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AJR-48 Consumer Financial Protection Bureau. (2017-2018)

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Assembly Joint Resolution No. 48

CHAPTER 199

Relative to consumer loans.

[Filed with Secretary of State September 05, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

AJR 48, Limón. Consumer Financial Protection Bureau.

This measure would urge the President and the Congress of the United States to maintain the integrity of the Consumer Financial Protection Bureau to carry out its duties as intended to effectively protect consumers from abusive financial products and practices.

Fiscal Committee: no

WHEREAS, The Consumer Financial Protection Bureau (CFPB) was created under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) to enforce federal consumer financial laws and protect consumers in the financial marketplace; and

WHEREAS, The CFPB is the only independent federal regulatory agency with jurisdiction over banks, credit unions, and other nonbank financial entities and is charged with protecting consumers from abusive financial practices -- enforcement actions by the agency have returned nearly \$12.4 billion to over 31 million consumers harmed by unfair and discriminatory financial practices; and

WHEREAS, The CFPB serves economically vulnerable consumers, such as active duty servicemembers, seniors, women, students, military veterans, those with low incomes, and individuals experiencing disabilities; and

WHEREAS, The CFPB processed and handled over 291,400 consumer complaints in 2016 and has processed and handled over one million complaints in the five years since it was established in law, holding financial institutions and debt collectors accountable, strengthening mortgage protections for homebuyers, bringing financial services transparency to consumers, and disseminating financial education information through libraries, financial literacy classes, and community organizations; and

WHEREAS, The CFPB was borne out of the home mortgage crisis and works to protect consumers and stop corrupt lending practices, having levied fines against banks and other lending institutions in the billions of dollars and returning millions of these dollars to thousands of wronged borrowers nationwide; and

WHEREAS, The CFPB has received over 144,719 complaints from California residents regarding issues including, but not limited to, student loans, payday loans, debt collection, mortgage payments, credit card scams; and

WHEREAS, According to a 2017 report on financial services abuse complaints from military service members, in California, 6,564 men and women filed such complaints -- approximately 12.6 complaints per 100,000 residents -- ranking California 22nd in overall complaints per capita; and

WHEREAS, Through CFPB enforcement actions, California received a \$3.6 million settlement from Wells Fargo for fraudulent practices that specifically targeted low-income and minority California residents; and

WHEREAS, Nearly half of American households lack the savings to weather a \$400 emergency, such as an unexpected medical expense, frequently forcing these vulnerable Americans to borrow from financial and nonfinancial institutions that sometimes act in unfair, deceptive, or predatory ways, trapping borrowers in long-term debt cycles, subjecting them to excessive overdraft fees, ruining their credit, and preventing them from saving for the future; and

WHEREAS, In fact, 12 million consumers take out payday loans each year, and Americans carry over \$4 trillion in nonmortgage debt including a growing figure of \$1.4 trillion in student loan debt -- about 3.6 million Americans are in delinquency with their student loans, more than one in four; and

WHEREAS, Payday loans carry costs, on average, of 391% annual interest and cycle borrowers through a debt trap whereby borrowers cannot repay their original loan and are forced to repeatedly reborrow and take out additional payday loans; and

WHEREAS, Payday and car title lenders annually collect over \$8 billion in penalties and fees from borrowers who earn less than \$25,000 a year; and

WHEREAS, Californians pay over \$747 million annually in fees related to payday and car title loans; and

WHEREAS, Payday and car title loans often leave borrowers with a cascade of financial consequences such as bank penalty fees, delinquency on other bills, bank account closures, and lenders seizing personal property; and

WHEREAS, The CFPB is working to address predatory practices in the payday lending industry, including issuing enforcement actions against illegal practices like robo-signing and establishing protections for consumers by requiring lenders to determine ability to repay upfront; and

WHEREAS, The CFPB is addressing the student loan debt crisis by working to resolve complaints against student loan servicers, researching and reporting on gaps in the federal student loan program, and cracking down on predatory for-profit colleges that offer high-cost loans and mislead students about career placement opportunities; and

WHEREAS, Debt collectors often use aggressive tactics to collect debts, including attempting to collect debts not owed or already paid, making harassing and threatening phone calls, and filing wrongful lawsuits; and

WHEREAS, Debt collectors often have inaccurate information about the debts they are collecting and the individuals who allegedly owe the debts -- the top complaint by consumers to the CFPB is being pursued for debts not owed; and

WHEREAS, In its first five years of existence, the CFPB returned over \$300 million to consumers who were victims of illegal and abusive debt collection practices; and

WHEREAS, The CFPB has taken legal action against mortgage companies for wrongly foreclosing on consumers' homes and more than 49 million households benefit from the agency's mortgage servicing protections; and

WHEREAS, The CFPB works closely with many California state and local government agencies and departments as well as consumer groups and financial institutions nationwide to provide education and outreach services, adopt and clarify regulations through an open and well-documented rulemaking process, and jointly pursue enforcement actions against those involved in unfair and abusive financial practices that hurt California consumers and businesses; now, therefore, be it

Resolved by the Assembly and the Senate of the State of California, jointly, That the Legislature strongly supports the meaningful work of the CFPB to adopt rules that protect consumers, especially economically vulnerable populations from unfair, predatory, and discriminatory lending practices; regulate for-profit higher education institutions and student loan servicers in order to protect students and taxpayers; and issue regulations that bring needed reforms to abusive debt collection practices to ensure people are not pursued for debt they do not owe; and be it further

Resolved, That the Legislature demands a strong CFPB, with a mission that is consumer-centered, that operates with a single director, who must have deep experience in consumer protections and holding corporations accountable, and a funding stream independent from the congressional appropriations process, in order to ensure that it has the ability to most effectively protect consumers from abusive financial products and practices in all forms, and it must be accountable to all stakeholders, including through a community advisory board that represents the voice of working people; and be it further

Resolved, That the Legislature urges the President and the Congress of the United States to maintain the integrity of the CFPB to carry out its duties as intended -- to promote the financial stability of the United States by improving accountability and transparency in the financial system and protect all consumers from abusive financial services practices; and be it further

Resolved, That the Chief Clerk of the Assembly transmit copies of this resolution to the President and Vice President of the United States, the Speaker of the House of Representatives, the Majority Leader of the House of Representatives, the Minority Leader of the House of Representatives, the Majority Leader of the United States Senate, the Minority Leader of the United States Senate, and to each Senator and Representative from California in the Congress of the United States.