



STATE OF CALIFORNIA

**Department of Financial Protection and Innovation**

GOVERNOR **Gavin Newsom** • COMMISSIONER **Clothilde V. Hewlett**

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## **DFPI Marks Success in Implementation of the California Consumer Financial Protection Law**

SACRAMENTO – A year after implementing one of the most expansive consumer protection laws in the country, the Department of Financial Protection and Innovation (DFPI) announced it has collected close to \$1 million in restitution for consumers, fielded hundreds of additional complaints related to the law, and launched more than 100 investigations using its expanded authority under the California Consumer Financial Protection Law (CCFPL).

The Department also created several new divisions to expand oversight and outreach, including the Consumer Financial Protection Division, Office of Financial Technology Innovation, Office of the Ombuds, and a Targeted Outreach Team responsible for working with historically underserved communities that include veterans, senior citizens, students, and immigrants.

“The Department has made substantial progress in its first year to implement the new law, expand protection for consumers, and foster responsible financial innovation,” said Clothilde V. Hewlett, DFPI Commissioner. “We remain committed to accomplishing the goals of Governor Gavin Newsom and are grateful to all stakeholders, including the Legislature, consumer advocates, industry partners, small businesses, community-based organizations, and many others for their continued input and support.”

In 2020, the Legislature passed the CCFPL as AB 1864 (Limón). Identifying gaps in consumer protection due to strict definitions in existing licensing laws, this new law provided the DFPI with the appropriate authority to oversee areas of the financial marketplace previously unregulated by the DFPI, including debt collectors, credit repair and debt relief companies, private postsecondary student loan products, and financial tech services that include early wage access products. The Department has also begun licensing debt collectors.

The first change under the CCFPL was a new name for the Department which was formerly the Department of Business Oversight. Over the past twelve months, the Department has experienced many key successes under the CCFPL. These can be found in a statutory report that has been posted to the DFPI website: <https://dfpi.ca.gov/wp-content/uploads/sites/337/2022/03/DFPI-CCFPL-2021-annual-report.pdf>.

## Key takeaways from CCFPL Report:

### Enforcement

- During its first year with authority under the CCFPL, the DFPI proactively identified enforcement targets and opened 106 investigations that resulted in 49 public actions under the CCFPL.
- The DFPI investigations resulted in 49 public enforcement actions, \$975,000 in restitution to consumers, \$547,500 in penalties, and included several “first of its kind” actions for the DFPI in debt collection, student debt relief, earned wage access, and private post-secondary education financing.

### Regulatory Activities

- In 2021, the DFPI issued four invitations for comments to solicit stakeholder feedback on various aspects of implementation of the CCFPL. DFPI received 76 comment letters.
- As of the end of 2021, the DFPI had three pending regulation packages pursuant to the CCFPL: 1) complaint procedures, 2) commercial financing UDAAP, and 3) phase one registration categories.
- Proposed registration includes debt settlement services, student debt relief services, postsecondary education financing, and wage-based advances.

### Research and Market Monitoring

- In September 2021, the DFPI created a research team to help the DFPI identify emerging financial activities; scout for unlawful, unfair, deceptive, and abusive practices; and make policy recommendations based on consumer impact.
- The research team is evaluating DFPI’s consumer complaint data to identify broader market trends that may pose risks to consumers.

### Consumer Complaint Handling

- In 2021, the Consumer Services Office (CSO) received 638 complaints regarding products and services subject to the CCFPL.
- Complaints submitted under the new law, which covered debt collection activities in the first year, increased each quarter with a dramatic surge in the second half of the year when CCFPL complaints increased nearly 140 percent.
- The top categories of complaints included debt collection, cryptocurrency, and “neo banks,” financial technology, or “fintech” service providers, partnering with banks to offer deposit account services. The top complaints appear to have been driven by communications efforts to raise awareness about the DFPI’s expanded authority and mission.

### Office of Financial Technology and Innovation

- In 2021, the Office of Financial Technology and Innovation (OFTI) met with dozens of companies, venture capitalists, lawyers, industry advocacy groups, federal and state financial regulators, consumer advocacy groups, and academics to better understand stakeholder perspectives on what constitutes responsible innovation in financial services.

- OFTI participated in more than a dozen public events to publicize OFTI's activities and extend the invitation to meet. The Office held weekly office hours, open to all who registered.

### **Communications and Outreach**

- In 2021, the DFPI held three roundtables with community groups, dozens of external stakeholder meetings, presented on the topic at several events and conferences, and participated in dozens of media interviews to raise awareness about the Department's expanded authority and work.
- A communications vendor selected to run a statewide communications campaign conducted four multilingual focus group discussions and launched its campaign March 2022 with radio, print, digital, social media, and outdoor advertisements.
- The Targeted Outreach Team participated in 141 events in 2021 with an estimated total attendance of more than 9,700 and distributed more than 96,400 pieces of promotional and educational materials.

The DFPI licenses and regulates state-chartered banks and credit unions, commodities and investment advisers, money transmitters, the offer and sale of securities and franchises, broker-dealers, nonbank installment lenders, payday lenders, mortgage lenders and servicers, escrow companies, Property Assessed Clean Energy (PACE) program administrators, debt collectors, credit repair and consumer credit reporting agencies, debt-relief companies, certain rent-to-own providers, and more.

For more information about the DFPI, visit their website at <https://dfpi.ca.gov/>.

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