SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2025-2026 Regular Session

SB 825 (Limón)
Version: March 24, 2025
Hearing Date: April 22, 2025
Fiscal: Yes
Urgency: No
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SUBJECT

Consumers: financial protection

DIGEST

This bill authorizes the Department of Financial Protection and Innovation (DFPI) to enforce prohibitions against unlawful, unfair, deceptive, or abusive acts or practices (UDAAP) against specified entities acting under the authority of certain licenses, certificates, or charters issued by DFPI.

EXECUTIVE SUMMARY

The federal Consumer Financial Protection Bureau (CFPB) was created in 2011 in the aftermath of a global financial crisis in order to police the consumer finance sector. Despite attacks since its inception, the CFPB has reported over $4 billion in penalties against those that have violated the law and put over $17 billion back into American consumers' pockets. On February 7, 2025, Elon Musk, a special government employee in the Trump Administration, tweeted: "CFPB RIP."

Over the past few months, the CFPB has been under a new level of attack with its offices shuttered and all 1,700 of its employees sent home. While various legal challenges have kept it on life support, the damage is already devastating as a backlog of consumer complaints piles up and predatory practices go unchecked.

With the federal government retreating from its role in protecting consumers, this bill expands the authority of DFPI to allow it to enforce the California Consumer Financial Protection Law's (CCFPL) prohibition on UDAAP against its licensees rather than to rely on federal cooperation and enforcement. The bill is sponsored by the California Low-Income Consumer Coalition and the Consumer Federation of California. It is supported by the National Consumer Law Center. It is opposed by a coalition of financial industry associations, including the American Financial Services Association and the California Mortgage Bankers Association. This bill passed out of the Senate Banking and Financial Institutions Committee on a 5-2 vote.

PROPOSED CHANGES TO THE LAW

Existing law:

1) Establishes DFPI as the state agency responsible for licensing, regulating, and supervising a range of financial services companies that provide products or services to California consumers. (Fin. Code § 300 et seq.)

2) Establishes the CCFPL, which authorizes the DFPI to regulate the offering and provision of consumer financial products or services under California financial laws. (Fin. Code § 90000 et seq.)

3) Authorizes DFPI to bring administrative and civil actions in carrying out its duties under the CCFPL and to seek the following relief:
   a) Rescission or reformation of contracts.
   b) Refund of moneys or return of real property.
   c) Restitution.
   d) Disgorgement or compensation for unjust enrichment, with any disgorged amounts returned to the affected consumers, to the extent practicable.
   e) Payment of damages or other monetary relief.
   f) Public notification regarding the violation, including related costs.
   g) Limits on the activities or functions of the person.
   h) Monetary penalties, as set forth. (Fin. Code §§ 90006, 90012.)

4) Prohibits, pursuant to the CCFPL, covered persons and service providers from the following:
   a) Offering or providing to a consumer any financial product or service not in conformity with any consumer financial law or otherwise committing any act or omission in violation of a consumer financial law.
   b) Engaging in UDAAPs with respect to consumer financial products and services. (Fin. Code § 90003.)

5) Exempts specified entities from the scope of the CCFPL, including:
   a) Licensees of state agencies other than DFPI to the extent that such entities are acting under the authority of the other state agency's license.
   b) Specified categories of licensees of DFPI, including, but not limited to, banks, credit unions, residential mortgage lenders, finance lenders, and money transmitters.
   c) Banks, credit unions, and other financial institutions acting under the authority of a license, certificate, or charter under federal law or the laws of another state. (Fin. Code § 90002.)

This bill authorizes DFPI to enforce the prohibition against UDAAPs against specified entities it licenses.

COMMENTS

1. Calling in the cavalry (DFPI)

AB 1864 (Limón, Ch. 157, Stats. 2020) created the CCFPL with the purpose to promote consumer welfare, fair competition and wealth creation in the state:

> The California Consumer Financial Protection Law (CCFPL) expanded [DFPI's] oversight to better protect consumers, keep up with emerging financial innovation, and spur responsible job growth. For the first time in its history, the DFPI can oversee providers of certain financial products and services previously unregulated by the Department, such as debt-relief companies, credit reporting agencies, consumer credit repair companies and others.[1]

The law authorizes DFPI to regulate the offering and provision of consumer financial products or services under California financial laws. DFPI is authorized to bring civil and administrative enforcement actions against any covered persons or service providers who violate the CCFPL's prohibition on engaging in unlawful, unfair, deceptive or abusive practices (UDAAP) with respect to consumer financial products and services. DFPI may seek a host of remedies including rescission or reformation of contracts, restitution and disgorgement, and the payment of damages and monetary penalties.

However, the CCFPL exempts specified entities from its scope. This includes specified categories of licensees of DFPI, including, but not limited to, mortgage loan originators, finance lenders, and investment advisors.

In order to fill the gap created by the gutting of the CFPB, this bill authorizes DFPI to enforce the prohibition against UDAAPs against those specified entities it licenses.

According to the author:

> With recent changes to the Consumer Financial Protection Bureau, the sole federal agency tasked with enforcement of consumer financial protection laws, consumers will be left with less protections and fewer resources to help them navigate the financial marketplace. SB 825 authorizes DFPI to enforce state consumer financial protection laws over entities they currently regulate, including state banks, state credit unions, independent mortgage companies, nonbank lenders, and payment service providers.

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[1] *California Consumer Financial Protection Law*, DFPI, https://dfpi.ca.gov/rules-enforcement/laws-and-regulations/california-consumer-financial-protection-law/. All internet citations are current as of April 12, 2025.

The dismantling and weakening of the CFPB by the federal government poses significant threats to consumer financial protection, leaving individuals more vulnerable to predatory practices and financial exploitation. The rollback has led to fewer investigations and penalties against financial institutions engaging in deceptive or abusive practices. This decrease in oversight emboldens bad actors and limits consumer recourse. Earlier this month, the U.S. House of Representatives overturned CFPB rules setting caps on overdraft fees and expanding the CFPB's oversight of the digital payments ecosystem.[2]

As federal protections diminish, states are the next line of defense and must fill the regulatory void. This bill empowers stronger state-level enforcement providing DFPI with a larger role in monitoring and prosecuting unfair financial practices. This ensures accountability even when federal oversight is lax.

2. Stakeholder positions

The sponsors of this bill, the Consumer Federation of California and the California Low-Income Consumer Coalition, make the case:

> With recent changes to the CFPB, California consumers will be left with fewer protections against bad actors. Since the passage of AB 1864 (Limón) in 2020, which created the California Consumer Financial Protection Law (CCFPL), DFPI has investigated predatory businesses, overseen and registered financial service providers, and offered public outreach and education to millions of Californians. California has the opportunity to strengthen state laws that hold financial institutions accountable and provide remedies for consumers harmed by unfair, deceptive, and abusive acts or practices.
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> SB 825 authorizes DFPI to additionally enforce state consumer financial protection laws such as the CCFPL over entities they currently regulate, including state-chartered banks, state-chartered credit unions, independent mortgage companies, nonbank lenders, and payment service providers. Without a federal agency adequately regulating and enforcing consumer protection laws, bad actors will have increased opportunities to engage in unfair, deceptive and illegal financial acts and practices. Now more than ever, California must rise to the occasion to ensure the protection of millions of consumers.

[2] *House Passes Two CRAs to Roll Back Biden-era Rules* (April 9, 2025) U.S. House Committee on Financial Services, https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=409695.

Writing in opposition, a coalition of organizations, including the California Bankers Association and the California Credit Union League, argue:

> SB 825 upends the compromise reached in 2020 that resulted in passage of the California Consumer Financial Protection Law. We believe now, as we did then, that expanding the DFPI's authority to enforce UDAAP claims is unnecessary and redundant of both the existing authority of the Attorney General and the Department's own enforcement powers with respect to its licensees. The Department has existing authority alone, or in concert with the Attorney General, to discipline licensees for unfair practices. Further, this new authority will necessarily stretch limited Department resources and compound its current fiscal challenges - again with no clear showing as to why existing state enforcement powers are inadequate.

A coalition of groups representing for-profit financing companies, advocates and small business owners, including Small Business Majority, write in support:

> SB 825 is especially important for California's smallest businesses and microentrepreneurs, typically operating in communities where traditional banks and financial institutions fail to meet their needs. Many very small businesses are women- and BIPOC-owned and frequently rely on nonbank financial services to start and grow a venture. When left unregulated, these alternative providers can engage in deceptive lending or predatory practices that put entrepreneurs at risk of financial ruin. Strengthening DFPI's enforcement authority ensures a fairer, more transparent financial marketplace. In doing so, SB 825 helps safeguard economic opportunity in under-resourced communities and supports the resilience of California's local economies.

SUPPORT

California Low-income Consumer Coalition (sponsor)
Consumer Federation of California (sponsor)
CAMEO Network
Center for Responsible Lending
National Consumer Law Center
Office of Kat Taylor
Responsible Business Lending Coalition
Small Business Majority

OPPOSITION

American Financial Services Association
California Bankers Association
California Credit Union League

California Community Banking Network
California Financial Services Association
California Mortgage Association
California Mortgage Bankers Association

RELATED LEGISLATION

Pending Legislation:

SB 362 (Grayson, 2025) strengthens requirements related to pricing disclosures for commercial financing transactions and clarifies the enforcement authority provided to the Department of Financial Protection and Innovation for violations of the requirements. SB 362 is being heard in this Committee the same day as this bill.

SB 728 (Padilla, 2025) provides a registration program under the CCFPL for persons offering commercial financing or commercial financing brokerage services to California residents. SB 728 is being heard in this Committee the same day as this bill.

Prior Legislation: AB 1864 (Limón, Ch. 157, Stats. 2020) *See* Comment 1.

PRIOR VOTES:

Senate Banking and Financial Institutions Committee (Ayes 5, Noes 2)

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