 90013

Vía email: [regulations@dfpi.ca.gov](mailto:regulations@dfpi.ca.gov)

**RE: Notice of Proposed Rulemaking Title 10. California Department of Financial Protection and Innovation – SUPPORT**

Dear Ms. Sandoval:

The County of Los Angeles (County) Department of Consumer and Business Affairs (DCBA) supports the Department of Financial Protection and Innovation's Notice of Proposed Rulemaking, which would amend Title 10 of the California Code of Regulations by implementing revisions to the Pilot Program for Increased Access to Responsible Small Dollar Loans (Pilot Program).

DCBA is in support of these revisions which would reflect the changes to California Law as a result of the adoption of both Senate Bill (SB) 235 and Assembly (AB) 237. SB 235, which authorizes a finder, defined as an entity that brings together a licensed lender and prospective borrower to negotiate a contract, to perform additional services on behalf of a lender. Additionally, AB 237, would also increase the upper dollar limit for a permissible Pilot Program loan from \$2,500 to \$7,500 and would require participating lenders to conduct reasonable background check on finders.

The anticipated benefits of this regulatory action are to encourage more lenders to participate in the Pilot Program and to increase Californians' access to small dollar loans specifically those communities that have historically experienced barriers accessing capital. These revisions are also in line with the California Financing Law (CFL) that governs loans made by finance lenders, protects borrowers against unfair practices by some lenders, ensures an adequate supply of credit to borrowers in California, and permits and encourages the development of fair and economically sound lending practices to combat the use of otherwise harmful high-cost financial products for consumers.

DCBA has long worked to address the complex challenges that impede the financial wellbeing of the County's most economically vulnerable communities. Products like payday loans, car title loans, and high-cost installment loans



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have greatly hindered our residents' ability to achieve greater economic security. These products often carry annual interest rates as high as 300 percent or more. However, in the absence of safer alternatives, consumers use their products when they are struggling to make ends meet or are faced with an unexpected expense.

The Los Angeles County Center for Financial Empowerment (Center) is housed within DCBA. The Center works with a broad range of financial and community partners to coordinate efforts to improve the economic stability and household wealth for low-moderate income County residents. The Center is engaged in high-cost lending advocacy efforts and leads the BankOn Los Angeles County program to bring more unbanked and underbanked consumers into the financial mainstream and avoid expensive or predatory lending. The proposed revisions align with our BankOn program's mission as they would increase consumer access to lower interest small dollar loans by encouraging CFL-licensed lenders to participate in the Pilot Program and help consumers build or rebuild their credit histories; both of which are critical to giving our local unbanked and underbanked residents the support and resources they need to improve their financial well-being. Consumers who are not banked are vulnerable to using expensive financial products offered by companies who operate outside of the traditional banking system. These high-cost products only further exacerbate their financial challenges.

DCBA fully supports the Notice of Proposed Rulemaking as we share a similar commitment. Our goal is to continue enhancing consumer protection, fostering the financial empowerment needs of our most vulnerable populations, and creating greater access to small dollar loans. Accomplishing these commitments will better serve vulnerable populations and provide consumers with the necessary tools for financial success.

County residents who were already vulnerable to financial shock and exploitation pre-pandemic are at an even greater risk now as the pandemic continues to disproportionately impact low-moderate income communities of color. High-cost lending will only fuel financial exclusion and place consumers into deeper debt. DCBA fully supports the Notice of Proposed Rulemaking to increase access to safe, affordable small dollar loans.

Sincerely,

A black rectangular redaction box covering the signature of Rafael Carbajal.

Rafael Carbajal  
Director